



## Doing Business in Saudi Arabia: 2014

### Country Commercial Guide for U.S. Companies

**INTERNATIONAL COPYRIGHT, U.S. & FOREIGN COMMERCIAL SERVICE AND U.S. DEPARTMENT OF STATE, 2010. ALL RIGHTS RESERVED OUTSIDE OF THE UNITED STATES.**

- Chapter 1: Doing Business In Saudi Arabia ...
- Chapter 2: Political and Economic Environment
- Chapter 3: Selling U.S. Products and Services
- Chapter 4: Leading Sectors for U.S. Export and Investment
- Chapter 5: Trade Regulations, Customs and Standards
- Chapter 6: Investment Climate
- Chapter 7: Trade and Project Financing
- Chapter 8: Business Travel
- Chapter 9: Contacts, Market Research and Trade Events
- Chapter 10: Guide to Our Services

[Return to table of contents](#)

## Chapter 1: Doing Business In Saudi Arabia

[Market Overview](#)  
[Market Challenges](#)  
[Market Opportunities](#)  
[Market Entry Strategy](#)

### Market Overview

[Return to top](#)

#### Market:

The Kingdom of Saudi Arabia is the only country in the Middle East region that is a member of the G-20 group of major economies. Saudi Arabia is the 9<sup>th</sup> largest trading partner of the United States with bilateral trade of \$71 billion in 2013 and also the 19<sup>th</sup> largest destination for U.S. exports. In 2013, U.S. exports to Saudi Arabia exceeded \$19 billion, an increase of 6 percent from 2012. The Saudi economy—the largest in the Middle East and North Africa region—has been growing at a robust pace. The private sector has been the key driver behind the stronger non-oil sector growth, with an annual growth rate close to seven percent since 2000. The private sector is expected to continue to be a driver of non-oil growth. The country has benefitted enormously from oil and gas reserves that have generated vast financial liquidity in the six years between 2006 and 2013. As a result, there are currently \$960 billion worth of projects planned or under way in Saudi Arabia. Of these, more than \$700 billion are megaprojects, or large master planned developments of more than \$1 billion, making Saudi Arabia the biggest opportunity in the region for businesses involved in the infrastructure and construction sectors. The revenues from hydrocarbon resources are expected to be sufficient to support planned development spending and support private sector growth. The Kingdom's budget of \$228 billion for 2014 still represents an all-time high for the Kingdom. Most of the public funds are earmarked for social projects and improving infrastructure. Nearly \$142 billion will be spent on infrastructure related projects. The majority of these projects will focus on municipal services, transportation, telecommunications, water, agriculture, and other pertinent infrastructure related projects. A key investment objective in Saudi Arabia is in the area of education and training. The Kingdom has allocated \$54 billion in the budget for education and training. Education accounts for 24% of the overall budget.

#### Economy:

Saudi Arabia's economy continues to expand at a healthy pace, with real GDP growth of 3.8% for CY2013, and inflation at 3.4% at the end of 2013. Oil revenues through Saudi Aramco accounted for 85% of the Saudi Arabian government's (SAG's) current account receipts, and approximately 86% of total export revenue in 2013. Despite overspending its budget by 12.8%, the Kingdom enjoyed a fiscal surplus of 7.4% of GDP in 2013. The Kingdom holds foreign-exchange reserves estimated at around \$730 billion and is one of the least indebted countries in the world.

The Saudi Arabian Government's (SAG) budget continues to exhibit high spending on infrastructure and social programs. For 2014, the SAG has forecast outlays of SAR 855 billion, which reflects a 4% increase vis-à-vis the previous year. Public spending and improving the investment climate continues to be an important part of the SAG's broader program to liberalize the country's trade and investment

regime, diversify an economy overly dependent on oil, and promote employment for a young and growing population. The government encourages investment in transportation, education, health, information and communications technology, life sciences, and energy; as well as in four "Economic Cities" that are at various stages of development. The Economic Cities are to be new, comprehensive developments in different regions focusing on particular industries. For the longer term, Saudi Arabia seeks to also develop into a regional hub in the life sciences, food processing, and automotive manufacturing industry sectors.

## Market Challenges

[Return to top](#)

**Inflation:** Saudi inflation dropped to 2.6 year-on-year in March 2014. However, as Saudization and increased local labor expense added with possible subsidy reform inflation could move higher.

**Commercial Disputes Settlements:** The enforcement of foreign arbitration awards for private sector disputes has yet to be upheld in practice. Furthermore, government agencies are not allowed to agree to international arbitration without approval from the Council of Ministers, which is rarely granted.

**Business Visas:** All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. On the positive side, in May 2008, the United States and Saudi Arabia signed an agreement to grant reciprocal 5-year, multiple-entry visas for business travelers. This agreement represents a significant step forward in the visa process.

**Intellectual Property Protection:** Intellectual property protection has steadily increased in the Kingdom. Over the last seven years, Saudi Arabia has comprehensively revised its laws covering intellectual property rights to bring them in line with the WTO agreement on Trade- Related Aspects of Intellectual Property Rights (TRIPs). The Saudi Government undertook the revisions as part of Saudi Arabia's accession to the WTO, and promulgated them in coordination with the World Intellectual Property Organization (WIPO). The Saudi Government updated its Trademark Law (2002), Copyright Law (2003), and Patent Law (2004), with the dual goals of TRIPs-compliance and effective deterrence against violators. In 2008 the Violations Review Committee created a website and has populated it with information on current cases. The patent office continues to build its capacity through training, has streamlined its procedures, hired more staff, and reduced its backlog.

In September 2009, the King approved a mechanism to protect Exclusive Marketing Rights (EMR) for certain pharmaceutical products which lost patent protection when Saudi Arabia transitioned to a new TRIPs-compliant patent law in 2004. The Saudi Ministerial Council in December 2009 approved the Kingdom's accession to both the Intellectual Property Owners Association Patent Cooperation Treaty (PCT) and its Implementing Regulations and the Patent Law Treaty (PLT) adopted by the Diplomatic Conference in Geneva on June 1, 2000. The Council of Ministers issued a resolution on 23/11/1428H (December 3, 2007) approving the Law of Trademarks for GCC countries.

**Counterfeiting:** Although anti-counterfeiting laws exist, manufacturers of consumer products and automobile spare parts are particularly concerned about the availability of counterfeit products in Saudi Arabia. The Saudi Government remains committed to stopping counterfeit products from entering into the country.

**Standards and labeling:** As part of the GCC Customs Union, the six Member States are working toward unifying their standards and conformity assessment systems. However, each Member State

continues to apply its own standard or a GCC standard. The Government of Saudi Arabia mandates that a Certificate of Conformity must accompany all consumer goods exported to Saudi Arabia. Labeling and marking requirements are compulsory for any products exported to Saudi Arabia. Industrial standards and conformity assessment remains the most significant trade issue affecting U.S. manufacturers.

**Travel Advisories:** Americans visiting Saudi Arabia are advised to check the U.S. State Department's website at <http://travel.state.gov> for the latest information on travel to Saudi Arabia.

## Market Opportunities

[Return to top](#)

Saudi Arabia, the construction leader in the Gulf area, has budgeted US\$385 billion on roads, airports and energy projects for the five-year period from 2010 to 2014. The government continues to make significant investments in construction. Major rail and airport expansion projects are also under way.

Saudi Arabia has the largest IT market in the Gulf region, project at approximately USD4.6 billion. Particularly important growth sectors would be in the areas of cyber security, smart grid, and command/control of major infrastructure utilizing geospatial IT systems..

Saudi Arabia's ambitious rail plans are fuelling activity in the infrastructure sector, with USD 30 billion worth of contracts under way or at the bidding stage. Major projects include the North-South railway, the Saudi Land Bridge, and the Mecca-Medina railway. In addition to both light rail and heavy rail, Saudi Arabia also seeks to expand intermodal connectivity of various transportation modes including maritime shipping, buses, rail, and air travel (airport expansion).

Saudi Arabia is the third largest consumer of water *per capita* in the world, but has limited groundwater to tap. Desalination forms the backbone of the government's water strategy. The Saudi government has committed USD 6bn a year to bolstering the water sector over the next two decades.

The state-owned utility Saudi Electricity Company (SEC) intends to invest USD 70 billion by 2018 to add 22MW to the nation's power-generating capacity in order to meet the growing demand from a rapidly increasing population. SEC's goal is to reach a power- generation capacity of 65,000 MW by the end of the year 2018.

Over the long term, Saudi Arabia is expanding minerals mining and diversification of downstream petrochemicals in order to develop a strong manufacturing base for whole automobiles, electronics, and life science technologies. The purpose of which is to create highly technical and highly paid jobs for Saudi nationals

## Market Entry Strategy

[Return to top](#)

Although American exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, we strongly recommend that all new-to-market U.S. companies consider partnering with a local company. For complete information and regulations on registering a business in Saudi Arabia, please visit the Saudi Arabia Government Investment Agency (SAGIA) at <http://www.sagia.gov.sa/>

Although the Saudi Government encourages foreign investment, a U.S. firm is strongly encouraged to seek in-country legal counsel on the best approach. The U.S. Commercial Service can assist by providing a list of local attorneys, which may be associated with American law firms.

The U.S. Department of Commerce in Saudi Arabia assists U.S. exporters and service companies to identify market opportunity, business partners, and are regularly advocating greater transparency in commercial matters relating to industry standards, commercial rule of law, and public procurement.

[Return to table of contents](#)

[Return to table of contents](#)

## **Chapter 2: Political and Economic Environment**

For background information on the political and economic environment of the country, please click on the link below to the U.S. Department of State Background Notes.

<http://www.state.gov/r/pa/ei/bgn/3584.htm>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 3: Selling U.S. Products and Services

[Using an Agent or Distributor](#)  
[Establishing an Office](#)  
[Franchising](#)  
[Direct Marketing](#)  
[Joint Ventures/Licensing](#)  
[Selling to the Government](#)  
[Distribution and Sales Channels](#)  
[Selling Factors/Techniques](#)  
[Electronic Commerce](#)  
[Trade Promotion and Advertising](#)  
[Pricing](#)  
[Sales Service/Customer Support](#)  
[Protecting Your Intellectual Property](#)  
[Due Diligence](#)  
[Local Professional Services](#)  
[Web Resources](#)

### Using an Agent or Distributor

[Return to top](#)

American exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, but commercial regulations restrict importing for resale and direct commercial marketing within the Kingdom to Saudi nationals, wholly Saudi-owned companies, and Saudi-foreign partnerships where the foreign partner holds 25% equity. Nationals from the [Gulf Cooperation Council \(GCC\)](#) countries, which include Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and the UAE, are also allowed to engage in trading and retail activities, including real estate. Agent/distributor relations are governed by the Commercial Agency Regulations of the Kingdom of Saudi Arabia that is administered by the Ministry of Commerce and Industry. Saudi business people cannot act as commercial agents unless their names are entered into the Register maintained by the Ministry of Commerce and Industry.

In July 2001, the Council of Ministers cancelled a decree compelling foreign companies with government contracts to appoint a Saudi service agent. The old decree also specified a maximum commission of 5%. Some government contracts, however, still require a minimum participation by a Saudi entity. In addition, government contracts typically include a clause requiring training programs for Saudis. Even though it is no longer legally required, we recommend that U.S. companies seeking to do business with Saudi government agencies appoint a Saudi service agent. The sales commission paid to the Saudi service agent is justified by the relatively quick and easy access to the appropriate government decision-maker. The [U.S. Commercial Service in Saudi Arabia](#) can help U.S. companies find a reputable Saudi account executive (service agent).

Sales commissions are entirely negotiable between the U.S. party and the Saudi agent or distributor, but typically range from 3 to 10 percent, depending on the product or service and the duties required of the service agent. Whether or not sales commissions are to be paid, and the percentage thereof, should carefully be spelled out in any agency or distribution contract.

Terminating an agent/distributor agreement can be difficult even though Saudi policy has changed to permit registration of a new agreement over the objections of the existing distributor. While most prospective Saudi agents and/or distributors generally prefer exclusive agency contracts, these are by no means required. Given the close-knit nature of business circles in Saudi Arabia, replacing an agent or distributor could damage a U.S. firm's reputation if not handled sensitively.

A U.S. company should at all costs avoid being viewed as lacking adequate commitment to its Saudi business relationships. Saudi agents may request “parting compensation” in the event the foreign exporter decides to dissolve a business relationship. Since this is a common practice in this market, U.S. companies should address this eventuality prior to executing a contract.

U.S. firms interested in the Saudi market are cautioned against trying to use lists of importers for “cold calls” on prospective agents. Saudis prefer to do business with someone only when they have been properly introduced and have met face-to-face. To help dispel reluctance on the Saudi side, an introduction by a “go-between” typically serves to vouch for the reliability of both parties. The U.S. Commercial Service in Saudi Arabia performs just this sort of introduction for U.S. companies as part of its “[Gold Key](#)” matching service (available to U.S. companies *exclusively*). Other appropriate third parties for such introductions include other Saudi firms, U.S. companies that have successfully done business in Saudi Arabia, banks, trade associations, and chambers of commerce.

The Saudi legal system, known as *Shari’a*, is based on the Koran and Hadith and differs considerably from U.S. practice. The Saudi Government has earmarked nearly \$2 billion to overhaul its judicial system and court facilities in an effort to streamline the legal process. Royal Decree M/78 dated October 1, 2007, approved the Charter of the Judiciary System and the Charter of the Board of Grievances, and implemented relevant mechanisms.

American firms contemplating an agency or distribution agreement are strongly urged to consult with a local attorney and have a legally binding contract drawn up, setting forth in detail the rights and obligations of all parties, how and when sales commissions are to be paid, and how and in what venue any disputes are to be settled. A list of local law firms is available on the website of the [U.S. Embassy in Riyadh](#), Saudi Arabia.

**The U.S. Commercial Service**, through its domestic U.S. Export Assistance Centers and overseas offices in Embassies and Consulates, offers a variety of services to assist American firms in selecting a reputable and qualified representative. In Saudi Arabia, the [U.S. Commercial Service](#) maintains offices in the capital, Riyadh, and in the regional business centers of Jeddah and Dhahran. CS Saudi Arabia’s [Gold Key Matching Service](#) is a personalized and targeted matchmaking service that combines an orientation briefing, a profile of each Saudi prospect, interpreter services for meetings, a Commercial Specialist from the Embassy to escort you to your meetings, and assistance in developing follow-up strategies. The [International Company Profile](#) provides background information on potential partners. These services are available to U.S. companies exclusively.

## Establishing an Office

[Return to top](#)

The procedures to establish an office in Saudi Arabia differ according to the type of business undertaken. The most common and direct method is simply to appoint an agent/distributor who can set up the office under its own commercial registry. The agent/distributor agreement should be registered with the [Ministry of Commerce & Industry](#). The Commercial Agency regulations govern the agent/distributor agreement.

**Technical and Scientific Service Office:** The office requires a license from the Ministry of Commerce and Industry. This approach preserves the independence and identity of the foreign company and provides for more leeway in managing and marketing the company’s products or services. Technical and scientific service offices are not allowed to engage directly or indirectly in commercial activities, but they may provide technical and advisory support to Saudi distributors, as well as conduct market surveys and product research.



**Branch Office:** Saudi Arabia's [Foreign Investment Law](#) allows international companies the possibility of 100% ownership of projects and property required for the project itself, while enabling them to retain the same incentives given to national companies. A branch office involves a more direct presence than a commercial agent. Branch offices are largely restricted to an administrative role and may not engage in trading activities. Nevertheless, a branch office can be very useful as a liaison presence for a U.S. company. A branch office offers the benefits of a physical presence without the formal requirements of a joint venture company. An U.S. company can open an independent branch office without a Saudi partner. Its parent company must accept full responsibility for all work undertaken by the branch office in Saudi Arabia.

**Independent Office:** To establish an office in Saudi Arabia, a foreign company needs to submit to related Saudi authorities a copy of its articles of association as incorporated in the country of origin, a copy of its commercial registration, a written approval by the board of directors of the company, its chief executive officer/president or a similar entity related to their decision to open a subsidiary office stating the name of the city and the name of the subsidiary's manager. All aforementioned documents are to be attested as required. The authorization to the applicant has to be attested by the Saudi Embassy in Washington, D.C.

**Liaison Office:** A liaison office is normally granted only for companies that have multiple contracts with the Government and require a local office to oversee contract implementation. Representative offices are not allowed to engage in direct or indirect commercial activity in the Kingdom. Founding a business establishment requires a license from the Ministry of Commerce and Industry.

**Joint Venture:** A company can establish a joint venture with a Saudi firm. Usually, the Saudi business community refers to limited liability partnerships as joint ventures. These partnerships must be also registered with the Ministry of Commerce and Industry and the partners' liabilities are limited to the extent of their investment in the partnership.

Finally, foreign companies can get a license from the [Saudi Arabian General Investment Authority \(SAGIA\)](#) to set up an industrial or a non-industrial project in Saudi Arabia. SAGIA will license projects under the new Foreign Investment Act, which allows for 100% foreign ownership. In addition, foreign investors can open a sales/administration/ marketing office to complement their industrial or non-industrial project. SAGIA has a broad mandate on all matters relating to foreign investments in industry, services, agriculture, and contracting.

The Companies Law is the principal body of legislation governing companies. Saudi company law recognizes eight forms of companies. The most common forms are limited- liability companies (LLC), joint stock companies, general partnerships and limited partnerships. The less common company forms are partnerships limited by shares and joint ventures. Apart from the above, *Shari'a* law specifies a number of other types of companies, which cannot, however, be used by foreign investors. In practice, foreign companies usually establish LLCs. Partnerships and joint stock companies are only established in exceptional cases.

LLCs are a popular corporate vehicle among foreign investors in Saudi Arabia because they are simple to establish and administer and the personal liability of each of the partners is limited to the individual partner's contribution to the company's share capital.

Costs of doing business in Saudi Arabia are substantially lower than those in the West. Commercial and industrial rents average is \$5.33 to \$26.67 per square meter per year. The rate is much lower in industrial cities, where it is at \$0.021 per square meter per year. Rentals for residential

accommodation can vary immensely depending on location and quality of housing. With respect to utilities, electricity costs are at \$0.027 per kWh for industrial use. Water costs range from \$0.027 to \$1.6 per cubic meter depending on the number of bands. Employee costs vary based on the employee's status, position, and relevant experience.

## Franchising

[Return to top](#)

Franchising is an increasingly popular approach to establish consumer-oriented businesses in Saudi Arabia. Although the franchise market is small compared to that in the United States, it is rapidly expanding in a variety of business sectors. According to a local study, the Saudi franchise market is expected to grow an average of 10-12% annually over the next three years. The same study projects the value of paid fees and royalties at more than SR 1.2 billion (\$323 million). The growth in this sector is based on Saudis' desire to own their own business and a widely held appreciation for Western methods of conducting business. American franchises dominate the market and more U.S. brands have recently obtained a foothold here, including Gap, Krispy Kreme, TGIF and Curves. American companies face growing competition from local and foreign companies in the following sectors: car rental agencies, fast food and business services. Franchising opportunities are known to exist in many business categories, including apparel, laundry and dry cleaning services, automotive parts and servicing, restaurants, mail and package services, printing, and convenience stores. There are more than 300 foreign companies that have founded franchises in Saudi Arabia.

To establish a franchise in Saudi Arabia, a foreign franchisor must select a franchisee and register the franchise. The franchisor must be the original one, and may not be a third-country franchisor. All franchise agreements follow the Saudi Commercial Law and must be approved by the Ministry of Commerce and Industry. A foreign company is strongly urged to consult with an attorney familiar with Saudi law before establishing, changing, or terminating a franchise agreement.

## Direct Marketing

[Return to top](#)

Direct marketing is not widely used in Saudi Arabia. Personal relations between vendors and customers play a more important role than in the West. Furthermore, many forms of direct marketing practiced in the United States are unacceptable due to Islamic precepts regarding gender segregation and privacy at home. Limitations in the Saudi postal system are also a constraint. Nevertheless, a new, yet comparatively expensive mail delivery system was launched, called *Waseel*, which delivers mail and parcels to residences. The Saudi Post set up a company named *Naqel*, which is a joint project with the private sector and aims to upgrade Saudi Post's competitive capabilities and develop its services.

Direct marketing has been conducted on a very limited basis using unsolicited mail campaigns and fax, catalog sales (with local pick-up or delivery arranged), and commercials on satellite television providing consumers with a local telephone number to arrange delivery. Extensive consumer surveys are being undertaken, mainly on behalf of multi-national manufacturers and particularly in the consumer goods sector.

Under the [Foreign Investment Law](#), a foreign investor may either set up his/her own project or do so in association with a local investor. If the latter option is chosen, foreign investors may structure their enterprise as a limited-liability company, which is the most commonly used approach. By law, the minimum capital of an LLC with foreign participation is SAR 500,000. The required amount is increased to SAR 1,000,000 for industrial projects and SAR 25,000,000 for agricultural projects. The Board of Directors of SAGIA may reduce the minimum invested capital requirement in projects established in specified areas, in export projects or those which require considerable technical experience. Limited-liability companies must have at least two, but not more than fifty shareholders. The Ministry of Commerce and Industry must approve formation of all joint ventures.

Most foreign companies prefer to establish a limited-liability company (LLC) because it is simple to incorporate and manage. Limited-liability companies can be owned 100% by foreign investors or have a mixed ownership. Licenses should be obtained from the [Saudi Arabian General Investment Authority](#) (SAGIA). Foreign companies may qualify for a favorable tax treatment or other economic incentives from the Saudi Government, especially if Saudi investors join in the newly formed company's capital.

According to Article 52 of the Company Law, the establishment of a joint-stock company generally requires an authorization from the Minister of Commerce and Industry after reviewing a proposed company's "feasibility" study. The law requires the authorization through a Royal Decree based on the approval of the Council of Ministers for the formation of any joint-stock companies with concessions, undertaking public sector projects, receiving assistance from the State, in which the State or other public institutions participate, or for joint-stock companies engaging in a banking business. In general, the provisions applicable to the administration of joint-stock companies are more detailed than those applicable to limited liability companies.

The [Investors Service Center](#) (ISC) at the Saudi Arabian General Investment Authority (SAGIA) oversees all matters related to foreign investor licensing and registration process. The ISC is intended as a one-stop shop that will assist foreign investors and minimize lengthy procedures. Another very significant change in the Foreign Investment Act is the reduction in the corporate tax rate for foreign companies with profits in excess of \$26,000 a year. It lowers the maximum rate from 45 to 20% and allows companies to carry forward corporate losses for an unspecified number of years.

Depending on the nature of the foreign investment, the [Saudi Arabian Standards Organization](#) (SASO) may be involved. SASO is the Saudi authority for establishing product standards for imports and locally manufactured goods. The [Communications and Information Technology Commission](#) (CITC) also has authority on imported telecommunications and IT products and services. Recently, the CITC has taken a more proactive role and has published a number of specifications relating to various products and services within its jurisdiction.

The [Saudi Industrial Development Fund](#) (SIDF) may be engaged to provide up to 50% financing for approved industrial projects, and payback period could be up to 15 years. Market intelligence also is available through the SIDF for prospective investors.

Other Saudi Arabian Government entities that may be involved in the process include the [Ministry of Foreign Affairs](#) (visas), the Ministry of Interior (residence permits and industrial safety and security approvals), the [Royal Commission for Jubail and Yanbu](#) (if the project is in those industrial

cities), the [General Organization for Social Insurance](#) (social insurance and disability payments for Saudi employees), and the [Technical and Vocational Training Corporation](#) (training programs for Saudis).

## **Selling to the Government**

[Return to top](#)

In 2001, the Saudi Council of Ministers repealed a 25 year-old decree requiring foreign contractors to have a Saudi agent in order to bid for contracts. Under the new decree, foreign companies interested in operating in Saudi Arabia without a Saudi agent can open offices and appoint representatives to pursue business opportunities directly with various government agencies and departments.

There is no central tender board in Saudi Arabia. Every government agency has full contracting authority. Foreign companies interested in bidding on a government project must make themselves known to that specific government agency/ministry offering the project. When a project becomes available, the government agency/ministry selects bidders from a list of prequalified/known companies and invites them to bid for that particular project. The law states that all qualified companies and individuals will be given opportunities in dealing with the Government and will be treated equally. The law also states that locally manufactured products and those of a non-Saudi origin of equal quality will have priority in dealing with the Government. Saudi Government Contracting & Procurement Law also affirms that all government bids be announced in the official gazette *Umm al-Qoura* (Arabic), in two local newspapers, as well as in the electronic media. Projects which do not have a contractor must be advertised both inside and outside Saudi Arabia.

Foreign companies can provide services to the Saudi Arabian government directly without a Saudi service agent, and can market their services to other public entities through an office that has been granted temporary registration. Foreign suppliers working only for the government, if not already registered to do business in Saudi Arabia, are required to obtain a temporary registration from the Ministry of Commerce and Industry within 30 days of contract signing. Foreign investment regulations also allow foreign companies to establish a branch office. In 2003, the Saudi Council of Ministers required increased transparency in government procurement. The contract information to be made public includes: parties, date, financial value, brief description, duration, place of execution, and point of contact information.

Several royal decrees that strongly favor GCC nationals apply to Saudi Arabia's government procurement. (However, most Saudi defense contracts are negotiated outside these regulations on a case-by-case basis.) Under a 1983 decree, contractors must subcontract 30% of the value of any government contract, including support services, to firms majority-owned by Saudi nationals. An exemption is granted where no Saudi-owned company can provide the goods and services necessary to fulfill the procurement requirement.

The tender regulations require that preferences be given in procurements to Saudi individuals and establishments and other suppliers in which Saudi nationals hold at least 51% of the supplier's capital. The tender regulations also give a preference to products of Saudi origin that satisfy the requirements of the procurement. In addition, Saudi Arabia gives priority in government purchasing to GCC products. These items receive up to a 10% price preference over non-GCC products in all government procurements in which foreign suppliers participate. Foreign suppliers that participate in government procurement are required to establish a training program for Saudi nationals.

As a practical matter, American companies seeking sales of goods and services to the Saudi Government are encouraged to appoint a reputable agent or distributor with experience in the field.

American firms considering sales to the Government should request a briefing from the [U.S. Commercial Service in Riyadh, Jeddah, or Dhahran](#) on the latest situation on payments and how U.S. firms can protect and secure timely disbursements.

## **Distribution and Sales Channels**

[Return to top](#)

There are three major distribution and sales regions in Saudi Arabia: the Western Region, with the commercial center of Jeddah; the Central Region, where the capital city of Riyadh is located; and the Eastern Province, where the oil and gas industry is heavily concentrated. Dammam is the capital city of the Eastern Province, and its metropolitan area includes the contiguous cities of Dhahran and Al-Khobar. Each city has a distinct business community and cultural flavor, and there are only a few truly “national” companies dominant in more than one region.

American exporters may find it advantageous to appoint different agents or distributors for each region having significant market potential. Multiple agencies and distributorships may also be appointed to handle diverse product lines or services. Multiple agencies and distributors can present logistical and management difficulties, so U.S. firms, particularly in the franchise sector, often choose to appoint a master franchisor or distributor for states of the Gulf region, which includes Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, and the UAE.

While there is no statutory requirement that distributorships be granted on an exclusive basis, it is clearly the policy of the Saudi Ministry of Commerce and Industry that all arrangements be exclusive with respect to either product line or geographic region.

## **Selling Factors/Techniques**

[Return to top](#)

Expatriate managers have had a strong influence in introducing advanced selling techniques into a market that relied heavily on word-of-mouth and established buying patterns until a few years ago. Saudi consumers are increasingly becoming more discerning and sophisticated.

Although details of a transaction can be handled electronically, no serious commitment is likely to be made without a face-to-face introduction. Business cards are usually printed in English on one side and Arabic on the other.

Saudis are gracious hosts and will try to put a visitor at ease, even during arduous business dealings. A large portion of upper and middle class Saudis were educated in the United States or in Europe.

Financing and credit facilities may be offered as part of a sales proposal, usually after a solid relationship has been established. Passed in 2003, the [Capital Market Law \(CML\)](#) created the [Saudi Stock Exchange \(Tadawul\)](#), as well as the [Capital Market Authority \(CMA\)](#) charged with overseeing and regulating the Exchange. The law established a new regulatory framework designed to encourage greater participation in the financial market. It also established Tadawul as the exclusive securities market in Saudi Arabia. The [Capital Market Authority](#) was created to ensure that Saudi Arabia's capital markets operate fairly, transparently, and efficiently.

The CML provides for the establishment of two committees to settle securities disputes, the Committee for the Resolution of Securities Disputes (CRSD) and the Appeals Panel. The CRSD has jurisdiction over disputes falling under the provisions of the Capital Market Law, the rules and regulations issued by the CMA, and the Stock Exchange. The Appeals Panel, which was formed by



the Council of Ministers, will hear appeals against decisions issued by the CRSD. A decision issued by the CRSD may be appealed to the Appeal Panel within thirty days of the notification date. CML also created the Securities Deposit Center (SDC), which is operated by Tadawul, the Saudi Stock Exchange Company. SDC is in charge of managing deposits, transfers, settlements, clearing, and registration of all Saudi securities on the exchange.

Other entities created by the CML include the Department of Authorization & Inspection; and Corporate Finance, Enforcement & Market Supervision.

The Government has liberalized the wholesale, retail, and franchise sectors, allowing foreign investors to establish joint ventures and retain a 51% share. The foreign partner's capital requirement is set at \$5.3 million and his equity share can be increased to 75% after 3 years from the contract date. All industrial enterprises are open to non-Saudis, and they can also trade in the products they manufacture. Restrictions on individual professions also are in force, such as who can practice law, medicine, accounting and financial services, architect and engineers, and other similar professions. A Saudi joint-venture partner is a requirement for any entity or individual to practice the above-mentioned professional services.

Many Saudi companies handle numerous product lines (sometimes even competing product lines), making it difficult to promote all products effectively. Saudi agents typically expect the foreign supplier to assume some of the market development costs, such as hiring of dedicated sales staff (especially for high-tech or engineered products), setting up workshops and repair facilities, and funding local advertising. Foreign suppliers often detail a sales person to the Saudi distributor to provide marketing, training, and technical support. Absent such an arrangement, American firms should expect to make frequent, periodic visits each year to support their Saudi distributor.

## Electronic Commerce

[Return to top](#)

Electronic Commerce in Saudi Arabia is projected to reach USD 13 billion in sales by 2015, according to industry projections. Approximately one in four Saudi Internet users are already aware of and use e-commerce sites. There are nearly 70 million web site hits per month. User growth continues to expand at an estimated 9.3 percent per annum. Current e-commerce market share shows that souq.com is the largest entity in the Kingdom with a 13 percent market share. Sukar.com (8 percent), Namshi (7 percent), and MarkaVIP (5 percent) dominate the b2c market space.

E-commerce still has inherent difficulties in growing even more quickly. Saudi consumers continue to favor cash on delivery as the most common method of payment. Saudi e-commerce b2c websites would need to grow in credit card payment methods or pay pal in order to significantly increase e-commerce market potential. Payment gateways are being developed to address this issue. With Saudi Arabia being the second largest market for spam e-mail, improved cyber security will afford greater consumer trust in e-commerce transactions.

Internet users in Saudi Arabia increased to over 13 million, which accounts for over 49% of the total population. Almost half of all Saudi Internet users reported that they purchased products and services online and through their mobile handsets. The Saudi Government has already passed a number of regulations to control and monitor electronic transactions, *i.e.*, regulations for e-transactions and cybercrime.

Additionally, the government has allocated close to \$800 million to implement the e- government initiative. A published report has mentioned that in order to drive Saudi Arabia's e-government initiative forward, the YESSER program (an Arabic word meaning "to facilitate") was launched by the government to develop the first National e- Government Strategy and Action Plan which will be implemented within the next five years. The YESSER program's role is to enable the implementation of individual e- government services by ministries and other government agencies, on the one hand, by building the national infrastructure and defining common standards which these agencies can use; and on the other hand by providing best practice examples and accompanying implementation of pilot services. Moreover, YESSER will ensure an appropriate level of coordination and collaboration between implementing agencies. The vision for Saudi Arabia's e-government initiative is user-centric and aims at providing better government services to the user. It is understood that users are individuals (citizens and expatriates), businesses and government agencies.

## Trade Promotion and Advertising

[Return to top](#)

The U.S. Commercial Service in Saudi Arabia organizes a number of annual trade events, including the recruitment of official Saudi buyer delegations to [International Buyer Program](#) events in the United States as well as Trade Missions, promotion of trade events in Saudi Arabia, the USA and in other countries, *etc.*

**Advertising:** Companies seeking to develop an advertising and/or a promotional campaign will find highly experienced advertising agencies in Jeddah and Riyadh that can prepare a full campaign whether in print media, radio, or television. Already resident in Saudi Arabia are Porter Novelli, Akeel Saatchi and Saatchi, Hill and Knowlton Strategies, Asda'a Burson-Marsteller, and TERAACS Saudi Arabia.

Advertising, especially on satellite television, is rapidly expanding, but commercials have to conform to religious and ethical codes. With some minor exceptions, the female human form is not culturally or religiously acceptable in the media. The Saudi monopoly on television broadcasting was broken with the introduction of satellite television, which also forced TV advertising rates to come down.

Saudi companies have opted to run commercials through international satellite TV channels such as the Middle East Broadcasting Corporation (MBC) and Arab Radio and Television. Other Arabic satellite channels that also have proved to be popular in the Arab world include LBC, Future Television, Dubai One TV, Dubai TV, New TV, Channel 2, MBC 2 and MBC 4. Many Saudi companies place commercials on these channels as well as on two pan-Arab news channels, Al-Arabiya and Al-Jazeera channels. In addition, two encrypted TV networks each provide approximately 30 channels for an average subscription of \$1,000 per year. The networks include Orbit Communications and ShowTime.

Newspaper advertising is carried in both the local English and Arabic press, but its effectiveness is somewhat limited by relatively low readership rates. The two local English dailies, [Arab News](#) and the [Saudi Gazette](#), have an average circulation in the range of 35,000 copies. The leading Arabic newspapers, with nationwide distribution, have circulations in the range of 70,000 to 100,000: Al-Hayat, Al-Riyadh, and Okaz.

Other relevant newspapers have lower circulations, and some have only regional distribution. The principal papers are Al-Bilad, Al-Jazirah, Al-Madina, Al-Nadwa, Al-Yaum, Um Al-Qura, Al-Watan, Al-Riyadiya (sports only). The economic daily Al-Eqtisadiyah has rapidly earned a loyal readership of executives and government officials.

Trade promotion events take place from September through June, with most of exhibitions held in the modern exhibit centers in Saudi Arabia's three major cities, [Riyadh](#), [Jeddah](#) and [Dhahran](#). Smaller exhibition facilities are also located in regional centers, and often operate in cooperation with or under the sponsorship of a local chamber of commerce.

Most chambers have a proactive approach to promotion and trade, organizing shows and presentations for individual companies or groups, and have been eager to attract American and other Western suppliers.

## **Pricing**

[Return to top](#)

The government maintains a free-trade approach and, since 1981, the [Saudi Arabian Monetary Agency](#) (SAMA, the Central Bank), has pegged the Saudi riyal to the U.S. dollar to facilitate long term planning and minimize exchange risk for the private sector. As such, Saudi importers expect American producers to practice a more stable pricing policy than their foreign competitors. In the last couple years, there have been numerous speculations that the Saudi Government would revalue the riyal, but SAMA has consistently stated that it has no intention to do so, and given SAMA's huge stock of foreign assets, there does not appear to be a need.

Products are usually imported on a CIF basis, and mark-ups depend almost entirely on what the vendor feels the market will bear relative to the competition. There is no standard formula to come up with the mark-up rates for all product lines at different levels in the relatively short distribution chain.

Contrary to popular belief, pricing is very important to the average Saudi. Therefore, where there are competitive products, Saudi buyers frequently will compare prices before making a decision. For the American supplier, some give-and-take is expected in preliminary negotiations.

## **Sales Service/Customer Support**

[Return to top](#)

Saudi Arabia is a relatively open market, which makes it highly competitive. Brand loyalty and established preferences are less developed than in some other countries. Consequently, sales service and customer support is indispensable to win and maintain new clients.

Saudis view a foreign firm's physical presence in the Kingdom as a tangible sign of a long-term commitment. Prompt delivery of goods from available stock and the presence of qualified support technicians have become more important, and they influence repeat business much more now than ten or even five years ago. Government agencies usually require equipment suppliers to commit to providing maintenance and spare parts for an average of three years.

## **Protecting Your Intellectual Property**

[Return to top](#)

### **Protecting Your Intellectual Property in Saudi Arabia:**

Several general principles are important for effective management of intellectual property ("IP") rights in Saudi Arabia. First, it is important to have an overall strategy to protect your IP. Second, IP is protected differently in Saudi Arabia than in the U.S. Third, rights must be registered and enforced in Saudi Arabia, under local laws. Your U.S. trademark and patent registrations will not protect you in Saudi Arabia. There is no such thing as an "international copyright" that will automatically protect an author's writings throughout the entire world. Protection against unauthorized use in a particular country depends, basically, on the national laws of that country. However, most countries do offer



copyright protection to foreign works under certain conditions, and these conditions have been greatly simplified by international copyright treaties and conventions.

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Saudi Arabian market. It is vital that companies understand that intellectual property is primarily a private right and that the US government generally cannot enforce rights for private individuals in Saudi Arabia. It is the responsibility of the rights' holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Saudi Arabian law. The U.S. Commercial Service can provide a list of local lawyers upon request <http://photos.state.gov/libraries/saudi-arabia/231771/pdfs/list-of-law-firms-040714.pdf>.

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as statutes of limitations, laches, estoppel, or unreasonable delay in prosecuting a law suit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. Negotiate from the position of your partner and give your partner clear incentives to honor the contract. A good partner is an important ally in protecting IP rights. Consider carefully, however, whether to permit your partner to register your IP rights on your behalf. Doing so may create a risk that your partner will list itself as the IP owner and fail to transfer the rights should the partnership end. Keep an eye on your cost structure and reduce the margins (and the incentive) of would-be bad actors. Projects and sales in Saudi Arabia require constant attention. Work with legal counsel familiar with Saudi Arabia's laws to create a solid contract that includes non-compete clauses, and confidentiality/non-disclosure provisions.

It is also recommended that small and medium-size companies understand the importance of working together with trade associations and organizations to support efforts to protect IP and stop counterfeiting. There are a number of these organizations, both Saudi Arabia or U.S.-based. These include:

- The U.S. Chamber and local American Chambers of Commerce
- National Association of Manufacturers (NAM)
- International Intellectual Property Alliance (IIPA)
- International Trademark Association (INTA)
- The Coalition Against Counterfeiting and Piracy
- International Anti-Counterfeiting Coalition (IACC)
- Pharmaceutical Research and Manufacturers of America (PhRMA)
- Biotechnology Industry Organization (BIO)

## **IP Resources**

A wealth of information on protecting IP is freely available to U.S. rights holders. Some excellent resources for companies regarding intellectual property include the following:

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit [www.STOPfakes.gov](http://www.STOPfakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the US Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit <http://www.uspto.gov/>.
- For more information about registering for copyright protection in the US, contact the US Copyright Office at: **1-202-707-5959**, or visit <http://www.copyright.gov/>.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the STOPfakes website at <http://www.stopfakes.gov/resources>.
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit: [www.stopfakes.gov/businesss-tools/country-ipr-toolkits](http://www.stopfakes.gov/businesss-tools/country-ipr-toolkits). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contains contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.
- The U.S. Commerce Department has positioned IP attachés in key markets around the world. You can get contact information for the IP attaché who Saudi Arabia at: <http://www.uspto.gov/ip/global/attache/index.jsp>.

[Aisha.Salem@trade.gov](mailto:Aisha.Salem@trade.gov)

IP Attaché for Middle East North Africa region

+965 2259 1000

+965 2259 1271

## Due Diligence

[Return to top](#)

The [U.S Commercial Service in Saudi Arabia](#) prepares the [International Company Profile \(ICP\)](#) report, which provides detailed information on a specific Saudi company and comments based on information from the U.S. Embassy's Commercial Section.

## Local Professional Services

[Return to top](#)

There are service providers in Saudi Arabia offering professional services to foreign and domestic firms alike. [The U.S. Commercial Service](#) maintains a list of such Business Service Providers on its website; these local “BSPs” pay a nominal fee for an annual listing.

The websites of the U.S. Embassy in Riyadh and the U.S. Consulates General in Dhahran and Jeddah provide access to various business-support networks, including lawyers, translators, and a representative group of other service providers that offer their professional services to U.S. exporters and investors interested in Saudi Arabia:

[U.S. Embassy – Riyadh](#)

[U.S. Consulate General – Dhahran](#)

[U.S. Consulate General – Jeddah](#)

## **Web Resources**

[Return to top](#)

[KACST](#)

[Saudi Arabian Standards Organization](#)

[Saline Water Conversion Corporation](#)

[Saudi Telecommunications Company](#)

[Riyadh Exhibitions Company](#)

[Saudi Aramco](#)

[Saudi Arabian Monetary Agency](#)

[Al-Harithy Company for Exhibitions \(Jeddah\)](#)

[GCC Patent Office](#)

[Ministry of Commerce & Industry](#)

[Dhahran International Exhibitions Company](#)

[Saudi Arabian General Investment Authority](#)

[Saudi Industrial Development Fund](#)

[Water and Electricity Company](#)

[Foreign Credit Insurance Association](#)

[www.arabianbusiness.com](http://www.arabianbusiness.com)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 4: Leading Sectors for U.S. Export and Investment

### **Commercial Sectors**

Engineering & Architectural Services - ACE  
Construction Equipment - CON  
Electrical Power Systems - ELP  
Water Resources Equipment - WRE  
Safety & Security - SEC  
Education & Training Services - EDS  
Telecommunications Services (TES)  
Medical Equipment - MED  
Oil & Gas Field Machinery - OGM  
Chemical Production Machinery - CHM  
Defense Industry Equipment – DFN  
Air-Conditioning & Refrigeration Equipment - ACR  
Pollution Control Equipment - POL  
Automotive Parts, Services & Equipment - APS

### **Agricultural Sectors**

## Engineering & Architectural Services - ACE

### Overview

[Return to top](#)

The Saudi Government continues to invest heavily in infrastructure development as it moves to diversify its economy and to respond to the needs of a large population seeking to improve civil infrastructure. Saudi Government officials have earmarked and pledged to spend an estimated \$400 billion (SAR1.5 trillion) on large infrastructure projects over the coming years. In the period between January 2012 and December 2015, industry experts estimate that the Saudi Government invested nearly \$180 billion on construction projects. The construction sector has great potential for growth, as demand rises for residential, commercial, housing and institutional construction. The housing sector, in particular, is likely to grow, as the Saudi population is rising at a rate of 3 percent a year.

Construction will also play a large part in the Kingdom's massive industrial expansion through the National Industrial Cluster Development Program as well as in the completion of six Economic Cities. Saudi Arabia's government budget reflects the importance of ongoing growth in the construction sector. Government spending is likely to remain aggressive in the sector, as the prices of commodities decrease due to the global economic downturn. Furthermore, according to industry experts, a revival in the Saudi economy in general, and in the construction sector in particular, is likely, as demand for projects continues to increase and as the financial climate improves. No reliable, published statistics are available on the ACE sector in Saudi Arabia.

### Sub-Sector Best Prospects

[Return to top](#)

Saudi Arabia stands apart from many of its regional peers as infrastructure and construction projects are fuelled by domestic demand. According to industry sources, more than 400 civil construction projects, valued in excess of \$400 billion, are currently underway or under design in Saudi Arabia. Industry sources expect an investment of around \$450 billion over the next five years on various projects, 75% of which are government-related. A number of airports in Saudi Arabia are set for expansion: King Abdulaziz International Airport in Jeddah, Prince Mohammed bin Abdul Aziz International Airport in Madinah, and Ha'il, Tabuk, and Najran airports as the kingdom gives more attention to upgrading airports. The transportation sector initiatives are continuing with the Kingdom's ongoing construction of three, major new railway lines, the North-South, the Haramain high-speed project, and the Saudi Land Bridge.

Saudi Arabia needs 1.65 million new homes by 2015 to meet growing demand. Saudi Arabia, the biggest Arab economy, is facing a massive housing problem due to rapid population growth and an inflow of expatriate workers. Private and public developers will need to build about 375,000 units a year through 2015.

### Opportunities

[Return to top](#)

The following are the top fourteen civil construction projects in Saudi Arabia under construction or in design.

### **1. King Abdullah Economic City (KAEC) (\$93 billion):**

Construction is underway by Emaar Company of a city along the Red Sea between Jeddah and Rabigh linking a seaport, industrial, financial, resort areas, residential and educational zones.

### **2. Prince Abdulaziz bin Mousaed Economic City (\$53 billion):**

Work is underway at Ha'il on a city to include a logistics centre, airport, an agricultural and entertainment zones, a mining city, a petrochemical zone business centre, an educational zone and a residential area. The project is expected to be completed by 2025.

### **3. Jizan Economic City (\$30 billion):**

Construction has begun on this city in southern Saudi Arabia close to the Yemeni border and will include a port, an aluminum smelter, a steel and copper processing plant, an oil refinery, fish processing and other industrial plants; a business district, residential areas, a marina, and educational and hospitality facilities.

### **4. Jeddah Project Mile High Tower (\$10 billion):**

The Kingdom Holding Company is designing a 1,600 meter skyscraper to form part of the Jeddah projects, north of the city.

### **5. Shamieh Projects (\$9.3 billion):**

This project in Mecca (Makkah) will include residential apartments, commercial centre, hotels, schools, mosques, hospitals, and related facilities, car parks and transport corridors to carry pilgrims. The development is located north of the Haram Mosque in Mecca.

### **6. Medina Knowledge Economic City (\$7 billion):**

This project is under construction for the Taiba Technological and Economic Information Center and interactive museum on the life of the prophet Mohammed, a center for the study of Islamic civilization, and a center for medical studies, biosciences and integrated medical services. The project includes hotels and housing.

### **7. Jabal Omar Project (\$5 billion):**

Construction has begun in this project in Mecca features 39 buildings including residential towers, office tower, commercial center and five-star hotels. The Jabal Omar project is part of Saudi Arabia's attempts to develop Mecca's infrastructure to enable it to better handle the more than 13 million people who visit the city each year for religious pilgrimages.

### **8. Sudair City Development: Schedule (\$40 billion):**

MODON, Saudi Arabia's industrial development agency has short-listed 10 developers for Sudair City. The winning bidder will be responsible for hiring sub-contractors for the project. Sudair City is a mixed use development that includes residential, commercial, entertainment and educational facilities. Sudair City will span an area of 258 million m<sup>2</sup> north of Riyadh.

### **9. King Abdullah Financial District (\$40 billion):**

The King Abdullah Financial District will house the large community of professionals working within the financial sector and related industries, hosting the headquarters of the Capital Market Authority (CMA), the Stock Exchange, hotels, banks, financial institutions and other service providers such as accountants, auditors, lawyers, analysts, rating agencies, consultants, and IT providers.

### **10. Upgrade of King Abdulaziz International airport in Jeddah (\$7 billion):**

The first contract involves the construction of a 600,000 m<sup>2</sup> passenger terminal that will be able to handle 30 million passengers each year once it is complete. The second contract involves the

infrastructure and will involve designing and building runways, tunnels, landscaping, and a light-rail system.

**11. King Abdullah Petroleum Studies Research Centre (KAPSARC) in Riyadh (\$2 billion):**

KAPSARC's main building will be a crystalline structure composed of modular six-sided cells and connections between them. The development will also contain indoor and outdoor gardens, shaded outdoor areas and underground tunnels. The conference building will include a large multipurpose hall and various smaller halls, meeting rooms, and residential buildings.

**12. King Abdullah Sports City Development near Jeddah (\$2 billion):**

Associated packages on the project includes an indoor arena, grand mosque and outdoor athletics stadium, sports academy, sports medical centre, residential complex for athletes, outdoor football pitches, aquatic centre, women's sports complex, and a railway station.

**13. Ministry of Interior (MOI) Projects (\$11.5 billion):**

The Ministry has tendered one of its biggest-ever construction contracts as part of plans to increase security services across the country. The contract covers the construction, operation and maintenance of 28 different types of facilities, to be built at 41 locations throughout the country. The facilities will be used to house, educate and train members of Saudi Arabia's public security, civil defense service, fire service, police force, passports division and special security and investigative forces. The compounds have been designed to include schools, mosques, theatres, civilian dormitories, military barracks, administration buildings, training facilities and buildings for recreation and entertainment.

**14. Grand Mosque in Makkah Expansion Project (\$21.3 billion):**

The project will add 400,000m<sup>2</sup> to the mosque's area. This is the biggest expansion yet of Islam's holiest site, the Grand Mosque in Makkah, to raise its capacity to 2.5 million pilgrims.

**15. Security Forces Medical Cities in Riyadh and Jeddah (12 billion):**

The two medical cities will have the same design and will both include three hospitals and all related medical and residential facilities. The medical facilities will have a total built up area of about 400,000 sq. meters.

**Web Resources**

[Return to top](#)

Ministry of Municipal & Rural Affairs (MOMRA)  
Ministry of Interior  
Riyadh Chamber of Commerce and Industry  
Saudi Arabian General Investment Authority  
Saudi Railway Organization

[www.momra.gov.sa](http://www.momra.gov.sa)  
[www.moi.gov.sa](http://www.moi.gov.sa)  
[www.riyadhchamber.com/indexen.php](http://www.riyadhchamber.com/indexen.php)  
[www.sagia.gov.sa](http://www.sagia.gov.sa)  
[www.saudirailexpansion.com](http://www.saudirailexpansion.com)  
or [www.saudirailways.org/](http://www.saudirailways.org/)  
[www.moe.gov.sa](http://www.moe.gov.sa)  
[www.mowe.gov.sa/NewMowe/ENIndex.aspx](http://www.mowe.gov.sa/NewMowe/ENIndex.aspx)

Ministry of Education

Ministry of Water and Electricity

**Construction Equipment - CON**

**Overview**

[Return to top](#)

The construction equipment market in Saudi Arabia is expected to grow to approximately \$4.1 billion by 2015, according to a new report from the World Market Intelligence. Population growth and

surging oil revenues are the key dynamics stimulating both public and private sector investment in construction projects. The government now has more than sufficient resources to embark on long-planned improvements and a long awaited expansion of infrastructure, transport and municipal services. The Saudi government has taken important steps to improve the business environment. With further reform anticipated and oil prices expected to remain high, it is believed that the Kingdom is set for a continued strong period of growth, especially in the construction and infrastructure sectors. Transportation projects including international airports, regional airports, urban construction, light and heavy rail, plus housing suggests excellent market opportunities for companies supplying construction equipment. The Saudi government has commissioned numerous mega-projects to accelerate the development of its non-oil sector. At the heart of the Saudi government's economic development plans and initiatives, six mega-economic cities are planned to be built across the Kingdom, near the areas of Tabouk, Medina, Rabigh, Ha'il, Jazan and the Eastern Province. These economic cities are expected to create 1.5 million jobs and accommodate a population of 5.8 million, contributing \$250 billion to the GDP and raising Saudi Arabia's *per capita* GDP from \$15,000 in 2006 to \$35,000 by 2020.

Further, the Saudi government has channeled a significant portion of its oil windfall towards upgrading and building new infrastructure in recent years, increasing the region's attractiveness to both local and foreign investors. Large-scale infrastructure investments have been made in various fundamental sectors, including energy, utilities, transportation, education and health care.

To improve infrastructure services in the Kingdom, an investment of \$800 million has been envisioned to increase the capacity of the Jeddah Islamic Port by 45%. Airports in Riyadh, Jeddah, Medina, Nijran, and Tabuk will be expanded at a cost of \$10 billion in order to meet the growing number of passengers, and the requirements of two new domestic airlines. The Civil Aviation Authority has already launched a \$1.8 billion upgrade of Jeddah's King Abdulaziz International Airport (KAIA), which is designed to accommodate the world's largest aircraft, and will increase the airport's annual capacity to 21 million passengers.

Saudi Arabia has also set ambitious plans for additional rail links in the country, and has earmarked \$8 billion for new rail expansion projects that will contribute to the rise in private investment in infrastructure, particularly in the transport sector. King Abdullah Economic City (KAEC) is another mega project in Saudi Arabia and considered the largest in the Middle East. KAEC will have many different components: Seaport, Industrial Valley, Central Business District, Financial Island, Resort Area, Educational Zone, Residential Area and others. The recently announced Kingdom Tower mega-project in Jeddah will rise one kilometer high into the sky. It will be by far the tallest tower ever built valued at \$1.2 billion. At over 3,280 feet and with a total construction area of 5.7 million square feet, Kingdom Tower will be the centerpiece and first construction phase of the \$20 billion Kingdom City development in Jeddah.

## **Sub-Sector Best Prospects**

[Return to top](#)

The Saudi government is gearing up to meet the residential, health, and education needs of its rapidly growing population. Over 3.2 million new housing units will be needed, with over 800,000 for the capital city of Riyadh alone, as well as hospitals, schools, universities and leisure centers. The country's electricity sector is to be expanded by 300% over the next two decades. More than 800 new factories are being built, the telecom sector is being developed, and the water sector is being upgraded, to include more desalination plants, better drinking water networks, and broadened pipeline networks. Hundreds of projects in all are creating unprecedented demand for the latest construction industry machinery, technology and tools, from the world's leading companies.



The construction element related to power supply expansion alone is estimated at nearly \$1.2 billion. In total, current infrastructure and public sector building programs are valued at some \$40 billion. Plans include building 800 new factories, schools, doubling desalination capacity, and increasing electrical generation and distribution. The Ministry of Education has outlined a \$4.5 billion plan to build another 4,000 schools. Most of Saudi Arabia's mineral wealth still remains unexplored. In the next four years, some \$20 billion will be invested in mining projects in the Kingdom of Saudi Arabia, much of it by the state-run Saudi Arabian Mining Company (Ma'aden). The main minerals are gold, phosphates and bauxite. While aluminum smelter and fertilizer plants add value, perhaps the largest value will come with the new freight rail network designed to carry minerals to the coast for export.

## Opportunities

[Return to top](#)

There are good opportunities for U.S. companies in the following areas:

earth-moving machinery and equipment;  
construction tools; construction equipment;  
excavation and earth drilling equipment;  
construction chemicals;  
safety & security equipment;  
tools & hardware equipment;  
rock tools and systems;  
drill rigs and rock drills;  
load and haul equipment;  
continuous mining and tunneling machines;  
crushers and screens;  
conveyors and conveyor components;  
bulk materials handling equipment;  
breakers and demolition tools;  
mine automation systems;  
safety and environmental products; engineering &  
contracting services; project management services;  
training services for skilled workers such as electrical and mechanical engineers.

## Web Resources

[Return to top](#)

Ministry of Municipal & Rural Affairs (MOMRA)  
Ministry of Interior  
Riyadh Chamber of Commerce and Industry  
Saudi Arabian General Investment Authority  
Saudi Railway Organization

[www.momra.gov.sa](http://www.momra.gov.sa)  
[www.moi.gov.sa](http://www.moi.gov.sa)  
[www.riyadhchamber.com/indexen.php](http://www.riyadhchamber.com/indexen.php)  
[www.sagia.gov.sa](http://www.sagia.gov.sa)  
[www.saudirailexpansion.com](http://www.saudirailexpansion.com)  
or [www.saudirailways.org/](http://www.saudirailways.org/)  
[www.moe.gov.sa](http://www.moe.gov.sa)  
[www.mowe.gov.sa/NewMowe/ENIndex.aspx](http://www.mowe.gov.sa/NewMowe/ENIndex.aspx)  
[www.maaden.com.sa/eng/index.htm](http://www.maaden.com.sa/eng/index.htm)  
[www.ports.gov.sa/default.cfm](http://www.ports.gov.sa/default.cfm)  
[www.saudiaramco.com](http://www.saudiaramco.com)  
[www.rcjy.gov.sa/en-us/Pages/default.aspx](http://www.rcjy.gov.sa/en-us/Pages/default.aspx)

Ministry of Education  
Ministry of Water and Electricity  
Saudi Arabia Mining Company (Ma'aden)  
Saudi Ports Authority  
Saudi Aramco  
Royal Commission for Jubail and Yanbu

The power generation, transmission, and distribution industry in Saudi Arabia is currently one of the fastest growing and most lucrative in the Middle East. With one of the world's highest population growth rates and a rapidly expanding industrial base, Saudi Arabia has an ever-growing need for electricity and power sources. It is estimated that the country will need close to 45,322 MW of power capacity by 2020, nearly double the current capacity of 50,907 MW. To attain this generation capacity, Saudi Arabia will need significantly to boost industry operations and expand its electricity grid by 400 percent over the next decades.

The Saudi Government recognizes the challenge of keeping pace with the need of the rapidly growing population and industrial economy and has therefore embarked upon an ambitious plan to bolster the industry. The Saudis have invested heavily in a series of projects to achieve this end. In fact, Saudi Arabia already accounts for nearly 55 percent of all ongoing power projects in the Gulf State with a value of more than 90 billion. An additional \$120 billion is expected to be invested in the industry by 2020.

The Saudi Government seeks private investment to expand generation capacity, unify its national electricity grid, and switch its power plants from heavy oil to natural gas. Saudi Arabia has embarked upon an ambitious national development plan that aims to bolster operations and investment opportunities across all key economic sectors. Saudi Arabia's development plans over the next decade include the construction of whole new cities and a significant expansion of the petrochemical, mining and petroleum industries. Power generation and its related infrastructure form the backbone of the development plans. Moreover, the power industry will serve as a crucial determinant of whether Saudi Arabia will meet its development goals and become one of the top 10 most competitive economies by the year 2015.

In January 1, 2012, The Saudi Electricity Company (SEC) in its restructuring project, which is expected to transform the electricity industry within Saudi Arabia launching of the new company National Grid Saudi Arabia (a wholly owned subsidiary of the Saudi Electricity Company) will be responsible for all activities for the transmission grid within Saudi Arabia. The SEC has therefore embarked upon a series of projects to overhaul outdated segments of the network and lay the groundwork for a modern T&D system. The SEC plans to spend nearly \$14.7 billion for the transmission of electricity and \$13.7 billion for the distribution of electric power in the next 10 years.

The primary means for expanding power output has been the establishment of independent Water and Power Projects (IWPPs) that allow for private ownership as high as 60 percent. Among the largest of the ongoing power projects is the expansion of Saudi Arabia's two industrial cities, Jubail and Yanbu. Powering these two cities is a project so large that a joint-stock utility company, the Power and Water Utility Company for Jubail and Yanbu (MARAFIQ), with an initial start-up capital of \$667 million, the operation was begun.

The planned IWPPs and other power projects are a significant step toward meeting the country's energy needs, yet the Saudi Government realizes that it must do more than simply build additional power plants. Active participation and investment of private companies in the power industry are also necessary components in boosting the kingdom's generation capacity. Saudi Arabia has therefore made a concerted effort in the recent years to bring about greater efficiency,

transparency, and economic viability in the power sector in order to make it a more attractive environment for investment.

### Generating Capacity Distributed by Technology in Saudi Arabia:

Steam units	13,986 MW
Gas units	24,176 MW
Diesel units	250 MW
Combined cycle units	5,995 MW
Total SEC power capacity	44,407 MW
Rented Diesel units	650 MW
Contributed capacity (by others, WEC, SWCC, ARAMCO, and MARAFIQ)	8,980 MW
Total capacity (at year-end 2011)	54,037 MW

### Sub-Sector Best Prospects

[Return to top](#)

Below are some of the areas that will have good potential in the power generation sector:

- gas turbine units,
- steam turbine units,
- turbine spare parts and accessories,
- power-plant design engineering firms,
- power-plant consulting firms.
- products and services related to the power industries:
  - ⌚ Valves,
  - ⌚ Compressors,
  - ⌚ Pumps,
  - ⌚ Spare parts,
  - ⌚ Fuel oil systems skid packages (unloading, transfer, forwarding and heating skids),
  - ⌚ Fuel gas system skids packages for natural gas cleaning and conditioning,
  - ⌚ Gas turbine inlet systems,
  - ⌚ Turbine filters,
  - ⌚ Training services.

### Opportunities

[Return to top](#)

The following is a list of further power projects to be undertaken by the Saudi Electricity Co. (SEC), Water and Electricity Company (WEC), Saline Water Conversion Corporation (SWCC), Saudi Aramco, and Power and Water Utility Company (MARAFIQ) for the budget years 2012-2015.

**SEC Generation Projects (Under Contractual Processing)** PP10 Ext. (8GT unites), and (PP 10 ST Units), Riyadh -1,623 MW Tabouk PP Ext 7 –122 MW  
Shoaibah PP 3 – 1,238 MW  
Al-Qurayyah - 2 PP – 4,000 MW Rabigh PP Ext 6 - 2,552 MW  
PP-11, Riyadh – 2,400 MW  
Qaseem PP Ext 3 - 472 MW Hail PP Ext. 3 – 267 MW

**SEC planned Generation Projects (Stem Units & Combined Cycle Units)**

Tabouk PP Ext 8 - 120 MW  
Al-Qurayyah 2 PP Ext. 240 MW Al-Wajh/Al-Ola PP 2 – 180 MW  
South Jeddah PP Phase1- 1,800 MW Ras Al-Khar PP Phase 1 – 3,600 MW PP 12 – 1,800 MW  
New PP (Western Network) – 1,000 MW Najran PP- 120 MW  
Sharorah PP Ext. 4 -110 MW Al-Jubah PP Ext. 4 – 12 MW  
Al-Rais Power Plant – 1,800 MW  
Jazan PP – 2,600 MW  
Ras Abu Qamis PP – 3,600 MW

**Non-SEC projects under construction:**

SWCC Ras Alkhair - 2,500 MW SWCC-Yanbu PP -1850 MW  
Aramco (Mnefa, Kharasaniyah, and Shaybah) – 1,475 MW Aramco Al Wasit – 723 MW

**Web Resources**

[Return to top](#)

Ministry of Water and Electricity  
Saudi Electric Company (SEC)  
Saline Water Conversion Corporation  
Water & Electricity Co. (WEC)  
Power & Water Utility Company for Jubail and Yanbu  
Electricity & Co-Generation Regulatory Authority  
Saudi Aramco

[www.mowe.gov.sa/NewMowe/ENIndex.aspx](http://www.mowe.gov.sa/NewMowe/ENIndex.aspx)  
[www.se.com.sa/SEC/English/default.htm](http://www.se.com.sa/SEC/English/default.htm)  
[www.swcc.gov.sa/](http://www.swcc.gov.sa/)  
[www.wec.com.sa/Default.aspx](http://www.wec.com.sa/Default.aspx)  
[www.marafiq.com.sa](http://www.marafiq.com.sa)  
[www.ecra.gov.sa/home.aspx](http://www.ecra.gov.sa/home.aspx)  
[www.saudiaramco.com](http://www.saudiaramco.com)

**Water Resources Equipment - WRE**

**Overview**

[Return to top](#)

Saudi Arabia is stipulated to be the third largest consumer of water per capita in the world, but has dwindling groundwater resources available. The country continues to grapple with water shortage situation that is driven with the rising consumption of a growing population and continued economic growth. With the rapid development of cities, massive urbanization and industrialization coupled with growing population levels, the government of Saudi Arabia is forced to take drastic measures in revamping its water policies. In order to meet expected demand growth for water, the Kingdom will have to invest \$5 billion a year in infrastructure development over the next 20 years.

The primary source of water for its citizens were the 36 government-run desalination plants on the Red Sea and the Arabian Gulf coasts that supply 60-70 % of the kingdom's needs, with the rest met by ancient underground aquifers, which constitute about 23%, and the remaining 7% coming from wastewater recycling. Saudi Arabia is known to be the biggest user of desalinated water in the world (36% of the world's total), with demand growing at close to 4 percent each year. However, the actual cost of desalination remains relatively low, at about \$1.33 to process, deliver and remove waste from one cubic meter of water.

Saudi Arabia's regulatory system for the power and water sectors was overhauled to make it more investor-friendly and to enable the creation of bodies in 2003 such as the Water and Electricity Company (WEC), a limited-liability company (LLC), with responsibility of the sale and purchase of water and electricity and all required ancillary activities. The main objective of WEC was to achieve the lowest possible rates for power and water. The Saline Water Conversion Corporation (SWCC) is the entity responsible for operating the country's 36 desalination plants and providing fresh water to the entire country. It is also the country's second largest supplier of power, with 12 plants generating around 40,000 megawatts. Also, the National Water Company (NWC) was established in 2008 to manage the public-private partnerships (PPP) agreements resulting from privatization and is taking over most of the activities of the SWCC. NWC is structured as a government-owned joint stock company, which is intended to become a holding company when the water sector in the Kingdom is totally privatized.

In March 2011, the Saudi government announced an allocation of a massive SAR500bn (\$135bn) spending program which plans to improve critical infrastructure, including the water/waste water sector. Per estimates, between 2010-2015, Saudi Arabia will require 8,500 km of new pipeline for freshwater transport and over 32,000 km for wastewater disposal pipes. Also, major business opportunities will be forthcoming as the sector opens up for privatization. Industry sources expect that the Government will build more new desalination plants, water pipelines, and wastewater treatment plants with the Water and Electricity Company (WEC) and the National Water Company (NWC) taking the lead. Saudi Arabia also presses ahead with a wastewater treatment revolution. Modernizing and expanding the sewage system has become one of the top priorities of the government after the recent floods the country witnessed which shed light on the poor infrastructure and inadequacies of the wastewater collection and treatment services. It is estimated that only 40 per cent of the population of the kingdom is served by an integrated sewage and wastewater system.

## Sub-Sector Best Prospects

[Return to top](#)

For water technology companies and developers, Saudi Arabia remains a competitive landscape and presents bountiful opportunities. The Saudi government has ensured that adequate state funding is available to fire up key infrastructure projects and to grant long-term management contracts for operating the water sectors of key urban areas of the kingdom. As per NWC's plans, water and wastewater projects will see an investment spending of approximately SR249bn (\$66.4bn) between 2012 and 2020. It is estimated that \$30bn of this will be in the form of capital expenditure, with wastewater projects and water recycling being a major area of focus for the authorities. Furthermore, the creation of Marafiq - the country's first private utility in Jubail city has opened up more opportunities in the water sector. Marafiq is responsible for planning and developing the water and power utilities in Jubail and Yanbu industrial cities.

A pressing need for the Saudi government is addressing water leakage issues, given that water is expensive to produce in the Kingdom. Reports indicate that water saved from leakage prevention has increased from just 7.251 million cubic meters in 2008 to 65 million cubic meters in 2011 in the cities of Riyadh and Jeddah. Current operators, France's Veolia Water in Riyadh and Suez Environment in Jeddah have been able to increase water supply from 753 million cubic meters in 2008 to 1,035 million cubic meters in 2011. Furthermore, Saudi Arabia also has extensive plans to put its sewage effluent (TSE) to good use. NWC intends to create TSE businesses from its existing wastewater assets by developing a long-term market for the treated wastewater.

Industry experts estimate that the use of treated sewage effluent in the kingdom is expected to treble by 2020 and quadruple by 2030. The water authorities in Saudi Arabia are also looking to increase the use of treated sewage effluent, to reduce the use of desalinated water in non-potable applications.

NWC has extensive plans to develop the business for treated wastewater. At the moment, less than 20 per cent of TSE is reused in Saudi Arabia. NWC stipulates that TSE sales to exceed revenues from potable water sales across six major cities in the kingdom and by 2030, TSE revenue is forecasted to reach SR3.28bn (\$900mn).

Following is a list of services and products in demand for the various desalination and wastewater projects undertaken in Saudi Arabia:

- Consulting and engineering services
- Anti-scaling chemicals
- Operations and maintenance services
- RO membranes
- Filters
- Steam & gas turbines
- Boilers
- Treatment chemicals
- Pumps
- Screening equipment
- Training services
- Potable and process water treatment systems
- Industrial and Sewage wastewater treatment systems
- Oil skimmers (pipes, drums, weir, etc)
- Pressure and gravity media filters
- Grit removal units
- Water disinfection equipment & systems
- Clarifiers & clarification equipment
- Odor treatment
- Screens and headwork systems
- Sludge digesters and digester equipment
- Aeration systems

#### **Events of Interest:**

**WEFTEC** – September 27 – October 1, 2014, New Orleans

**AWWA-ACE** – June 7 – 11, 2015, Anaheim, CA

**WETEX** – March 10-12, 2015, Dubai, UAE

**WEPower** – May 10-12, 2015, Dammam, Saudi Arabia

#### **Opportunities**

[Return to top](#)

The Saline Water Conversion Corporation (SWCC) is the entity responsible for operating the country's 36 desalination plants and providing fresh water to the entire country. It is also the country's second largest supplier of power after SEC, with 12 plants generating around 40,000 megawatts. It is estimated that the Kingdom's installed power capacity will grow to 140,000 megawatts within 25 years. On SWCC's privatization plans, the National Water Company (NWC) was formed. As indicated earlier, NWC envisages on spending \$66bn on water and wastewater development projects between 2012 and 2020. It is estimated that \$30bn of this will be in the form of capital expenditure, with wastewater projects and water recycling being a major area of focus for the authorities.

The creation of Marafiq - the country's first private utility in Jubail city has opened up more opportunities in the water sector. The IWPP at Jubail originally conceived as a project which would



see power and water sold to WEC in line with the initial regulatory framework. After being restructured as the Marafiq Jubail IWPP, its output is now being taken by Marafiq which is a leading shareholder in the project. It is noteworthy to mention that early Saudi IWPPs were able to rely on strong support from the Saudi domestic banking sector, but the scale of Saudi Arabia's first IWPP, the US\$2.45bn Shuaibah facility, was beyond the scope of the local market. The Saudi government helped to pave the way for the IWPP program by financing the bidding process on this landmark facility and showed that the Kingdom represented a mature and stable market.

In March 2011, the Saudi government announced an allocation of a massive SAR500bn (\$135bn) spending program which plans to improve critical infrastructure, including the water/waste water sector. It was estimated that, between 2010-2015, Saudi Arabia will require 8,500 km of new pipeline for freshwater transport and over 32,000 km for wastewater disposal pipes. Also, major business opportunities will be forthcoming as the sector opens up for privatization. Industry sources expect that the Government will build more new desalination plants, water pipelines, and wastewater treatment plants with the WEC and the NWC taking the lead. These IWPP projects will provide desalinated water and power to their respective regions. Saudi Arabia also presses ahead with a wastewater treatment revolution. Modernizing and expanding the sewage system has become one of the top priorities of the Saudi Arabian government. The loss of life and property in the floods in Jeddah city was widely blamed on Jeddah's poor wastewater network. It also shed light on the poor infrastructure and inadequacies of the wastewater collection and treatment services. It is estimated that only 40 per cent of the population of the kingdom is served by an integrated sewage and wastewater system.

The Kingdom has now taken measures to address these issues and to revamp its wastewater with the private NWC responsible for running the sewage system in Jeddah and Riyadh. NWC forecast that capital spending on the kingdom's sewage collection and treatment system in the next 20 years will amount to \$37 billion.

## Web Resources

[Return to top](#)

Saline Water Conversion Corporation (SWCC)	<a href="http://www.swcc.gov.sa">www.swcc.gov.sa</a>
Ministry of Municipal & Rural Affairs (MOMRA)	<a href="http://www.momra.gov.sa">www.momra.gov.sa</a>
Power & Water Utility Company for Jubail and Yanbu	<a href="http://www.marafiq.com.sa">www.marafiq.com.sa</a>
Ministry of Water and Electricity	<a href="http://www.mowe.gov.sa/NewMowe/ENIndex.aspx">www.mowe.gov.sa/NewMowe/ENIndex.aspx</a>
Water and Electricity Company (WEC)	<a href="http://www.wec.com.sa/Default.aspx">www.wec.com.sa/Default.aspx</a>
National Water Company	<a href="http://www.nwc.com.sa/English/Pages/Individual.asp">www.nwc.com.sa/English/Pages/Individual.asp</a>
Ministry of Commerce & Industry	<a href="http://www.commerce.gov.sa/english/">www.commerce.gov.sa/english/</a>
ACWA Power, Saudi Arabia	<a href="http://www.acwapower.com">www.acwapower.com</a>
Saudi Gazette	<a href="http://www.saudigazette.com.sa">www.saudigazette.com.sa</a>
Arab News	<a href="http://www.arabnews.com">www.arabnews.com</a>
Business Intelligence Middle East	<a href="http://www.bi-me.com">www.bi-me.com</a>
Saudi Aramco	<a href="http://www.saudiaramco.com">www.saudiaramco.com</a>
Royal Commission for Jubail and Yanbu	<a href="http://www.rcjy.gov.sa/en-us/Pages/default.aspx">www.rcjy.gov.sa/en-us/Pages/default.aspx</a>
Middle East Economic Digest	<a href="http://www.meed.com">www.meed.com</a>

## Safety & Security - SEC

### Overview

[Return to top](#)

Saudi Arabia is one of the largest markets for security equipment and technology in the region and it continues to develop rapidly. Threats from both internal and external sources pose major challenges to existing and upcoming infrastructure. Sectors that are vital to the economy all require constant

surveillance and security systems to allow continued and undisturbed output. Saudi Arabia will continue to mobilize all resources to maintain and strengthen a highly effective homeland security / homeland defense infrastructure. The government's privatization plans have triggered considerable security upgrades within the electricity, telecommunications, air-travel, water, oil and gas, railways and petrochemical sectors.

## **Security, Safety & Fire**

Saudi Arabia allocates spending of approximately \$14 billion to protect its oil facilities and other infrastructure of security systems and services. The Saudi security market is expected to grow at a compound annual growth rate (CAGR) of 9.8% in the few coming years. As a result, Saudi Arabia's security market will become the world's largest national energy security market.

The region is transforming itself from an area of oil revenue dependency to one of manufacturing and infrastructure diversification, with rapid growth in construction, downstream energy and transportation projects. There has been a massive increase in spending in the security, safety and fire markets that comprise civil protection across the GCC and particularly in Saudi Arabia. However, much more is required in the coming years.

An increased awareness of the problems and enforcement of safety regulations has led to a higher demand for safety training and equipment, fire services, detection and alarm systems. The security of oil and gas sector, along with other key ongoing projects such as transportation (airports, railways, seaports), petrochemicals, mining and economic cities, makes the security and surveillance market in Saudi Arabia a very large and lucrative one. For example, in the transport sector alone security expenditure is forecast to reach \$76.2 million by 2016. Traffic violation management to monitor roads and highways and enforce traffic laws in an automated manner is another highly active market area.

Growing industrialization and urbanization in Saudi Arabia has created a host of new opportunities and challenges, one being fire protection. Demand for fire protection products and services have increased in areas showing the most economic growth as Saudi Arabia.

The ongoing construction boom with several prestigious construction projects are also in progress, (economic cities, new universities, schools/colleges, and hospitals) and this offers many opportunities for increased expenditure on fire alarm systems and services. More stringent enforcement of building construction codes in recent years, coupled with an increasing demand from end users, has created a surge in demand for fire alarm systems, sprinklers, fire detection and suppression systems. This has also increased the demand for awareness of safety regulations; equipment, regulations and training services. The worldwide market for active fire protection is currently around \$5 billion annually. This has grown to \$6.1 billion by the end of 2011, with much of the growth taking place in the Middle East. The Middle East fire detection and suppression market earned revenues of \$635 million in 2008, and is estimated to reach \$1.2 billion by 2013. Jeddah Chamber of Commerce has estimated the Kingdom requires 1 million new homes in the next five years, providing a wealth of opportunities for fire alarm systems.

The total combined market size for the security and safety sector is estimated at more than \$1.1 billion. Security is a growing sector estimated to be worth around \$600 million. Of this figure, around \$70 million accounts for physical and electronic security for the banking sector. The balance accounts for government, industrial, retail, residential and commercial sectors. The present context of increased security measures, coupled with the economic stimulus budget, has heightened security and safety awareness.

Saudi Arabia continues to provide business opportunities for companies in the areas listed below:



## **Security Equipment and Services**

Digital video surveillance with long range threat detection and counter terrorism analytical tools; CCTV systems; biometrics face recognition systems, iris recognition systems; and fingerprinting equipment; thermal imaging equipment; fence protection systems, including PIRs; night-vision video surveillance equipment; road-blocking equipment; turnstiles for pedestrians; vehicle/parking access control equipment; long-range readers; RFID; electronic vehicle identification; OCR license plate recognition systems; UVSS (under-vehicle surveillance systems, both portable and fixed); weapon-, drug-, and other types of detectors; slow scan video; security doors; radio alarms; picture processors; perimeter protection; monitors; and new cutting-edge technology in security products and systems.

## **Fire Equipment and Services**

Fire alarms; detection and prevention systems; fire fighting and protection equipment; fire hose reels; personal protection equipment; carbon dioxide systems, dry powder systems, extinguishing systems, fire and smoke dampers, fire resistant cables, fire retardant material, flame proofing, foam systems, gas detection, hose reels, voice evacuation alarms and any new technology/products relating to the fire & safety sector.

## **Safety Equipment and Services**

Emergency lighting; eye protection; first aid; body protection equipment; safety glazing; safety showers, safety signs; site safety equipment; ventilation; voice evacuation alarms any new technology/products relating to the safety sector.

It is extremely difficult to obtain details of government security requirements, as the MOI prefer to deal with approved suppliers and contractors only. Even when contact is made they refrain from giving details of such projects and who these were awarded to. Some Saudi companies who are awarded such projects do not wish to discuss details and do not wish to be quoted.

The Saudi Arabian security market is basically a price-conscious market, mainly due to the presence of wide range of security products imported from different parts of the world. Price competitiveness is therefore a must. No reliable, published statistics are available on the SEC sector in Saudi Arabia.

## **Sub-Sector Best Prospects**

[Return to top](#)

Considering the size and prosperity of the country, Saudi Arabia's security industry is somewhat underdeveloped. The country relies heavily on imports, despite previous efforts to create a degree of self-sufficiency in its security production. There is strong receptivity to U.S. security products and services. Due to recent merger in the international security market, there are six major groups, namely TYCO, Honeywell, GE, UTC, Schneider & Bosch. Out of these, the first five are from USA. US manufacturers dominate the market with other European manufacturers actively trying to win a share of the market. The US leads with around 42-58% of the market, UK 16%, Far East 23%, followed by Canada, France, Germany, Holland, Denmark and Italy. Stricter enforcement of security in private sector facilities is likely to increase market share for Italy, Taiwan, China and other suppliers that can supply cheaper products.

The security of energy infrastructure has become one of the foremost concerns of governments everywhere. Producers and users alike know that terrorists around the world cannot fail to notice the

vulnerability of the global markets, and the destructive impact that any disruption in energy supplies would have on many national economies. The recognition of this vulnerability, in turn, drives the infrastructure-security markets. Securing the flow of oil from producers to consumers is a crucial global concern. Saudi Arabia, the world's largest oil exporter, understands the importance of uninterrupted flow of oil, and it knows that one successful terror attack on the Saudi oil industry would send oil prices skyrocketing to record highs, resulting in a deep global recession — a losing proposition for all involved. To head off such an eventuality, analysts say that the Saudis are procuring \$14 billion of security systems and services over the next few years in order to bolster the kingdom oil infrastructure security.

Homeland security is another growing sector today. Saudi Arabia is the second largest market in the world, with a \$97 billion forecast spend on homeland security alone over the next 8 years; equating to a massive \$12 billion per year on projects in a rapidly evolving market. The Kingdom of Saudi Arabia works hard to have the latest security systems, surveillance mechanisms, safety standards and other measures to ensure the health, safety and protection of all in the kingdom. Initially the focus was on infrastructure protection, border protection, and protecting oil and gas facilities. However, significant efforts and resources are now being expended to protect critical infrastructure for the production and transportation of oil and gas. Saudi Aramco, the world's largest oil company is also one of the largest non-military end-users of security items, and the majority of its security requirements have been sourced from the U.S.

Solutions and service providers and system integrators in all safety and security fields will also find an increased demand for their products in the Kingdom.

Below are some of the areas that will have good potential in the security sector:

Hajj annual pilgrimage to Mecca (an Olympic-size event held every year) – interoperability communications equipment, anti riot equipment, protective gear; oil industry / IT perimeter protection equipment and personnel, hazmat decontamination, risk assessment, maritime security; private-sector perimeter control, emergency planning, VIP protection, access control and biometrics.

## Opportunities

[Return to top](#)

Saudi Aramco's two new refineries, one in Jubail and the other in Yanbu, will present significant opportunities for a wide range of security equipment.

Saudi Aramco and Dow are building a \$15 billion petrochemicals complex in Ras Tanura on the Eastern coast of Saudi Arabia, which will also present opportunities for a wide range of security equipment and systems.

Saudi Arabia Mining Co.s (Ma'aden) phosphate project and aluminum smelter will present good opportunities for a range of security equipments and systems.

The six new economic cities will be in Madina, Hail, Tabuk, Jizan, Ras Az-Zour, and Rabigh. The King Abdullah Economic City, which is to be built near the western industrial city of Rabigh, will cost approximately \$26.6 billion. All of these six cities will have a good component of security equipment for their residential, schools, office complexes, ports and industrial developments.

The Ministry of Interior (MOI) has signed a US\$2.6 billion contract for the 6,000km second phase of the national border fence and security systems. The local Al-Rashid Trading and Contracting Company and German-based European Aeronautic Defense & Space Company (ADS) have executed this contract. The work involves installing a radar-based system to detect incursions along Saudi

Arabia's border with Jordan, Kuwait, Qatar, the UAE, and Yemen as well as along the Gulf and Red Sea coasts.

The following projects will also create a demand for relevant security systems:

- The \$6 billion development project of the Makkah-Madinah Railway.
- The expansion of King Abdulaziz International Airport and the development of Jeddah Islamic Seaport.
- Government investment of \$700 million to develop the country's electricity network and water supplies.
- Current infrastructure projects which is valued at \$35 billion.
- The total value of construction contracts awarded is set to hit \$63 billion by 2012

These projects have led to a boom in demand for safety training and equipment, fire services, detection and alarm systems. Even more money is being spent on the security sector that will help to protect and maintain this economic growth. With Saudi Arabia supplying the majority of the world's crude oil and 50% of its GDP being contributed by the oil and gas sector, the security of this sector alone is a very real business opportunity.

## Web Resources

[Return to top](#)

Saudi Arabian General Investment Authority	<a href="http://www.sagia.gov.sa">www.sagia.gov.sa</a>
Saline Water Conversion Corporation (SWCC)	<a href="http://www.swcc.gov.sa">www.swcc.gov.sa</a>
Saudi Electric Company	<a href="http://www.se.com.sa/SEC/English/default.htm">www.se.com.sa/SEC/English/default.htm</a>
Saudi Ports Authority	<a href="http://www.ports.gov.sa/default.cfm">www.ports.gov.sa/default.cfm</a>
InterSEC Safety & Security, Dubai	<a href="http://www.intersecexpo.com">www.intersecexpo.com</a>
Saudi Basic Industries Corporation	<a href="http://www.sabic.com">www.sabic.com</a>
Saudi Aramco	<a href="http://www.saudiaramco.com">www.saudiaramco.com</a>
Ministry of Interior	<a href="http://www.moi.gov.sa">www.moi.gov.sa</a>
Saudi Safety and Security (SSS) conference and Expo	<a href="http://www.sss-arabic.com">www.sss-arabic.com</a>

## Education & Training Services - EDS

### Overview

[Return to top](#)

Saudi Arabia's educational system is currently experiencing an astonishing transformation. Not only has the Saudi Government been increasing budgetary allocations in support of education and manpower development projects since 2000, but it has increasingly been opening its doors to U.S. universities, institutions, and major corporations. The Saudi Government has earmarked an estimated \$ 40 billion worth of investment opportunities in education alone through 2020. The significant public and private effort, both local and international, will further transform Saudi Arabia's education system, and will enable an unprecedented concentration of local talent to form and be injected directly into the Saudi economy.

According to the most recent statistics published by the Saudi Arabian Monetary Agency, Saudi Arabia's public education system includes 32 public and private universities in various stages of operation, some 32,986 schools, as well as a large number of colleges and other education-related

institutions. The student body in Saudi universities includes local and international students from over 100 countries.

The Saudi Government realizes to move to a highly diversified new economy with significant Saudi labor, education and training must be a significant cornerstone in Saudi Arabia's diversification plans. The Kingdom earmarks a significant portion of its budget towards education and training including the sending of Saudi students to education institutions throughout the world, and especially to the United States.

## **Sub-Sector Best Prospects**

[Return to top](#)

The Kingdom has identified technical and administrative training as an essential sector of education to support the country's economic and social development. Graduates of training programs in health care, agriculture, teaching and other areas are steadily filling positions at industrial, agricultural and social institutions throughout the country. The General Organization for Technical Education and Vocational Training, along with the Ministry of Labor and Social Affairs, operates most of the Kingdom's vocational training centers and higher institutes of technical education. The Ministry of Education operates vocational and secondary schools and several other government agencies run institutes or training centers in their particular specialties.

These institutes teach, for example, machine tooling, metalworking, electro-mechanics, and auto mechanics, offering young Saudis the opportunity to learn skills that are in high demand, and courses specifically tailored to meet the needs of unemployed Saudis.

Another important institution, designed to address the country's shortage of administrative personnel, is the Institute for Public Administration, established in Riyadh in 1961 as a semi-independent public agency. The institute provides basic as well as in-service training for civil servants carries out research and assists government agencies in administration, communication and computer sciences. Today, it has branches in Dammam and Jeddah, and a special branch in Riyadh for training women. It offers students courses in administration, law, accounting, computer science, maintenance, personnel management, secretarial skills and management planning.

## **Opportunities**

[Return to top](#)

### **King Abdullah Public Educational Development Project (*Tatweer* Project)**

The Saudi Government has allocated around SAR 9 billion (US\$2.4 billion) for the Tatweer ("Development") project through the Education Development Holding Company owned by the Public Investment Fund (PIF), and is continuing to take education to new horizons to cope with transformations around the world. Teachers, students' advisors and school principals take different courses that can enable them to deal with their students from different angles to help them succeed at all levels. The project consists of four pillars: developing teachers' skills, developing curricula, enhancing school activities, and improving school environment. The Kingdom is trying to develop education and is employing the latest possible technology to help build Saudi citizens at all levels.

### **King Abdullah University of Science and Technology (KAUST)**

KAUST's core campus, located on the Red Sea at Thuwal, is sited on more than 36 km<sup>2</sup> (14 sq. mi.), encompassing a marine sanctuary and research facility. KAUST is the first mixed-sex university campus in Saudi Arabia. Within KAUST, female drivers will facilitate student and community life by driving. Saudi authorities hope the mixed-sex center will help modernize the kingdom's deeply

onservative society. The religious police does not operate on-site. Women will be allowed to mix freely with men and drive on campus, nor are they required to wear veils in the coeducational classes. KAUST will pursue its research agenda through four strategic research thrusts that focus on areas of science and technology that are important to Saudi Arabia, the region, and the world:

- Resources, energy, and the environment,
- Biosciences and bioengineering,
- Materials science and engineering, and
- Applied mathematics and computer science.

### **Riyadh Women's University**

Riyadh Women's University will have 13 colleges, including facilities for medicine, dentistry, nursing, naturopathy and pharmacology and a 700-bed hospital. The new university and campus, which will accommodate up to 40,000 students, aims to be the focal point for promoting education among women in the kingdom. The university also plans to focus on educational programs that are essential to meet Saudi's job market requirement.

### **King Fahd University of Petroleum and Minerals-(KFUPM)**

KFUPM is located in Dhahran in the Eastern Province of Saudi Arabia. It is a leading educational organization for science and technology which has more than 10,000 students. KFUPM is an institution of higher learning committed to offer undergraduate and graduate programs: Sciences, Engineering Sciences, Computer Sciences and Engineering, Industrial Management and Environmental Design.

### **Prince Mohammad University (PMU)**

The Prince Mohammad University is a new private university located in the Al-Khobar area of the Eastern Province of Saudi Arabia. The University has been established by a group of renowned individuals under the auspices of HRH Prince Mohammad bin Fahd bin Abdulaziz. Prince Mohammad University ensures that the Kingdom develops the necessary manpower with the appropriate competencies, technical knowledge and foresight to rise to the challenges ahead. Students at PMU study diverse fields of business, engineering, information technology, culture, education, community development and public administration.

**Education Trade Fairs in Saudi Arabia:** <http://www.educationusa.info/students-fairs.php?id=151>

## **Web Resources**

[Return to top](#)

<http://www.educationusa.info/students-fairs.php?region=4>

## **Telecommunications Services (TES)**

### **Overview**

[Return to top](#)

The government foresees the Kingdom's telecommunications revenues to exceed 60.6 billion Saudi riyals (\$16.17 billion) by 2011, up from SAR40 billion in 2010. With annual growth of up to 15%,

revenue is expected to exceed SAR65 billion by 2012. STC, Mobily and Zain, the current mobile telecom providers in Saudi Arabia have generated combined operational revenue of SAR48.8 billion in 2011, from fixed-line and mobile phone services.

In addition to STC, the following groups are also providing fixed-line telephone services:

- A consortium led by Batelco, Atheeb Group, Al Nahla and Traco
- The Al-Mutakamilah Consortium, partnering PCCW with local conglomerate Mawarid

The above consortia are listed in the Saudi Stock Exchange market (Tadawul).

As for VSAT services, there are four licensees as follows: Hi-Cap (Al-Fahan), Saudi Inteltech, Datasad and Al Harbi Telecom.

There are two licenses to provide data services, namely, Integrated Telecom Solutions and Bayant Telecom which was acquired by Mobily in early 2008.

According to latest statistics, there are 56 million mobile phone lines (by the end of 2011), with a penetration rate of 120% of the population. Digital subscriber lines reached 550,000 by the end of the first quarter of 2011. Internet users reached 13 million, or 52%, of the population. The Saudi government has invested SAR5 billion to execute its e-government program that will allow 40 state agencies to provide 150 government services through electronic media within five years.

## **Sub-Sector Best Prospects**

[Return to top](#)

Saudi Arabia is expected to need a significant amount of technology, software and hardware to create the new digital infrastructure that the government is hoping for.

Best Prospects include:

- DSL access switches, enabling multi-service transmission equipment
- Fiber-optic satellite links
- Wideband transceivers
- Network protocol software and systems
- Broadband wireless access systems “ Wi Max with 2.5 and 3.5 GHz “ with two type 16D and 16 E .

## **Opportunities**

[Return to top](#)

In 2007, the Saudi Council of Ministers approved a national plan for the development of its telecom and information technology sector with the objective of transforming the Kingdom into a knowledge-based society with a digital economy.

The plan calls for the establishment of a powerful telecom and IT industry to make them one of the major sources of income. The national plan for telecom and IT has long-term and short-term objectives. The Kingdom has already begun implementing some plans and programs for the development of the sector.

Work is underway in the Kingdom's first Knowledge Economic City (KEC) in Medina. When completed in 2012, KEC will have a technological and economic information center, a campus for medical research and biosciences and a center for studies in Islamic civilization.

The project is expected to attract investments worth more than SR25 billion and create nearly 25,000 new jobs. KEC will have a range of complementary zones: a technology and KBI (Knowledge-based

Industry zone, an advanced IT studies institute, an integrated medical services zone, a retail zone, and a business district.

#### Additional Notes:

*The Saudi telecoms market is still booming: we expect 3.5G data to help drive mobile penetration towards 220% within five years.*

From a top-down perspective, the Saudi telecoms market is attractive. The country benefits from a young and fast growing population and from high GDP/capita. The mobile market, which accounts for 74% of the total, is growing fast and is also relatively concentrated.

We expect mobile broadband to help drive mobile penetration in Saudi Arabia towards 220% within five years. We think mobile broadband will fuel incremental growth, rather than replace existing voice revenues; however, it may threaten fixed-line DSL.

We expect the Saudi mobile market to continue to outperform fixed line, driven primarily by mobile data. Consequently we expect robust growth for the next few years, despite the risk of increased pressure on prices.

#### **Web Resources**

[Return to top](#)

Communications and Information Technology Commission

[www.citc.gov.sa](http://www.citc.gov.sa)

Ministry of Communications and Information Technology

[www.mcit.gov.sa](http://www.mcit.gov.sa)



Saudi Telecommunications Company

[www.stc.com.sa](http://www.stc.com.sa)

Knowledge Economic City <http://www.sagia.gov.sa/english/index.php?page=knowledge-economic-city-kec>

## Medical Equipment - MED

### Overview

[Return to top](#)

The Saudi health-care sector remains the largest in the region in terms of expenditures, size, activity, and potential. Annual spending on health care is estimated at over \$26 billion. Over 85 percent of health care expenditures are accounted by the public sector, more than 85 percent by the Saudi government

In March 2011, the King provided the MOH with \$4.27 billion in additional funding to build and expand various medical cities across Saudi Arabia. Other government organizations also plan to enhance their health care services including 20 teaching hospitals for the Ministry of Higher Education, two medical cities for the Ministry of Interior, a HIS for the Ministry of Defense and Aviation, and another HIS for the Medical Services department at the Royal Commission for Jubail & Yanbu.

With an annual population growth rate of 2.5% to 3%, Saudi Arabia would require an additional average annual investment of \$587 million in hospital bed capacity to keep pace with the demand.

The high budgetary allocation valued at \$63 billion for healthcare sector and new health projects, expansion and growth of existing hospitals and clinics, privatization, compulsory healthcare insurance, the aging population, and greater material wealth along with an upsurge in lifestyle diseases and favorable government policies all combine altogether to boost the demand for healthcare services, and thus create the environment for purchases of new medical equipment and increased investments in these sectors.

### Sub-Sector Best Prospects

[Return to top](#)

The following sectors and sub-sectors provide an excellent potential for U.S. companies:

- Patient beds
- Monitoring equipment
- Hospital disposables
- Operating-theater instruments
- Oxygen generators and related components
- Rehabilitation equipment and accessories
- Diagnostic equipment and components
- Electro-medical equipment
- Medical X-ray equipment
- Optical microscopes and related components
- Dental or veterinary devices
- Therapeutic appliances Orthopedic appliances Artificial body parts
- Glucometers and blood-pressure devices
- Medical laboratory equipment.



Affluence has also affected lifestyle of Saudis bringing with it diseases such as obesity, diabetes, coronary diseases, and cancer. A large and growing population of smokers — compounded by desert climatic conditions — has led to a rise of pulmonary and breathing diseases, as well as lung and throat cancers. Other major diseases of concern include breast cancer, kidney diseases, and cases of tuberculosis.

For example:

- Over 30% of the Saudi population is classified as overweight
- Asthma affects 10-15% of children
- More than 22% of the populations are regular smokers
- HIV positive people may be as high as 80,000 according to unofficial estimates
- Heart diseases increasing an average 5.3% annually
- An estimated 17% of the population is diabetic.

## Opportunities

[Return to top](#)

The Saudi private sector was the largest contributor to growth in the number of hospital beds over the past 10 years, in line with the government restructuring strategy, which will convert government hospitals into private entities in the form of a public-private partnership to maximize system efficiencies and raise the overall standard of care.

In addition to the Ministry of Health's annual requirement for equipment and instruments, the Gulf countries also present excellent opportunities for U.S. companies to participate in a six-country annual bid for various items, including:

- Medicines
- Vaccines
- Chemicals
- Insecticides
- Radiopharmaceuticals
- Renal dialysis equipment and supplies
- Dental supplies
- Laboratory instruments and disposables
- Orthopedic and spinal rehabilitation equipment, and
- Cardiovascular treatment and rehabilitation equipment.

The above tenders are offered annually and the Secretariat General of the six nations' Health Ministries will usually communicate directly with foreign vendors.

To cope with an increasing number of healthcare providers and patients, the [Ministry of Health](#) is envisaging the establishment of a national electronic records system for healthcare, which will create enormous opportunities for health systems integrators and specialists in this field.

## Web Resources

[Return to top](#)

Ministry of Health  
Riyadh Military Hospital  
Saudi Arabian National Guard Health Affairs  
Riyadh Care Hospitals  
Central Department of Statistics & Information  
*Al-Yaum* (newspaper)  
Middle East Economic Digest  
Saudi Aramco Medical Services Organization

[www.moh.gov.sa/english/index.php](http://www.moh.gov.sa/english/index.php)  
[www.rkh.med.sa/RMH.Website/English/](http://www.rkh.med.sa/RMH.Website/English/)  
[www.ngha.med.sa/English/Pages/Default.aspx](http://www.ngha.med.sa/English/Pages/Default.aspx)  
[www.riyadhcare.com](http://www.riyadhcare.com)  
[www.cdsi.gov.sa/english/](http://www.cdsi.gov.sa/english/)  
[www.alyaum.com](http://www.alyaum.com)  
[www.meed.com](http://www.meed.com)  
[www.saudiaramco.com](http://www.saudiaramco.com)

International Medical Center  
Saad Specialist Hospital  
Almana General Hospital  
Executive Board of the Health Ministers  
Council for the GCC States  
Ministry of Defense and Aviation

[www.imc.med.sa](http://www.imc.med.sa)  
[www.saadmedical.com](http://www.saadmedical.com)  
[www.almanahospital.com.sa](http://www.almanahospital.com.sa)

[www.sgh.org.sa/page\\_e.htm](http://www.sgh.org.sa/page_e.htm)  
[www.moda.gov.sa/detail.asp?InServiceID=214&intemplatekey=MainPage](http://www.moda.gov.sa/detail.asp?InServiceID=214&intemplatekey=MainPage)

Ministry of Interior Medical Services

[www.sfh.med.sa/English/Pages/Security%20Forces%20Hospital%20Program.aspx](http://www.sfh.med.sa/English/Pages/Security%20Forces%20Hospital%20Program.aspx)  
[www.gosi.gov.sa/portal/web/guest/home](http://www.gosi.gov.sa/portal/web/guest/home)

General Organization for Social Insurance  
King Faisal Specialist Hospital and  
Research Centre  
Kingdom Hospital

[www.bportal.kfshrc.edu.sa/wps/portal/bportal](http://www.bportal.kfshrc.edu.sa/wps/portal/bportal)  
[www.khccgroup.com/](http://www.khccgroup.com/)

## Oil & Gas Field Machinery - OGM

### Overview

[Return to top](#)

Saudi Aramco made significant progress toward shaping their businesses in 2013. The company brought the Manifa crude oil increment online in April 2013, three months ahead of schedule, and achieved 500,000 barrels per day production capacity by July 2013. They appointed a Chief Technology Officer to help turn Saudi Aramco into a research powerhouse able to respond to - and anticipate - the future technology needs of the industry. This new position is a key step toward Saudi Aramco's vision to become one of the world's leading creators of hydrocarbon, chemicals, renewable and related energy technologies by the year 2020.

The Saudi Arabian Oil Company (Saudi Aramco), the world's largest oil producer and the state owned company has maintained its world- leading conventional crude-oil reserves at 260.1 billion barrels and gas reserves of 288.4 trillion standard cubic feet.

In 2013 Saudi Aramco produced 304 billion barrels of oil, about one in every eight barrels of the world's crude oil production. Saudi Aramco gas production in terms of raw gas to gas plants, was 4.02 trillion standard cubic feet. They also produced 455.9 million barrels of natural gas liquids (NGL's), including 86.8 million barrels of condensate.

Saudi Aramco, in 2013 made significant progress on Manifa the worlds' fifth largest offshore oil field and Karan the Kingdom's first non-associated offshore gas field. Saudi Aramco added new oil and gas reservoirs as they continued to implement the largest exploration program in the company's history.

Presently, Saudi Aramco has eleven upstream and downstream investment plans valued at around \$58.45 billion to meet increasing world demand for energy. By the year 2020, Saudi Aramco's daily production capacity of 12 million b/d will become 15 million b/d. Unassociated gas is also a priority for Saudi Aramco because it presently accounts for 44% of the Kingdom's primary energy consumption. The expansion program will have foreign companies to boost oil refining capacity in Saudi Arabia and in overseas markets.

Aramco is targeting a 30 per cent increase in sales gas output by 2014 to 8 billion cubic feet a day (cf/d). Aramco has switched its focus to the offshore Karan field, discovered in 2006. Karan, 100 km north of the giant Ghawar oil field, is the kingdom's first non-associated offshore gas field to be developed by Aramco. It has reserves of more than 9 trillion cubic feet of gas and the company expects to produce 1.8 billion cf/d from the field by 2013.

Under the Wasit gas development program, Aramco discovered the Arabiyah and Hasbah fields in January 2009, and has already included them in its five-year spending plan for 2010-14. The Wasit gas development program will produce and process up to 2.5 billion cf/d of sour gas from the offshore Arabiyah and Hasbah fields.

More offshore exploration is also under way. Aramco has boosted the number of active offshore rigs. In its capital investment program for 2010-14, Aramco has dedicated US \$6 billion for the development of six offshore facilities out of a total budget of \$60 billion.

KBR has completed the registration for Saudi Aramco's General Engineering Services (GES) plus contract. KBR now joins the Jacobs Engineering and Mustang Engineering on the list of GES plus member companies. SNC Lavlin and Foster Wheeler are still engaged in the registration process. The GES plus is intended to both trim down the amount of contracts Aramco uses for its design work to manageable level and also to ensure relative homogenous rates with contractors. It also aims to ensure that local design engineering are being given invaluable experience on the company's major projects. It is important for these GES Plus contractors to pledge to carry out design work in-kingdom and form consortium with local engineering consultancies to ensure Saudi nationals would be involved in the technical design work. In return, only the companies that signed a GES plus contract would be allowed to bid on any Front End Engineering and Design (FEED) tenders released by Aramco. Any contractor who signed up would be guaranteed 1 million man-hours of work a year by Aramco.

In regards to oil and gas engineering, procurement and contracting (EPC) contracts, Aramco is the only game in town. To be able to bid for Aramco's EPC contracts inside Saudi Arabia, a company needs to be certified as an in-kingdom contractor. This involves signing a joint venture agreement with a local company and opening an office inside Saudi Arabia.

## **Sub-Sector Best Prospects**

[Return to top](#)

Saudi Aramco plans to invest at least US \$120 billion in oil, gas and petrochemical projects over the next five to six years. According to Khalid Al-Falih, Saudi Aramco chief executive, investment will be directed into new gas and oil plant to meet growing energy demand, as well as new facilities enabling the continued development of petrochemical production. To cope with rising demand, world oil production is likely to rise by a million barrels a day each year between now and 2030, Al-Falih forecast, daily worldwide production from today's 85 million barrels a day to 105 million by 2030.

Saudi Aramco's planned expansion projects throughout Saudi Arabia will generate a demand over the next five years in billions of US dollars for high quality oil and gas industry related products, supplies, and services.

These include: oil and gas field drilling machinery and equipment; casing, pipes, pipe fitting, and valves; power generation equipment; drilling chemicals; pumps, heat; exchangers, gas compressors, tower coolers; instruments and controls; anti-corrosion systems; laboratory equipment; marine equipment and services, offshore platforms, filtration systems, pressure vessels; storage systems, treatment systems; injection equipment and services; production equipment and services; well control systems, packing, seals, gaskets, bearings, rope, wire rope and chain; safety and environmental protection services; pollution and spill control services; tools, flexible pipe, valves & actuators; wellhead valves; and thousands of other items related to the oil and gas industry.

In a published news report, Saudi Aramco is planning to spend tens of billions of U.S. dollars between 2010-2014 on these projects:

Project	Number of Projects	Value (\$ Billion)
New Process Facilities	7	15.0
Offshore Facilities	6	5.5
Maintenance Programs	10	5.5
Plant Improvements	45	3.0
Pipelines	17	2.2
Civil Engineering / Infrastructure	37	2.2
Electrical / Communications	22	1.2
<b>Total</b>	154	35.1

Saudi Aramco and its various Saudi contractors are extremely receptive to U.S. products.

## Opportunities

[Return to top](#)

Saudi Aramco's awarded/planned projects include:

- Saudi Aramco will spend about US \$17 billion developing Manifa Oil Field as the national crude producer shifts focus to developing natural gas deposits and refining and petrochemical plants.
- The Wasit Gas Program will construct an onshore grassroots Central Processing Facility (CPF) to process 2.5 billion cf/d of gas from the Arabiyah/Hasbah offshore fields and produce approximately 1.75 billion cf/d of sales gas.
- Offshore gas wellhead production and tie-in platforms along with associated pipelines and cables will be installed to provide the feed gas to the CPF. The program also provides for installing Natural Gas Liquid (NGL) fractionation facilities inside the Wasit CPF to allow for processing a 240,000 bpd C2+ NGL stream produced at Khursaniyah.
- The bidding process for Wasit Gas onshore facilities has been finalized with the selection of SK Engineering & Construction Co Ltd and SAMSUNG Engineering Ltd. SK Engineering & Construction was selected for Lump Sum Turn Key (LSTK) contracts to perform the engineering, procurement and construction (EPC) work for the inlet and gas facilities, natural gas liquids (NGL) fractionation and the sulfur recovery units (SRU) and utilities facilities.
- SAMSUNG Engineering Ltd was selected for a LSTK contract to perform the EPC of the cogeneration and steam generation facilities.
- Karan Gas Field Development is first non-associated offshore gas field development.
  - The offshore facilities at Karan consist of four production platforms connected to a main tie-in platform, which will be installed with associated power and communication facilities. The gas will be transported via a 110-kilometer subsea pipeline from the field to onshore processing facilities at the Khursaniyah Gas Plant. The gas will be processed through three trains, each with a capacity of 600 million scfd, and will include facilities for gas sweetening, acid-gas enrichment, gas dehydration and supplementary propane refrigeration. The facilities also will include a co-generation plant with boiler, a sulfur recovery unit with storage tank, substations and a transmission pipeline linked to the Kingdom's Master Gas System (MGS).
  - Saudi Aramco has signed contracts with Korea's Hyundai Engineering & Construction Co., Ltd. (Hyundai) and the UK's Petrofac for the development of Karan. Hyundai was

awarded a Lump Sum Turn Key (LSTK) contract to perform the engineering, procurement, and construction for the Karan Gas Facilities package. The scope of this package includes building gas processing trains consisting of gas handling, gas sweetening, acid gas enrichment, gas dehydration and supplementary propane refrigeration. This package will also include the inlet and utilities facilities to support each processing gas train. Petrofac was selected for a Lump Sum Turn Key (LSTK) contract to perform the engineering, procurement, and construction of the Karan Utilities and Cogenerations package. The scope of this contract includes 47 kilometers of sales gas pipelines. In addition to expanding the utilities and cogeneration package, Petrofac will also upgrade the plant's process controls, electrical systems and support facilities.

- Additionally, for the offshore work at Karan, a contract was awarded to J.Ray McDermott, S.A., a subsidiary of McDermott International, Inc., a U.S. oil and gas services company, to develop and construct platforms and a subsea pipeline. J. Ray McDermott won the turnkey contract that includes manufacturing and installation of four platforms and the construction of a 110-kilometer subsea pipeline to carry offshore sour gas from the Karan field to be treated and processed at the onshore Khursaniyah Gas Plant.
- The Shaybah NGL Program will construct a grassroots NGL recovery plant at the Shaybah field.
  - This facility will extract the valuable NGL components supplied from various gas-oil separation plants (GOSPs) and deliver lean gas to GOSP-2 and GOSP-4 for re-injection. The Shaybah NGL Program also includes gas handling facilities to debottleneck Shaybah GOSP-1, 2, 3 & 4.
  - The bid selection for the four Lump Sum Turn Key (LSTK) contracts of the program has concluded with the selection of Samsung Engineering Co. Ltd. to perform the engineering, procurement and construction (EPC) work for all the four packages.
  - The scope of the major packages includes the construction of the inlet facilities, NGL recovery trains, dehydration, residue gas compression, acid gas compression, NGL storage and shipping, the upgrade of the gas handling capacity for the four existing Shaybah gas oil separation plants (GOSPs) and other associated facilities.
  - It also includes a major upgrade to increase the power generation capacity to more than 1 Giga Watt (GW) by installing four cogeneration units, seven single cycle units, a 50-kilometer 230 kilo volt (KV) transmission line, and the associated electrical and non-electrical utilities.

## Web Resources

[Return to top](#)

U.S. companies interested in exporting oil and gas field related equipment, supplies, parts and services to Saudi Aramco ([www.saudiaramco.com](http://www.saudiaramco.com)) are requested to communicate directly with:

Aramco Services Company Procurement &  
Logistics Department P.O. Box 4534  
Houston, TX 77210  
Tel: 713-432-5553

Vendor Registration Supplier  
Relations Phone: 713-432-5555  
E-mail: [stratsourcing@aramcoservices.com](mailto:stratsourcing@aramcoservices.com)  
Web: <http://www.aramcoservices.com/Doing-Business-with-U.s.aspx>

Saudi Arabian General Investment Authority [www.sagia.com](http://www.sagia.com)  
Petro-Rabigh Saudi Arabia [www.petrorabigh.com](http://www.petrorabigh.com)  
Saudi Aramco Total Refining and Petrochemical Co. [www.satorp.com](http://www.satorp.com)  
Yanbu Aramco Sinopec Refining **Company (YASREF)** [www.yasref.com](http://www.yasref.com)

Trade Events:

Abu Dhabi International Petroleum Exhibition & Conf. (ADIPEC) [www.adipec.com](http://www.adipec.com)  
Nov 10-13, 2014, Abu Dhabi, UAE  
The 6<sup>th</sup> Saudi Arabian Oil and Gas Exhibition (SAOGE) [www.saoge.org](http://www.saoge.org)  
Nov 24 – 26, 2014, Dhahran, Saudi Arabia  
2015 Offshore Technology Conference (OTC) <http://2015.otcnet.org/>  
May 4-7, 2015, Houston, TX  
19<sup>th</sup> Middle East Oil and Gas Show & Conference (MEOS) [www.meos2015.com](http://www.meos2015.com)  
Mar 9 – 11, 2015, Bahrain

**Chemical Production Machinery - CHM**

**Overview**

[Return to top](#)

Saudi Arabia petrochemical industry currently accounts for more than 75 percent of the Gulf Cooperation Council (GCC) countries total production. Saudi Arabia being a net importer, the country has emerged as a leading exporter in the petrochemicals sector. Primary drivers for this turnaround have been strong infrastructure, significant cost advantage due to lower average variable and fixed costs, and competitive and fixed natural gas prices. These factors have also resulted in substantial investment inflows into the sector.

Saudi Arabia is leading the world in petrochemicals expansion, allocating significant amounts of gas production for feedstock in established and planned cracker facilities. Most petrochemical production is based in Jubail Industrial City on the Arabian Gulf, other sites are in Yanbu on the Red Sea and Dammam.

Saudi Basic Industries Corporation (SABIC), which is 70% owned by the government, dominates the petrochemical sector and is leading expansion, including partnerships with global companies. Throughout the product chain, SABIC is a global company, it is a fast growing petrochemical and steel producer. SABIC manufacturing and compounding complexes are spread across the world: 24 in the Middle East, 11 in Asia, 12 in Europe and 17 in the Americas.

Total production in 2010 by SABIC's business units is as follows:

Material	Metric Tons (Thousands)
Fertilizers	7,043
Innovative Plastics	1,231



Basic Chemicals	42,268
Polymers	10,667
Metals	5,191

Saudi Aramco is also entering the sector due to its relatively strong position of having a full integration of petrochemicals plants with refineries, gas production and competitively priced feedstock, which helps keep costs down.

In October 2011, Saudi Aramco, one of the leading energy suppliers to the world, and The Dow Chemical Company, the leading specialty materials company in the world, have signed to form Sadara Chemical Company (Sadara), a joint venture that will construct, own and operate a world-scale integrated chemicals complex in Jubail Industrial City II, in the Eastern Province of the Kingdom of Saudi Arabia. Once complete, the JV's chemical complex will represent the largest petrochemical facility ever built in one single phase. The JV and the adjoining conversion parks will establish a world-scale manufacturing footprint that delivers a full range of value-added, performance products destined for the emerging markets of Asia, the Middle East and Africa.

Saudi petrochemical industry enjoys a natural competitive advantage due to the availability of low cost feedstock, the availability of vast crude oil and natural gas resources, modern infrastructure, and close proximity to high-growth markets. It is estimated that 90 percent of Saudi Arabia's petrochemicals revenue stems from base chemicals, including ethylene, with 10 percent coming from more valuable processed plastics and chemicals.

By 2020, Saudi Arabia aims to account for approximately one-fourth of the global polyolefin market. To reach this ambitious goal, the Kingdom plans to shift the country's focus from production of basic chemicals to secondary and tertiary petrochemicals. This strategy is at the core of Kingdom's 15-years development which aims to introduce new specialties into the local market.

According to Khalid Al-Falih, Saudi Aramco's chief executive officer, industrial clusters will be built around the company's two major in-kingdom petrochemical megaprojects. One cluster will be built around Aramco's joint venture with Japan's Sumitomo Chemical – the Petro Rabigh refinery and petrochemical complex on the Red Sea coast. The other cluster will be built around Sadara Petrochemical Company in Jubail. This move indicates that Aramco is looking to produce a higher-value and more diverse product mix from both Petro Rabigh and Sadara Petrochemical Company with products that have yet to be made in the Middle East. The products produced will include Polyurethane building block, metallocene based elastomers, glycol ethers, solution polyethylene, methyl/polymethyl methacrylate (MMA/PMMA), nylon and ethylene propylene rubber.

Receptivity to US products and services is very high and the current favorable exchange rate between the US Dollar and Saudi Riyal strengthens the competitiveness of US exports of goods and services. Nevertheless, major competitor engineering companies from Europe, Japan, South Korea, China and Australia appear determined to participate in this lucrative market. SABIC has started looking downstream for the next wave of expansion projects. SABIC's chief executive officer stated that the company is conducting a study to build new complexes to increase petrochemical production to 130 million metric tons by the year 2020 from a total of 56 million tons in 2008.

## Sub-Sector Best Prospects

[Return to top](#)

Saudi Aramco is in a relatively strong position with its full integration of petrochemicals plants with refineries, gas production and competitively priced feedstock, which helps keep costs down throughout the product chain.

Kemya has announced plans for an elastomers complex. The complex will have capacity to produce more than 400,000 tpa combined of butyl rubber, styrene butadiene rubber (SBR), butadiene rubber, ethylene propylene diene monomer rubber, thermoplastic specialty polymers, and carbon black.

Sahara Petrochemicals and Saudi Arabian Mining Company (Ma'aden) is going ahead with a US \$750mn project at Jubail with capacities of 250,000 tpa caustic soda and 300,000 tpa EDC.

SABIC and Mitsubishi Rayon have announced a new JV company to build and operate plants with methyl methacrylate (MMA) and polymethyl methacrylate (PMMA) capacities of 250,000 tpa and 40,000 tpa respectively.

The proposed Saudi Japanese Acrylonitrile Company (Shrouq), a JV between SABIC, Asahi Kasei and Mitsubishi Corporation, will build and operate plants with capacity for 200,000tpa of acrylonitrile and 40,000tpa of sodium cyanide in Jubail.

There is significant demand for the products and services of American manufacturers/suppliers of industrial equipment used in the petrochemical industry. U.S. companies are expected to avail themselves of excellent opportunities evolving from new projects undertaken by the joint stock company SABIC and private sector petrochemical companies.

Furthermore, American design and engineering companies/licensors have good opportunities to license their processes or provide technical know-how through licensing agreements and through active participation in international tenders to manage, design, procure and build petrochemical complexes.

In 2000, Saudi Arabia passed the Foreign Investment Act, which outlines foreign investors' rights and obligations, provides guidelines for putting the law into practice, and encourages foreign companies to establish directly-owned industrial and non-industrial ventures in Saudi Arabia. It also created the Saudi Arabian General Investment Authority (SAGIA) as a specialized institution in charge of foreign investment. In 2002, the law's executive rules were amended to further reinforce the basic principles introduced in the original Foreign Investment Act. Foreign investors, interested in setting-up a facility to produce petrochemicals must apply for a license and a commercial registration. Additional information can be found at the website of the [Saudi Arabian General Investment Authority](#).

## Opportunities

[Return to top](#)

Planned and ongoing projects are:

- **A 200,000-400,000 bpd refinery and associated terminal facilities will be constructed within the Jazan area.**
  - The refinery will be capable of processing Arabian crude oils to manufacture approximately 75,000 bpd of gasoline, 100,000-160,000 bpd of ultra-low- sulfur diesel (10 parts per million), and 160,000-220,000 bpd of fuel oil, depending on the crude mix processed.
  - It is envisioned that the proposed refinery will ultimately be integrated with a future nearby world-scale power and water facility. The marine terminal will have the capability of receiving Very Large Crude Carriers for the supply of crude to the refinery and will have berths to support product exports from the refinery.
  - A contract to provide front-end engineering design (FEED), and project management services



(PMS) for the refinery has been awarded to KBR. KBR will develop the process design, layout, integration and optimization of the facility, develop equipment and material specifications, prepare EPC bid packages and develop an estimate for the construction of the refinery.

- **Sadara Petrochemical Complex**

- Comprised of 26 manufacturing units building on a project management and execution expertise, and utilizing many of Dow's industry-leading technologies, the complex will be one of the world's largest integrated chemical facilities, and the largest ever built in one single phase. The complex will possess flexible cracking capabilities and will produce over 3 million metric tons of high value-added chemical products and performance plastics, capitalizing on rapidly growing markets in energy, transportation, infrastructure and consumer products.
- Sadara represents a key milestone in ambitious downstream growth strategy. The enterprise will play a key role in the Kingdom's industrial and economic diversification. It will enable significant development in the Kingdom's conversion industry, thereby supporting Saudi Arabia's ambition to be a magnet for downstream manufacturing investments that add significant value to the Kingdom's hydrocarbon resources.

- **Petro Rabigh**

- Completed in early 2009, Petro Rabigh is a \$10 billion joint venture with Japan's Sumitomo Chemical Co Ltd.
- Located on the Red Sea coast, it's one of the world's largest integrated refinery and petrochemical complexes. They are currently studying a major expansion at this facility, the results of which will further enhance the value created from petroleum molecules.

- **Saudi Aramco Total Refining and Petrochemical Company (SATORP)**

- Scheduled to begin operations in 2013, Saudi Aramco Total Refining and Petrochemical Company (SATORP) in Jubail is a venture with France's Total to build a full-conversion refinery that will process 400,000 bpd of Arabian Heavy crude oil.

- **Yanbu Aramco Sinopec Refining Company (YASREF)**

- Saudi Aramco with Chinese Petrochemical Corporation (Sinopec), are building the Yanbu Aramco Sinopec Refining Company (YASREF) Limited, a joint venture that will be able to process up to 400,000 bpd of Arabian Heavy crude oil and produce refined products that meet domestic and international market demand.

## Web Resources

[Return to top](#)

Saudi Arabian Basic Industries

[www.sabic.com](http://www.sabic.com)

Saudi International Petrochemical Company

[www.sipchem.com.sa](http://www.sipchem.com.sa)

Saudi Arabian Oil Co. (Saudi Aramco)

[www.saudiaramco.com.sa](http://www.saudiaramco.com.sa)

U.S. based companies interested in selling their equipment and services to Saudi Aramco are requested to contact:

Aramco Services Co. P.O. Box  
4534  
Houston, TX 77210  
Vendor Registration Supplier  
Relations Phone: 713-432-5555

E-mail: [stratsourcing@aramcoservices.com](mailto:stratsourcing@aramcoservices.com)

Web: [www.aramcoservices.com/doing-business/strategic-sourcing/default.aspx](http://www.aramcoservices.com/doing-business/strategic-sourcing/default.aspx)

Saudi Aramco Total Refining and Petrochemical Co.  
Saudi Arabian General Investment Authority  
Petro-Rabigh Saudi Arabia

[www.satorp.com](http://www.satorp.com)

[www.sagia.com](http://www.sagia.com)

[www.petrorabigh.com](http://www.petrorabigh.com)

## Defense Industry Equipment - DFN

### Overview

[Return to top](#)

Saudi Arabia is expected to increase its defense spending over the coming years, driven by both internal and external security threats, and aided by the huge continuing global demand for Saudi oil, as well as record high oil prices. Internal threats include terrorism and social tensions brought on by high unemployment rates. Externally, apart from Iran and its nuclear ambitions, the largest threat is the border clashes with northern Yemen's Houthi rebels as they battle with Yemeni government forces.

Saudi Arabia is the largest importer of defense equipment in the region, and one of the largest worldwide, yet it is not a large exporter of arms. The government is addressing its deficits in the domestic defense industry in part by including technology transfers and offsets in its weapons contracts with international firms. It is developing a manufacturing base for weapons spare parts. There is also a 'Saudisation' process, where Saudi workers with appropriate skills and experience are increasingly filling defense technology positions. However, progress is slow and the workforce is still predominately composed of foreign workers.

### Sub-Sector Best Prospects

[Return to top](#)

As part of its new Defense Initiative the government of Saudi Arabia will attempt to accomplish the following:

- Major strengthening of armed forces initiated.
- \$50 to \$60 billion will be invested.
- At least a 20% increase in troop levels for the Royal Saudi Land Forces (RSLF) and the Saudi Arabian National Guard (SANG).
- Significant increase in fighter aircraft, tanks, helicopters, armored vehicles and other related weapons.

- New training doctrine for various services.
- More ground and joint exercises between various services (including potential exercises with allied countries).
- Upgrades and expansions at key military bases.
- New Command and Control and Readiness Systems.

## Opportunities

[Return to top](#)

The Kingdom of Saudi Arabia seeks defense technologies and materiel to include ballistic missile defense, maritime security, Royal Guard modernization, armor, C4ISR and other requirements to satisfy the defense needs, given the current regional defense condition in the Gulf.

Major exhibitions in defense attended by senior Saudi Defense, Interior, National Guard and Royal Guard would include IDEX Abu Dhabi, the Dubai Air Show, and regional events including DSEI London, MilPol Paris and other specialty events accomplish this goal, a committee for local manufacturing was just established by the Ministry of Defense

## Web Resources

[Return to top](#)

The Saudi Ministry of Defense and Aviation  
[www.moda.gov.sa](http://www.moda.gov.sa)

The Saudi Arabian National Guard  
[www.sang.gov.sa](http://www.sang.gov.sa)

The Royal Saudi Air Force  
[www.rsaf.gov.sa](http://www.rsaf.gov.sa)

The Royal Saudi Land Forces  
[www.rslf.gov.sa](http://www.rslf.gov.sa)

## Air-Conditioning & Refrigeration Equipment - ACR

### Overview

[Return to top](#)

The air-conditioning market in Saudi Arabia is the largest markets in the Middle East, with demand of over 2 million units per year, accounting for about 45 percent of the entire Middle East market. The geographical fact remains that Saudi Arabia is a very hot country especially during the summer season. Air-conditioning products are considered a necessity and are installed in almost all buildings throughout the country. The western region has the largest sales, accounting for around 40 percent, following by the center region which accounts for 35 percent. A further 25 per cent of sales are in the east, and the rest of the country. Room ACs account 75 percent of the air conditioners sold in Saudi Arabia, and other 25 percent are commercial products. The market size of window type, split, and unitary air conditioners was 890,000 window, 380,000 split, and 310,000 unitary units. The Saudi window air conditioner market is the fourth largest in the world. The ductless split air conditioner market has been growing rapidly in recent years. A little more than 1.2 million units are produced annually in Saudi Arabia, of which about 800,000 units are sold locally, with the rest going to export markets. Locally manufactured products consist mainly of window units, mini split systems, packaged units and relatively small number of chillers. Saudi Arabia is the only country in the region to use electricity with a frequency of 60 Hz. The overall value of air conditioners sold in the Kingdom is estimated at around \$1.5 billion.

Four factors are currently shaping market size and growth:

- the growing population, including expatriates,
- high *per capita* income,
- the harsh climatic conditions in Saudi Arabia (hot climate year-round),
- the construction boom in the Kingdom.

Saudi Arabia's population is growing at more than 3% a year and enjoys steadily rising disposable income. Together, these two factors have spurred an unsurpassed construction boom in the kingdom. Over the next few years, more than half a million housing units are going to be constructed in the Saudi capital Riyadh alone, not to mention innumerable shopping malls, business and leisure centers, hotels, supermarkets, schools and restaurants. Saudi Arabia's hot, arid climate is of course helping to propel the trend.

<b>Saudi Arabia Future Demand by Units</b>			
<i>(Source: The National Commercial Bank)</i>			
<b>Year</b>	<b>2011</b>	<b>2015</b>	<b>2020</b>
Fresh Household Demand	585,900	630,000	711,000
Fresh Business Demand	225,150	235,000	260,000
Replacement Demand	2,667,000	2,870,000	3,240,000
<b>Total Demand</b>	<b>3,478,050</b>	<b>3,735,000</b>	<b>4,211,000</b>

## Sub-Sector Best Prospects

[Return to top](#)

Saudi Arabia boasts the biggest air-conditioning market in the Middle East, growing at 10% annually, and the fast-paced construction sector thrives at an impressive 7%. This creates an array of lucrative investment opportunities for companies from across the world. The Saudi Arabian market remains receptive to high quality U.S. products and services.

The growth in Saudi Arabia's air-conditioning and refrigeration sector has created a massive subsidiary market for components and spare parts. As time passes, these units naturally need more and more maintenance and repair. This in turn fuels the components and spare-parts market.

The Saudi market for air-conditioning spare parts and components has grown 8 per cent annually over the last several years. The underlying factors supporting this growth are a surge in local manufacturing (29 local factories) which has created additional demand for original equipment manufacturers (OEM) parts and accessories, and a growing awareness of preventive maintenance which increases the demand for spare parts.

During the Ramadan and *Hajj* religious holidays, over 3 million pilgrims gather in Mecca and Medina to perform the *Hajj* and *Umrah* pilgrimages. As the number of pilgrims is increasing every year, construction activity in both cities is picking up to provide accommodation. This will increase the demand for air-conditioning and A/C spare parts.

## Opportunities

[Return to top](#)

Across the Kingdom, a variety of food and beverage outlets and cold-storage centers, including hotels, restaurants, supermarkets, malls, and catering service centers are being constructed. This adds further impetus to the already thriving air-conditioning ventilation and heating sector. Meanwhile, cold nights in some parts of Saudi Arabia are driving demand for a board variety of international-standard, high-performance heating equipment.

The air-conditioning market is expected to increase with the uninterrupted growth of non- oil GDP through government expenditure on infrastructure and economic cities as well as mosques and government buildings. With continuously growing Saudi population and the expatriates arriving for work, by 2020, the population is estimated to be 37 million, with 7.1 million households occupied, using approximately 35 million air-conditioning units.

Over the last few years, sales of single-splits in Saudi Arabia have enjoyed high growth in all products categories and capacities; however, the lack of privately-funded investments in the residential sector almost halted this growth, which is highly dependent on the construction of new homes. It is expected that the market for mini-splits will grow at a high pace albeit from a very low base. Once the market reaches a few thousand units, the growth rate will start to follow the growth of the chiller market.

On the refrigerants side, the Saudi Arabian government ratified the Montreal Protocol, the HCFC phase-out target has not been fixed. SASO, the Saudi Standards Organization, will drive the HCFC phase-out. However, due to the inability of local players to make the switch promptly, legislation has been put on hold. All packaged products (part from VRFs which are all R410A) sold in Saudi Arabia are fitted with the HCFC R22 refrigerant. Conversely, R134A is predominant in chillers. Global production is shifting away from R22 towards R410A, and this refrigerant will soon predominate.

Ducted splits will start changing to R410A within the next 3-4 years because the local market will become increasingly dependent on imports. When the switch eventually happens, the industry will go straight to R410A refrigerants, bypassing R407C.

Air handling is a major player in the air-conditioning sector; the last few years have seen larger construction projects playing a major role in the development of the air handling market. To create the futuristic economic cities, large university sites, modern hospitals and shopping centers, Saudi Arabia has applied strict regulations covering ventilation equipment. For this reason the air handling market will get a major boost over the next decade. To cope with the very large air volumes required in most new buildings, predominantly medium to large units are used.

In addition to the new construction market, the growing replacement market will generate opportunities for U.S. companies. A key factor that has also boosted the demand for U.S. parts and components in recent years is the relatively weak and stable dollar against the Japanese yen and major European currencies. The prices in Saudi riyals of Japanese air-conditioning spare parts and components have risen significantly, and in many cases Japanese and European products are far more expensive than American products.

**Best Sales Prospects:**

- compressor units,
- spare parts for compressors, pressure control valves,
- air filtration products,
- motor louvers, capacitors,
- switch rotary motors,
- heat transfer equipment, electronic controls, fans/blowers,
- oils and refrigerants, controllers,
- timers,
- capacity control valves, expansion valves,
- conductors.

## Pollution Control Equipment - POL

### Overview

[Return to top](#)

The Saudi Market offers significant potential for pollution control equipment driven by the increasing number of large projects in power generation, cement, desalination, and petrochemicals, power generation, and metals sectors. The environmental industry in Saudi Arabia has recently become an emerging and growing area of business opportunities for U.S. firms.

The Saudi government is enforcing regulations to control factory emissions in line with its commitments as a signatory to the Kyoto Protocol. It aims to preserve the environment and clean up the country after decades of abuse caused by public and corporate neglect and ignorance. The Government has ordered all major industrial projects to conform to international air standards in order to limit emissions.

The government has allocated US\$300 million for environmental protection and pollution control in the current budget. In addition, a substantial amount of the US\$3 billion budget for the Ministry of Municipality & Housing has been set aside for handling, processing, managing and disposal of solid waste.

Saudi's annual imports of air pollution control and monitoring equipment stands at US\$50 million, with U.S. companies leading other country suppliers at US\$37.5 million, almost 75% of total imports. This is expected to grow by 7% primarily due to new mega- projects and the 1,200 factories in the country.

The Government's plan to diversify the economy and privatize a number of government agencies will entail spending and investments in projects across the board, especially in the oil, gas, petrochemicals, water and power generation, and cement factories. This offers good prospects for U.S. manufacturers and suppliers of pollution control equipment and quality monitoring systems.

### Sub-Sector Best Prospects

[Return to top](#)

There is a growing need for new technologies and techniques for waste management. Little recycling takes place currently. There is also a major requirement for the latest incineration technologies. Domestic, industrial, chemical and hazardous wastes are all on the rise in Saudi Arabia.

Saudi Arabia offers enormous potential business to U.S. companies operating in pollution control; opportunities exist in ambient surveys, air quality surveys, and emission source testing for gases and particulates. Remote controlled monitoring devices, environmental monitoring stations, oil spill cleaning works and environmental laboratories. Saudi Arabia announced in July 2009 that it will form a Green Police unit which will report to the Ministry of Interior, with guidance from the Presidency of Meteorology & Environment (PME). This is expected to bring more enforcement of environmental standards and regulation.

The Presidency of Meteorology & Environment (PME) an offshoot of the Ministry of Defense & Aviation is the supervising Saudi authority ([www.pme.gov.sa](http://www.pme.gov.sa)) in charge of controlling and enforcing environmental regulations. In October 2001, the Saudi Government issued the first draft of Saudi regulations pertaining to air, water, waste, hazardous materials, and noise pollution control. On the other hand, the Royal Commission of Jubail and Yanbu (RCJY) issued regulation which has been adopted by industries at the industrial cities of Jubail and Yanbu that any facility operating or planning to operate in any of the cities is required to comply with environmental needs adopting the latest pollution control technologies. All petrochemical plants in Jubail and Yanbu are required to monitor the level of released nitrogen dioxide and sulfur dioxide. New and expansion projects at the industrial cities of Jubail and Yanbu will present ample opportunities for U.S. manufacturers/suppliers of air pollution control and air monitoring equipment.



Saudi Aramco, the largest oil company in the world, has been the leader on environmental protection in Saudi Arabia, operating and monitoring any environmental threat and risks and following very strict international standards. Saudi Aramco has developed a broad array of operational requirements, engineering, and performance guidelines to direct its commitment to the environment.

The company has reported that it operates a number of sophisticated air monitoring stations throughout Saudi Arabia to ensure that its facilities meet national and company air quality standards. These stations record parameters such as sulfur dioxide, inhaled particulates, ozone, nitrogen oxides, carbon monoxide, and hydrogen sulfide. Collected meteorological data support routine operations and assist in the planning of new facilities.

Saudi Aramco also monitors facility emissions at their sources using stack testing and process control monitoring. Many advanced technologies are used to measure or control the level of atmospheric emissions from its industrial facilities. Air dispersion modeling is another important tool used by Saudi Aramco to determine the nature and extent of needed facility controls to reduce emissions to a level that comply with applicable standards.

The company's Master Gas System has greatly reduced the need for flaring, helping to recover more than 3,500 metric tons of elemental sulfur per day from gas produced in association with crude oil. Existing petrochemical plants, chemical reactors, oil refineries, and cement plants are major end-users of air quality monitoring equipment, and air pollution control equipment.

## Opportunities

[Return to top](#)

There is no local manufacturing of air pollution control and air quality monitoring units/systems.

The Saudi Government has stepped up participation in international and regional forums with regards to environmental issues and has taken measures to sustain economic development without damaging the environment. The Saudi market is very receptive to American made machinery and equipment which are generally regarded as superior quality products. Prime users of U.S. equipment are government and major industry. Opportunities exist in the waste, water and sewage industries. Saudi Arabia needs to study and adopt the latest trends and technologies and industrial waste management practices from the U.S. and other developed markets, in order to combat problems of waste disposal and recycling.

Opportunities exist in the following areas:

- Hazardous waste transportation
- Waste sampling, characterization and analysis
- Waste minimization
- Hazardous waste removal and tank cleaning
- Contaminated land site assessment and remediation
- Industrial and hazardous waste treatment and disposal
- Air pollution control equipment and monitoring devices
- Solid waste management systems
- Technologies for the treatment of wastewater/sewage.

## Web Resources

[Return to top](#)

Saudi Cement Company  
Royal Commission for Jubail and Yanbu  
Saudi Aramco  
Saud Basic Industries Corp. (SABIC)  
Saudi Electric Company (SEC)

[www.saudicement.com.sa/en/index/htm](http://www.saudicement.com.sa/en/index/htm)  
[www.rcjy.gov.sa/en-us/Pages/default.aspx](http://www.rcjy.gov.sa/en-us/Pages/default.aspx)  
[www.saudiaramco.com](http://www.saudiaramco.com)  
[www.sabic.com](http://www.sabic.com)  
[www.se.com.sa/SEC/English/default.htm](http://www.se.com.sa/SEC/English/default.htm)

## Automotive Parts, Services & Equipment - APS

### Overview

[Return to top](#)

Saudi Arabia continues to be the largest market for automotive industry in the Middle East. Saudi Arabia's consumption of automobiles and auto parts is largely met through imports, and automotive imports comprise a substantial share of imported goods. Saudi Arabia projects automobile purchases to top 1 million units per annum by 2015. Currently over 700,000 automobiles are sold annually in the Kingdom. High levels of government spending, higher wages and easier access to financing are all providing stimulus for an expanding automobile market. According to the Saudi Arabia Monetary Agency's Statistical Bulletin, consumer loans for cars and equipment exceeds SAR51.7bn (USD 13.78 billion).

Toyota Motor and Hyundai Motor remain the largest sellers on the Saudi market, with Toyota holding a dominant market share of some 40%. Korea's Hyundai maintains a respectable at 18.5%. Trailing the two major brands are Kia Motors (6.4%), Chevrolet (6.2%) and Ford Motor (5.9%). U.S. manufacturers are dominant in the large SUV market.

### Current Market Trends

The automotive industry presents key opportunities for international automakers and the Kingdom's overall economic diversification. Developing the sector has the potential to create approximately 100,000 Saudi jobs, add \$11 billion (SR41.25 billion) to the country's GDP annually, and provide Saudi Arabia with a prestigious home-grown industry. International partners recognize potential and have begun taking advantage of the mutually beneficial business environment and strategic location in one of the world's fastest growing automotive markets. The Saudi Government continues to reaffirm its dedication to the automotive industry.

### Regulations and Standards

The Saudi Arabia Standards Organization (SASO) has codified numerous industry standards regulations affecting the automobile and auto parts industry. For most current information on automobile standards, please view the agency website at:

<http://www.saso.gov.sa/en/pages/default.aspx>

### Sub-Sector Best Prospects

[Return to top](#)

U.S. manufacturers have faced stiff competition in the market, especially from Japanese and South Korean manufacturers. Japan, the United States, Australia, Germany, and South Korea are the key players in the Saudi automotive market representing more than 80% of all vehicle imports. Toyota Corp. controls over 40 percent of the market share. U.S. manufacturers can be more competitive by introducing newer models from their fleet, which will in turn draw customers to their dealerships in the Kingdom. Flexible finance and installment options have always been popular with the discerning Saudi customer.

The strength of the Saudi economy is reflected in a higher *per capita* income and has led to the increasing popularity of luxury cars and premium automobiles. Reports indicate that more than 1,500 luxury cars worth over \$1 billion (SAR4 billion) are sold in the Kingdom each year with this segment increasing steadily year after year. In addition, Saudis have always preferred larger SUV's and trucks such as the GMC Yukon, Ford Expedition, Escalade, Tahoe, *etc.*, to accommodate large families. Other popular vehicles include the Ford Crown Victoria, Caprice and Chevy Lumina models.

Saudi Arabia remains the Middle East's largest importer of motor vehicles and auto parts. These are then marketed in the domestic market or shipped for re-export to other nations in the Gulf and wider region. The parts and components distribution sector continues to flourish and the Middle East spare parts and accessories trade is estimated to be around US\$11bn and expanding at 6% annually. Saudi Arabia has more than 300 dealers supplying automotive spare parts. Saudi Arabia is known to be importing more than \$720 million worth of parts and service equipment. The high consumption is driven by customers, both Saudis and expatriates who opt for regular maintenance and services, rather than selling them or trading them for new cars and SUV's. Automobile parts are mainly sourced from Japan, the United States, Australia, Germany and South Korea. U.S. companies command a leading position in the supply of transmission, steering, suspension, and braking components and parts. The favorable U.S. dollar exchange rate against the Euro and Japanese Yen is boosting the U.S. market share.

Nonetheless, Japanese car manufacturers and spare parts suppliers still command the lion's share of the Saudi market with more than 40 percent. There are a number of local factories that manufacture filters, radiators, batteries, exhaust systems and converters. Although some spare parts are manufactured locally under license, the bulk of automotive parts are imported.

The recent ban on used cars and spare parts is estimated to drive the demand for new cars and genuine spare parts in the Kingdom. Also, vehicles damaged in accidents and the recent flood in the country has created a strong demand for new cars and spare parts. It is estimated that due to the huge demand and the government's new regulations, spare parts prices may rise dramatically. There is no shortage of servicing and spare parts centers in the country and the new directive will encourage more such outlets to offer genuine parts, as per the Saudi government's initiative to increase the trade of genuine spare parts.

## Opportunities

[Return to top](#)

The strength of the Saudi economy is reflected in a higher per capita income and has led to the increasing popularity of luxury cars and premium automobiles. Saudis in other hand have always preferred larger SUV's and trucks such as the GMC Yukon, Ford Expedition, Escalade, Tahoe, *etc.*, to accommodate large families. Other popular vehicles include the Ford Crown Victoria, Caprice and Chevy Lumina models.

U.S. companies command a leading position in the supply of transmission, turbo & high speed parts, tuning parts, steering, suspension, and braking components and parts. The favorable U.S. dollar exchange rate against the Euro and Japanese yen is boosting the U.S. market share. Nonetheless, Japanese car manufacturers and spare parts suppliers still command the lion's share of the Saudi market with more than 40%. There are a number of local factories that manufacture filters, radiators, batteries, hydraulic oils, lubricants, exhaust systems and converters. Although some spare parts are manufactured locally under license, the bulk of automotive parts are imported. The new foreign investment law encourages foreign companies to establish industrial and non-industrial ventures in

Saudi Arabia. There are good opportunities for U.S. companies in the following areas:

- Tire manufacture plants
- Performance, turbo, tuning parts
- Body and chassis parts
- Service, workshop equipment
- Transmissions, engine parts
- Car paints & chemicals
- Test/diagnoses devices
- Car batteries
- Tools & equipment

**Major events:**

- Automechanika Chicago [www.automechanikachicago.com](http://www.automechanikachicago.com)
- Automechanika Middle East (Dubai) [www.automechanikadubai.com](http://www.automechanikadubai.com)
- Automechanika Frankfurt <http://automechanika.messefrankfurt.com>
- AAIW [www.aaiwshow.com](http://www.aaiwshow.com)
- AAPEX [www.aapexshow.com](http://www.aapexshow.com)
- SEMA [www.semashow.com](http://www.semashow.com)

**Web Resources**

[Return to top](#)

Aljomaih Automotive Co. (GM)	<a href="http://www.aljomaihauto.com/en/index.aspx">www.aljomaihauto.com/en/index.aspx</a>
Aljazirah Vehicles Co. Ltd. (Ford)	<a href="http://www.aljazirahford.com">www.aljazirahford.com</a>
Abdul Latif Jameel Co. Ltd.	<a href="http://www.alj.com">www.alj.com</a>
Zawya Business News	<a href="http://www.zawya.com">www.zawya.com</a>
AMEInfo Business News	<a href="http://www.ameinfo.com">www.ameinfo.com</a>
TriStar Group (Transmissions)	<a href="http://www.tristarsa.com">www.tristarsa.com</a>
Nissan Motors Saudi Arabia	<a href="http://www.nissan.com.sa/index.php?lang=en">http://www.nissan.com.sa/index.php?lang=en</a>
Trade Arabia	<a href="http://www.tradearabia.com">www.tradearabia.com</a>
Auto Middle East	<a href="http://www.automiddleeast.com">www.automiddleeast.com</a>
Dubai Motor Show	<a href="http://www.dubaimotorshow.com">www.dubaimotorshow.com</a>
Business Intelligence Middle East	<a href="http://www.bi-me.com">www.bi-me.com</a>
Riyadh Exhibitions Company	<a href="http://www.recexpo.com">www.recexpo.com</a>
Middle East Economic Digest	<a href="http://www.meed.com">www.meed.com</a>

The following analysis on major Saudi Agricultural Sector is provided by the Agricultural Trade Office (ATO) of the USDA's Foreign Agriculture Service, U.S. Embassy Riyadh.

[Saudi Arabia Annual Agricultural Exporters Guide](#)

[Saudi Arabia Annual Retail Foods Guide](#)

[Global Agriculture Information Network Archive](#) (Gains reports)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 5: Trade Regulations, Customs and Standards

[Import Tariffs](#)  
[Trade Barriers](#)  
[Import Requirements and Documentation](#)  
[U.S. Export Controls](#)  
[Temporary Entry](#)  
[Labeling and Marking Requirements](#)  
[Prohibited and Restricted Imports](#)  
[Customs Regulations and Contact Information](#)  
[Standards](#)  
[Trade Agreements](#)  
[Web Resources](#)

### Import Tariffs

[Return to top](#)

As a member of the Gulf Cooperation Council (GCC), Saudi Arabia applies the GCC common external tariff of 5% for most products, with a limited number of GCC-approved country-specific exceptions. Saudi Arabia's exceptions include 758 products that may be imported duty-free, including aircraft and most livestock. The Saudi government also applies a 12% tariff on 207 products, in some cases to protect local industries. Certain textile imports are among the products on which the 12% rate applies.

Being a WTO member, Saudi Arabia is expected to bind its tariffs on over three-fourths of U.S. exports of industrial goods at an average rate of 3.2%, while tariffs on over 90% of agricultural products will be set at 15% or lower.

### Import Tariffs on Food/Agricultural Products

The vast majority of food products are subject to a 5% import duty. Selected processed food products, however, are assessed higher import duties. In order to protect local food processors and production from competitively priced imports, Saudi Arabia ties import duties to the level of local production of similar products. As a general rule, a maximum import tariff rate of 40% is applied when local production of a food or agricultural product exceeds a self-sufficiency level. Currently, a 40% import duty rate applies to fresh, dried and processed dates. Imports of rice, baby milk and animal feed (soybean meal, feed corn, barley, rice, sorghum, palm kernel meal, wheat bran, alfalfa, hay, sugarcane molasses, rice bran, and sunflower meal, oats, canola meal, fish meal, alfalfa pellets, soy bean hulls, sunflower hulls, and rice bran) are subsidized while coffee, tea and fresh red meat enter the country duty-free. Saudi Arabia has no tariff rate quota (TRQ) requirement.

On March 31, 2008, the Saudi government exempted wheat, wheat flour and other grains from import duties and reduced duties levied on 75 other foodstuffs to 5%. The decree aims at alleviating the impact of the rising cost of living in Saudi Arabia. Major foodstuffs that benefited from the reduced 5% import tariff included chilled and frozen poultry and their products, eggs (fresh, dried and powdered), cheese, cheese cream,

vegetable oils, pasta, canned meat, fruit and vegetable juices, mineral and ordinary water, long life milk, corn flakes, peas, beans, peanut butter, yeast, and baking powder. The government will review the list in April 2011.

Confectionary products with cocoa and other bulk cocoa products are subject to a 15% tariff. Nine types of fresh\chilled vegetables (tomatoes, onions, carrots, cucumbers, marrow, okra, watermelons, melons and potatoes) are subject to a 25% tariff on a seasonal basis. Saudi Arabia also imposes a 100% tariff on cigarette and other tobacco imports.

## **Trade Barriers**

[Return to top](#)

In 2005, Saudi Arabia became the 149<sup>th</sup> country to join the World Trade Organization (WTO). As part of WTO commitments, the country's trade regime should become more transparent and more accommodating to non-Saudi businesses.

As of the date of this report, Saudi business practices and laws still favor Saudi citizens, and Saudi Arabia still has trade barriers, mainly regulatory and bureaucratic practices, which restrict the level of trade and investment.

Nevertheless, the Government has liberalized the wholesale, retail, and franchise sectors, allowing foreign investors to establish joint ventures and retain a 51% share. The foreign partner's capital requirement is set at \$5.3 million (SAR 20 million) and his equity share can be increased to 75% after 3 years from the contract date. All industrial enterprises are open to non-Saudis, and they can also trade in the products they manufacture. Restrictions on individual professions also are in force, such as who can practice law, medicine, accounting and financial services, architect and engineers, and other similar professions. A Saudi joint-venture partner is a requirement for any entity or individual to practice the above-mentioned professional services.

Other trade barriers include:

### **Commercial Disputes Settlement**

There is not yet a transparent, comprehensive legal framework in place for resolving commercial disputes. Saudi commercial law is still developing, but in 1994 the Saudis took the positive step of joining the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is also a member of the International Center for the Settlement of Investment Disputes (also known as the Washington Convention). However, dispute settlement in Saudi Arabia continues to be time-consuming and uncertain. Even after a decision is reached in a dispute, effective enforcement of the judgment can still take years. Generally, the Board of Grievances has jurisdiction over disputes with the government and over commercial disputes.

In October 2007, King Abdullah issued a royal decree to overhaul the Kingdom's judicial system, including allocating 7 billion SAR (approximately \$1.9 billion) to train judges and build new courts. The decree establishes two Supreme Courts, a general court and an administrative court, and specialized labor and commercial tribunals, although implementation has been slow. On February 4, 2009, the King reshuffled the Government appointing a new Minister of Justice, a new President of the Board of Grievances, and a new Chairman of the Supreme Judicial Council. Industry sources expect the reshuffle to expedite the overhaul of the Kingdom's judicial system.

### **Business Visas**

All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. Business visitors and foreign investors can apply through the Saudi Arabian General Investment Authority (SAGIA) for a visitor visa at the Saudi Embassy or Consulates in the United States.



Saudi Arabia has also begun to implement a decree stating that sponsorship for certain business visas is no longer required. Based on new instructions, the issuance of a visitor's visa should be affected within 24 hours from the application date.

While most business visas are valid for only one entry for a period of up to three months, the Saudi Embassy in Washington has begun issuing a 5-year multiple entry visa for selected business people, taking into consideration the principle of reciprocity. Finally, the Saudi Ministry of Foreign Affairs is currently examining the issuance of a visitor's visa at ports of entry for selected nationalities.

### **Delayed Payments**

This issue is an important concern for affected American companies. Some companies carried Saudi Government receivables for years before being paid. The Government appears committed to clearing remaining arrears, but the problem persists. U.S. companies should check with the U.S. Embassy or Consulates if a problem arises.

### **Intellectual Property Protection**

Saudi Arabia recently undertook a comprehensive revision of its laws covering intellectual property rights to bring them in line with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). The Saudi legal system protects and facilitates acquisition and disposition of all property rights, including intellectual property. The Saudi Government recently updated the Trademark Law (2002), the Copyright Law (2003), and the Patent Law (2004), with the dual goals of TRIPs- compliance and effective deterrence against violators. In 2008 the Violations Review Committee created a website and has populated it with information on current cases.

The government also endorsed the country's joining the "Paris Convention for Protection of Industrial Property" and the "Berne Convention for the Protection of Literary and Artistic Works." Although intellectual property protection has steadily increased in the Kingdom, intellectual piracy remains a problem.

The current Law on Patents, Layout Designs of Integrated Circuits, Plant Varieties and Industrial Designs has been in effect since September 2004. Largely due to a lack of adequate resources and technical expertise, when this law went into effect the Patent Office had issued just over 40 patents and had a large backlog (more than 9,000 applications dating back to issuance of Saudi Arabia's first patent law in 1989). The office has since streamlined its procedures, hired more staff, and reduced this backlog. Protection is available for product and product-by-process. The term of protection was increased from 15 years to 20 years under the new law, but patent holders can no longer apply for a routinely granted five-year extension.

However, SPO applied the new law retroactively thus disallowing and rejecting hundreds of pending patent applications including those pertaining to pharmaceutical products. While the new law is being retroactively applied, patents in the Kingdom of Saudi Arabia may be easily exposed to infringements.

Trademarks are protected under the Trademark Law. The Rules for Protection of Trade Secrets came into effect in 2005. Saudi Arabia has one of the best trademarks laws in the region, but enforcement still lags and procedures are inconsistent.

American firms that wish to sell products in Saudi Arabia should work through their local representative to register their trademarks with the Ministry of Commerce and Industry, copyrighted products with the Ministry of Information, and patents with KACST or the GCC Patent Office. Although these government entities are responsible for IPR protection in their respective areas, any reported incident of piracy or infringement may not entail immediate and decisive action by the concerned government entity.

The Saudi Government has revised its Copyright Law, is devoting increased resources to marketplace enforcement, and is seeking to impose stricter penalties on copyright violators. The Saudi Government has stepped up efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores. These efforts included stepping up raids on shops selling pirated goods in 2008. However, many pirated materials are still available in the marketplace. An Islamic ruling, or *fatwa*, stating that software piracy is “forbidden” backs enforcement efforts. Following successful “out-of- cycle reviews” in 2009, Saudi Arabia was removed from the Special 301 Watch List in February 2010.

Saudi Arabia has not signed and ratified the WIPO internet treaties.

### **Counterfeiting**

Manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products. Anti-counterfeiting laws exist, and the U.S. Government has urged the Saudi authorities to step up enforcement actions against perpetrators. In some popular consumer goods, manufacturers estimate that as much as 50% of the entire Saudi market is counterfeit. In order to restrict the entry of counterfeit products, the Saudi Customs Authority recently implemented a new directive requiring all imported goods to clearly display the “Country of Origin” or “Made in ....” on the items in an irremovable manner either by engraving, knitting, printing, or pressing based on the nature of the imported items. This requirement is strictly enforced.

### **Arab League Boycott**

The Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Oman, Qatar and the United Arab Emirates) announced in the fall of 1994 that its members would no longer enforce the secondary and tertiary aspects of the Arab League Boycott. The primary boycott against Israeli companies and products still applies. Advice on boycott and anti- boycott related matters are available from the U.S. Embassy or from the Office of Anti- Boycott Compliance in Washington, D.C. at (202) 482-2381.

### **Import Requirements and Documentation**

[Return to top](#)

There are no special import provisions. The Saudi Government now requires that local chambers of commerce around the United States perform the authentication of shipping documents.

Under its WTO obligations, Saudi Arabia has committed to implement a transparent and predictable import licensing system. The following documents are required for exporting goods to Saudi Arabia:

- certificate of origin;
- commercial invoice (in triplicate) which must state the country of origin, name of the carrier, brand and number of goods, and description of the goods including weight and value;
- a clean bill of lading or airway bill;
- documents indicating compliance with health regulations, if applicable;
- insurance documents, if shipments are sent CIF;
- packing list; and
- certificate of conformity with applicable Saudi standards, if available

The original documents must be accompanied by an Arabic translation of a radiation certificate, if applicable.

Saudi exporters need to submit a copy of their commercial registration, which indicates they are allowed to export. They are also required to submit a certificate of origin of Saudi products (issued by the Ministry of Commerce and Industry).

Certain items such as antiques, Arabian horses, livestock, or subsidized items need special approval to export, e.g., feed additives require a Certificate of Analysis that needs to be authenticated by the Saudi Embassy or Consulate. Exports of oil, petroleum products, natural gas and wheat all require export licenses. Saudi Arabia has removed its export ban on all scrap metals and will not apply export duties on these products.

## **U.S. Export Controls**

[Return to top](#)

In the area of export control policy and regulation, the U.S. Department of Commerce's [Bureau of Industry and Security](#) (BIS) is charged with the implementation of U.S. export control policy on dual-use commodities, software, technology, and commodities on the Control Commodities List.

Sale of arms and ammunitions is managed through a Foreign Military Sales (FMS) program of the U.S. Department of Defense. The U.S. Military Training Mission (USMTM), a unit of the Defense Security Cooperation Agency provides training, advice and assistance to the Saudi Ministry of Defense and Aviation in a variety of areas, including the management of the Kingdom's Foreign Military Sales (FMS).

## **Temporary Entry**

[Return to top](#)

For temporary entry of goods for promotional purposes, importers need an invoice with the value of the goods and a certificate of origin, both endorsed by a local Chamber of Commerce in the U.S. The invoice should state that the goods are being imported for exhibition purposes only and will be re-exported.

Saudi Customs requires a deposit for these goods (equivalent to the applicable tariff rate on the total value of the goods). This deposit is refundable when the exhibition is over and upon showing a document that the owner of the equipment officially participated in a trade show. Reimbursement takes between two to four weeks. Additionally, the customs authorities will collect handling charges.

## **Labeling and Marking Requirements**

[Return to top](#)

Please refer to Standards sub-section below.

## **Prohibited and Restricted Imports**

[Return to top](#)

The importation of certain articles is either prohibited or requires special approval from competent authorities. Importing the following products requires special approval by Saudi authorities: agriculture seeds, live animals, books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment, and radio-controlled model airplanes; horses; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artifacts.

There are health and sanitation regulations for all imported foods. For beef and poultry meat imported from the United States, Saudi Arabia has agreed to recognize a two- certificate approach: (1) an official FSIS export certificate issued for beef and poultry meat, and (2) a producer or manufacturer self-certification to cover any additional requirements not related to food safety or animal health issues such as animal protein free feed declaration. Moreover, the government has also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards. Companies can request a copy of the labeling requirements by contacting the Saudi Arabia Standards Organization (SASO) at telephone (966-11) 452-0132 or fax (966-11) 452-0196.

Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, retreaded or used tires, used clothing and certain sculptures. For additional information, please review requirements on the [SASO](#) and [Saudi Customs](#) web sites.

## Customs Regulations and Contact Information

[Return to top](#)

The Department of Customs at the Ministry of Finance appraises all merchandise moving through Saudi customs ports. Moreover, the Saudi Food & Drug Authority ([SFDA](#)) was empowered by the Saudi Council of Ministers to have a representative at nine Saudi ports of entry with Saudi Custom officials to regulate and control the entry of medical devices.

As such, medical devices are only allowed entry into Saudi Arabia through the three international airports, two main seaports in Jeddah and Dammam, and three land entry points in Batha (UAE border), Hadithah (Jordanian border), and King Fahd Causeway (Bahraini border).

Import valuation is primarily used for collection of import duties and often does not reflect the actual transaction value. Saudi customs valuation procedures are not WTO- consistent, nor are they based on invoice value. Minimum prices are used, and customs agents rely on their own experience and local prices, as well as some contact with manufacturers, to assess import tariffs. For statistical purposes, the valuation of imported merchandise is the Cost-Insurance-Freight (CIF) value or carriage and insurance paid (CIP) if merchandise is imported by intermodal container. The value of exported merchandise is based on Free On Board valuation (FOB). The Saudi tariff nomenclature is consistent with the Harmonized System. There does not seem to be a significant body of rule-making or documentation available. Appeals are frequently made orally, and an appeals committee, under the Deputy Director General of Customs, meets frequently.

Although Saudi Arabia is a member of the Customs Coordination Council, Saudi Customs officers do not have the authority to do investigative work on business premises; nor do they have enforcement powers. These powers are vested in the Ministry of Interior.

The U.S. Government, through a reimbursable arrangement with the Saudi Government, is working with Saudi authorities to upgrade customs valuation procedures. As part of its WTO accession, Saudi Arabia will bind its tariffs on over three-fourths of U.S. exports of industrial goods at an average rate of 3.2% and 15% on over 90% of agricultural products.

### [Saudi Customs Authority](#)

Contact: Mr. Saleh Al-Khlewi, Director General

P.O. Box 3483, Riyadh 11197, Saudi Arabia

Tel.: (+966-11) 402-2515

Fax: (+966-11) 405-9282

E-mail: [customs\\_dg@customs.gov.sa](mailto:customs_dg@customs.gov.sa)

<http://www.customs.gov.sa>

## Standards

[Return to top](#)

[Overview](#)

[Standards Organizations](#)

[Conformity Assessment](#)

[Product Certification](#)

[Accreditation](#)

[Publication of Technical Regulations](#)

[Labeling and Marking](#)

[Contacts](#)

The [Saudi Arabian Standards Organization](#) (SASO) has over 20,500 standards, and is actively pursuing the promulgation of hundreds of new standards currently in various drafting stages of development. SASO has decided to adopt ISO 9000 as the approved standards for Saudi Arabia, and will act as an accreditation body through the Quality Assurance Department; nonetheless, SASO also adopts ASTM, NEMA, ANSI, UL, and NFPA standards, as well. However, it would be prudent for American industry and services to consider this matter seriously in planning to do business in Saudi Arabia. There may be many cases where procurement agencies will insist on purchasing and placing orders only with those companies that are in compliance with ISO 9000, or the U.S. equivalent series.

Saudi Arabia is the most influential member of the [Gulf Cooperation Council](#) (GCC), which includes five other countries in the Arabian Peninsula: United Arab Emirates, Kuwait, Bahrain, Oman, and Qatar. As a group, the GCC is striving to create a common set of food standards, with the Saudi Arabian Standards Organization ([SASO](#)) as the lead agency. SASO is the only Saudi organization responsible for setting national standards for commodities and products, measurements, testing methods, meteorological symbols and terminology, commodity definitions, safety measures, and environmental testing, as well as other subjects approved by the organization's Board of Directors. While standards are set by SASO, the laboratories of the Saudi Ministry of Commerce and Industry perform sample testing of all processed and packaged food items at various ports of entry. The Saudi Ministry of Municipality and Rural Affairs Environmental Control Department tests foodstuffs at points of sale for product safety standards. The [Communications and Information Technology Commission \(CITC\)](#) also has authority on imported telecommunications and IT products and services. Recently, the CITC has taken a more proactive role and has published a number of technical specifications relating to various products and services within its jurisdiction.

The [Saudi Food and Drug Authority](#) (SFDA) was established under the Council of Ministers resolution no (1) dated January 1, 2003, as an independent body that directly reports to the Prime Minister. The Authority objective is to ensure safety of food and drugs for humans and animals, and safety of biological and chemical substances as well as medical and electronic products. SFDA still does not have any jurisdiction.

Although SASO has an advisory, rather than executive role, it coordinates its activities among different executing agencies in the country to control product quality and standards.

Saudi food standards are based mainly on *Codex Alimentarius* regulations and to some extent on European and U.S. standards but modified to reflect local conditions. Saudi Arabia's residential electric power system of 127/220 volts, 60 Hertz, is unique and has caused export problems for many American firms. However, SASO will accept electrical products as low as 120 volts, 60 Hertz. The Government of Saudi Arabia is moving to make 220 Volts as a single standard.

The [Saudi Arabian Standards Organization](#) (SASO) is the Saudi Arabian entity that is in charge of developing and implementing standards. SASO is the Saudi organization responsible for setting national standards for commodities and products, measurements, testing methods, meteorological symbols and terminology, commodity definitions, safety measures, and environmental testing, as well as other subjects approved by the organization's Board of Directors.

While standards are set by SASO, the Saudi [Ministry of Commerce and Industry](#) Laboratories do testing of all processed and packaged food items at various ports of entry.

The Saudi Ministry of Municipality and Rural Affairs' Environmental Control Department tests foodstuffs at the point of sale for product safety standards.

The [Communications and Information Technology Commission](#) (CITC) also has authority on imported telecommunications and IT products and services. Recently, the CITC has taken a more proactive role and has published a number of technical specifications relating to various products and services within its jurisdiction.

The [Saudi Food and Drug Authority](#) will be responsible to regulate, oversee, and control food, drug, medical devices, as well as set mandatory standard specifications thereof, whether they are imported or locally manufactured. The control and/or testing activities can be conducted at the SFDA or any other agency's laboratories. Moreover, the SFDA is in charge of consumers' awareness on all matters related to food, drug and medical devices and associated other products and supplies.

### **NIST Notify U.S. Service**

Member countries of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to report to the WTO all proposed technical regulations that could affect trade with other Member countries. **Notify U.S.** is a free, web-based e-mail subscription service that offers an opportunity to review and comment on proposed foreign technical regulations that can affect your access to international markets. Register online at Internet URL: <http://www.nist.gov/notifyus/>

### **Conformity Assessment**

[Return to top](#)

Since its inception in 1995, the certification program known as the ICCP was applicable to 66 regulated products. The purpose of the program was to insure consumer protection and that products entering Saudi Arabia conform to SASO standards. SASO was in charge of implementing and monitoring the International Conformity Certification Program (ICCP). They have done so through an agreement with Intertek, which has a global presence. Currently conformity assessment can be requested through a number of Conformity Assessment Bodies (CABs) whether Bureau Veritas, SGS, TUV to just name a few.

Under its WTO commitments, Saudi Arabia will comply with all obligations under the WTO Agreement on Technical Barriers to Trade from the date of accession, and without recourse to any transition period. As such, Saudi Arabia has committed to remove the mandatory, pre-market approval requirements for imports (ICCP) and to implement a non-discriminatory, post-market surveillance mechanism applicable to both foreign and domestic product at no cost to suppliers. As of the date of this report, Saudi Arabia still mandates that a Certificate of Conformity (CoC) must accompany all consumer goods exported to the country. Exceptions include food products, medical products including medicines, medical equipment, and components/products of large industrial projects. The [Ministry of Commerce and Industry](#) is responsible for the Certificate of Conformity (CoC) program.

### **Product Certification**

[Return to top](#)

The [Saudi Arabian Standards Organization](#) SASO has its own certification organization for locally manufactured products, as several SASO employees have been certified to work as professional auditors in conformance with ISO 9000 series standards.



For imported products, the Ministry of Commerce and Industry will implement the CoC program, which should be abolished under Saudi Arabia's WTO accession commitments.

For beef and poultry meat imported from the United States, Saudi Arabia has agreed to recognize a two-certificate approach: (1) an official FSIS export certificate issued for beef and poultry meat and (2) a producer or manufacturer self-certification to cover any additional requirements not related to food safety or animal health issues such as animal protein free feed declaration.

Moreover, the Kingdom's Government has also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards.

## **Accreditation**

[Return to top](#)

SASO is the only Saudi entity empowered to grant standards accreditation.

## **Publication of Technical Regulations**

[Return to top](#)

Final regulations are published in the official gazette of Saudi Arabia, *Umm al-Qurā*.

## **Labeling and Marking**

[Return to top](#)

Labeling and marking requirements are compulsory for any products exported to Saudi Arabia. SASO is responsible for establishing labeling and other guidelines. The Ministry of Commerce and Industry implements SASO guidelines through its inspection and test laboratories at ports of entry.

Labeling is particularly important for companies marketing food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items. Labels must be in Arabic for any imported foodstuff item, which should basically reveal the same information on the container as in the foreign language, *i.e.*, ingredients, country of origin, manufacturer, shelf life, instructions for use, *etc.*

All food products, whether imported for commercial purposes, display, or for sampling, must be fit for human consumption and should meet established shelf life requirements. The product(s) must have a label or sticker showing the statutory information such as product name, country of origin, producer's name and address, production and expiry/use by dates, in Arabic and English languages (samples imported must be labeled at least in English).

It is vital that American exporters adhere to SASO quality standards and labeling regulations to avoid rejection of products at a Saudi port of entry. The method for writing production and expiry dates is to put the day of the month first, followed by month and year. Use of the system commonly followed in the United States, where the month is shown first, is not acceptable in Saudi Arabia. Products that do not meet established SASO standards are either re-exported to the country of origin or destroyed at the importer's expense.

Moreover, the government has also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards.



Companies can request a copy of the labeling requirements by contacting SASO by phone at (+966-11) 452-0132 or by fax at (+966-1) 452-0196. Arabic-language manuals must be included with any household electrical appliances exported to Saudi Arabia.

Quality-control laboratories at ports of entry may reject products that are in violation of existing standards and laws. In December 2005, Saudi Arabia implemented a voluntary shelf life standard (manufacturer-determined use-by dates) for most foodstuffs with the exception of selected perishable foods (fresh or chilled meat and poultry; fresh milk and fresh milk based products; margarine; fresh fruit juice; table eggs; and baby foods) that must meet SASO's established mandatory expiration periods. The revised standard (SASO 457/2005) will no longer ban imports of food products with less than half of its shelf life remaining.

American manufacturers are urged to discuss labeling requirements with their selected representative or distributor.

## Contacts

[Return to top](#)

Dr. Saud Al-Kassabi, Director General  
Saudi Arabian Standards Organization (SASO) P.O. Box 3437,  
Riyadh 11471, Saudi Arabia Tel.: (+966-11) 456-9893  
Fax: (+966-11) 452-0086

Dr. Mohammad Al-Miisha'al, Executive President  
Saudi Food & Drug Authority (SFDA)  
P.O. Box 84983, Riyadh 11681, Saudi Arabia  
Tel.: (+966-11) 275-2665  
Fax: (+966-11) 275-1164

Eng. Abdullah Al-Darrab, Governor  
Communications & Information Technology Commission (CITC) P.O. Box 75606,  
Riyadh 11588, Saudi Arabia  
Tel.: (+966-11) 461-8330  
Fax: (+966-11) 461-8002  
E-mail: [info@citc.gov.sa](mailto:info@citc.gov.sa)  
Web: [www.citc.gov.sa](http://www.citc.gov.sa)

Mr. Saleh M. Al-Khlewi, Director General  
Saudi Customs Authority  
P.O. Box 3483, Riyadh 11197, Saudi Arabia  
Tel.: (+966-11) 402-2515  
Fax: (+966-11) 405-9282  
E-mail: [customs\\_dg@customs.gov.sa](mailto:customs_dg@customs.gov.sa)  
Web: [www.customs.gov.sa](http://www.customs.gov.sa)

## Trade Agreements

[Return to top](#)

Saudi Arabia is a member of the [Gulf Cooperation Council \(GCC\)](#), which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods within member states. Leaders of the GCC have approved

to allow Yemen gradual entry into their Council. The member states also agreed that they would switch to a single currency by January 1, 2010 at the latest, which has not materialized as yet and the common market proposal is still being worked out. Saudi Arabia is also a member of the League of Arab States. Recently, the League has agreed to negotiate an Arab Free Trade Zone.

In 2003, the United States signed a TIFA agreement with Saudi Arabia. TIFAs are typically the initial venues for ongoing dialogue between the United States and foreign governments on economic reform and trade liberalization. The agreement promotes the establishment of legal protections for investors, improvements in intellectual property protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations. TIFA negotiations on a wide variety of trade and trade policy issues occur semi-annually.

## **Web Resources**

[Return to top](#)

[U.S. Bureau of Industry and Security](#)

[Saudi Customs](#)

[Saudi Arabian Standards Organization \(SASO\)](#)

[GCC Patent Office](#)

[Communications and Information Technology Commission \(CITC\)](#)

[Ministry of Commerce and Industry](#)

[Gulf Cooperation Council \(GCC\)](#)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 6: Investment Climate

[Openness to Foreign Investment](#)  
[Conversion and Transfer Policies](#)  
[Expropriation and Compensation](#)  
[Dispute Settlement](#)  
[Performance Requirements and Incentives](#)  
[Right to Private Ownership and Establishment](#)  
[Protection of Property Rights](#)  
[Transparency of Regulatory System](#)  
[Efficient Capital Markets and Portfolio Investment](#)  
[Competition from State Owned Enterprises](#)  
[Corporate Social Responsibility](#)  
[Political Violence](#)  
[Corruption](#)  
[Bilateral Investment Agreements](#)  
[OPIC and Other Investment Insurance Programs](#)  
[Labor](#)  
[Foreign-Trade Zones/Free Ports](#)  
[Foreign Direct Investment Statistics](#)  
[Web Resources](#)

### Openness to Foreign Investment

[Return to top](#)

#### Executive Summary

Saudi Arabia offers an attractive and relatively stable market for investment, particularly for investors that are able to overcome initial barriers imposed on foreigners. Despite political upheaval across the Middle East and North Africa, Saudi Arabia's economy continues to expand at a healthy pace, with real GDP growth of 3.8% for CY2013. Improvement of the investment climate continues to be an important part of the Saudi Arabian government's (SAG) broader program to liberalize the country's trade and investment regime, diversify an economy overly dependent on oil, and promote employment for a young population. The government encourages investment in transportation, education, health, communications technology, life sciences, and energy; as well as in four "Economic Cities" that are at various stages of development.

The Saudi Arabian General Investment Authority (SAGIA) provides information and assistance to foreign investors and works to foster investment opportunities in energy, transportation, and knowledge-based industries (see [www.sagia.gov.sa](http://www.sagia.gov.sa)). SAGIA also maintains and periodically reviews the list of activities excluded from foreign investment. The Saudi Industrial Development Fund (SIDF), an independent entity within the Ministry of Finance, is one important source of financing for investors.

Saudi Arabia's foreign-direct-investment law permits foreigners to invest in all sectors of the economy, except for specific activities contained in a "negative list," currently three industrial sectors and 13 service sectors. The list includes real estate investment in Mecca and Medina, some subsectors in printing and publishing, audiovisual and media services, land-transportation services excluding inter-

city transport by trains, and upstream petroleum. The complete “negative list” can be found at <http://www.sec.gov.sa/getdoc/be8e7887-27b1-4bb7-9879-bd75f8ad9acf/list-of-types.aspx>.

Investors are not currently required to purchase from local sources or export a certain percentage of output, and their access to foreign exchange is unlimited. There is no requirement that the share of foreign equity be reduced over time. Investors are not required to disclose proprietary information to the SAG as part of the regulatory approval process, except where issues of health and safety are concerned. The government does not currently impose conditions on investment, such as locating in a specific geographic area, committing to specific percentages of local content or local equity, substitution for imports, export requirements or targets, or financing only by local sources. However, the proposed national energy plan includes recommended local-content requirements of 80% or more for the sector.

The SIDF will provide additional incentives and better loan terms to foreign investors who set up their manufacturing facilities in the underdeveloped provinces of Jizan, Hail, and Tabuk. American and other foreign firms are able to participate in SAG-financed and/or -subsidized research-and-development programs.

Overall, Saudi Arabia offers attractive investment opportunities for American investors, and the climate has not significantly changed from the previous year.

### **Openness to, and Restrictions upon, Foreign Investment**

Despite political upheaval across the Middle East and North Africa, Saudi Arabia’s economy continues to expand at a healthy pace, with real GDP growth of 3.8% for CY2013, and inflation at 3.4% at the end of 2013. Oil revenues through Saudi Aramco accounted for 85% of the Saudi Arabian government’s (SAG’s) current account receipts, and approximately 86% of total export revenue in 2013. Despite overspending its budget by 12.8%, the Kingdom enjoyed a fiscal surplus of 7.4% of GDP in 2013. The Kingdom holds foreign-exchange reserves estimated at around \$730 billion and is one of the least indebted countries in the world.

Improving the investment climate continues to be an important part of the SAG's broader program to liberalize the country's trade and investment regime, diversify an economy overly dependent on oil, and promote employment for a young population. Saudi Arabia has made progress on its WTO commitments since joining the organization in 2005 and underwent its first Trade Policy Review in January 2012. However, it has yet to initiate negotiations to join the Government Procurement Agreement, as agreed to during its accession process to the WTO. In its "Doing Business 2013" report, the World Bank ranked Saudi Arabia 26th out of 189 economies in terms of ease of doing business, a marked improvement from 2005, when it ranked 67th, but a drop from 22nd place in 2012. In its "Corruption Perceptions Index 2013" report, Transparency International ranked Saudi Arabia as the 63rd-cleanest out of 177 countries in terms of perceived levels of public-sector corruption, down from 57th in 2011 but still better than in 2008, when it ranked 80th. In its 2013 “Economic Freedom Index,” the Heritage Foundation gave the Kingdom a score of 62.2 out of 100, a rise of 1.6 from 2012, placing it 77th of the 178 rated countries.

The government encourages investment in transportation, education, health, information and communications technology, life sciences, and energy; as well as in four "Economic Cities" that are at various stages of development. The Economic Cities are to be new, comprehensive developments in different regions focusing on particular industries. Prospective investors will find Saudi Arabia attractive for its economic stability, large market (with a population of over 28 million), sound infrastructure, and well-regulated banking system.

There are also disincentives to investment, specifically a government effort to force all employers to hire higher proportions of Saudis at higher costs, an increasingly restrictive visa policy for all foreign workers, extremely slow payment under some government contracts, a very conservative cultural environment, and enforced segregation of the sexes in nearly all business and social settings. Further, although the SAG is making progress towards establishing a commercial court system, there is no transparent, comprehensive legal framework for resolving commercial disputes in accordance with international standards. The indicator that most negatively impacts its World Bank "Doing Business" ranking is contract enforcement, where it ranks 127th out of 189.

The foreign-direct-investment law, revised in 2000, permits foreigners to invest in all sectors of the economy, except for specific activities contained in a "negative list," currently three industrial sectors and 13 service sectors. The list includes real estate investment in Mecca and Medina, some subsectors in printing and publishing, audiovisual and media services, land-transportation services excluding inter-city transport by trains, and upstream petroleum. The complete "negative list" can be found at <http://www.sec.gov.sa/getdoc/be8e7887-27b1-4bb7-9879-bd75f8ad9acf/list-of-types.aspx>.

The Saudi Arabian General Investment Authority (SAGIA) periodically reviews the list of activities excluded from foreign investment and submits its reviews to the Supreme Economic Council for approval. Although these sectors are off-limits to 100 percent foreign investment, foreign minority ownership in joint ventures with Saudi partners may be allowed in some sectors. Foreign investors are no longer required to take local partners in many sectors and may own real estate for company activities. They are allowed to transfer money from their enterprises outside of the country and can sponsor foreign employees. Minimum capital requirements to establish business entities range from zero to 30 million Saudi riyals (\$8 million) depending on the sector and the type of investment.

In April 2000, the Council of Ministers established SAGIA to provide information and assistance to foreign investors and to foster investment opportunities in energy, transportation, and knowledge-based industries (see [www.sagia.gov.sa](http://www.sagia.gov.sa)). SAGIA operates under the umbrella of the Supreme Economic Council and is headed by Governor Abdullatif al-Othman. SAGIA's duties include formulating government policies regarding investment activities, proposing plans and regulations to enhance the investment climate in the country, and evaluating and licensing investment proposals. All foreign investment projects must obtain a license from SAGIA. Investments in specific sectors may require additional licenses from other government authorities, including, but not limited to, the Saudi Arabian Monetary Agency (SAMA), the Capital Market Authority (CMA), or the Communications and Information Technology Commission (CITC).

SAGIA's Investor Service Center (ISC) offers detailed information on the investment process, provides licenses and support services to foreign investors, and coordinates with government ministries to facilitate investment. According to SAGIA's regulations, the ISC must grant or refuse a license within 30 days of receiving an application and supporting documentation from the prospective investor. SAGIA established and posted new licensing guidelines in 2012, but it is still advisable for companies looking to invest in Saudi Arabia to work with local representation to facilitate the slow and often bureaucratic licensing process. Licenses in services and agriculture must be renewed after one year and in industry after two years. SAGIA's aim is to ensure investors do not just acquire and hold licenses without investing.

SAGIA has agreements with various SAG agencies and ministries to facilitate and streamline foreign investment. These agreements permit SAGIA to facilitate the granting of visas, establish SAGIA branch offices at Saudi embassies in different countries, prolong tariff exemptions on imported raw materials to three years and on production and manufacturing equipment to two years, and establish commercial courts. SAGIA opened a Women's Investment Center in spring 2003. To make it easier

for businesspeople to visit the Kingdom, SAGIA can sponsor visa requests through the Chamber of Commerce, without involving a local company. Saudi Arabia is also implementing a decree stating that sponsorship is no longer required for certain business visas. While SAGIA has set up the infrastructure to support foreign investment, many report that the process remains cumbersome and time-consuming.

Pursuant to commitments it made when acceding to the WTO, Saudi Arabia has opened additional service markets to foreign investment, including financial and banking services; maintenance and repair of aircraft and computer reservation systems; wholesale, retail, and franchise distribution services; both basic and value-added telecom services; and investment in the computer and related services sectors.

Government bodies such as the Royal Commission for Jubail & Yanbu and the Al-Riyadh Development Authority have actively promoted opportunities in Saudi Arabia's industrial cities and other regions. In addition to the majority-government-owned Saudi Arabian Basic Industries Corporation (SABIC), private investment companies, such as the National Industrialization Company, the Saudi Venture Capital Group, and the Saudi Industrial Development Company, have also become increasingly active in project development and in seeking out foreign joint-venture partners.

The Saudi Industrial Development Fund (SIDF), an independent entity within the Ministry of Finance, is an important source of financing for investors. The main objective of the SIDF is to support the development of the private industrial sector by extending medium- to long-term loans for the establishment of new factories and the expansion, upgrading, and modernization of existing ones. Foreign investors are eligible to receive low-cost financing for up to 50%, 60%, or 75% of project costs (i.e., fixed assets, pre-operating expenses, and start-up working capital) depending on the level of development of the region. Loans are provided for a maximum term of 15 to 20 years, again depending on the region, with repayment schedules designed to match projected cash flows for the project in question.

There is no prohibition on foreign investment in refining and petrochemical development, and there is significant foreign investment in the downstream Saudi energy sector. ExxonMobil and Shell are both 50% partners in refineries with Saudi Aramco. ExxonMobil, Chevron Texaco, and Shell, as well as several other international investors, have formed joint ventures with SABIC to build large-scale petrochemical plants that utilize natural-gas feedstock from Saudi Aramco's existing operations at Ras Tanura. Aramco selected the Dow Chemical Company as its partner in a \$20-billion joint venture to construct, own, and operate a chemicals and plastics production complex in Saudi Arabia's Eastern Province. The national mining company, Maaden, has a \$12-billion joint venture with Alcoa for bauxite mining and aluminum production and a \$7-billion joint venture with Mosaic and SABIC for phosphate-based fertilizers.

Joint ventures almost always take the form of limited-liability partnerships, to which there are some disadvantages. Foreign partners in service and contracting ventures organized as limited-liability partnerships must pay, in cash or in kind, 100 percent of their contribution to authorized capital. SAGIA's authorization is only the first step for setting up such a partnership. Still, foreign investment is generally welcome in Saudi Arabia if it promotes economic development, transfers foreign expertise to Saudi Arabia, creates jobs for Saudis, and/or expands Saudi exports.

Professionals, including architects, consultants, and consulting engineers, are required to register with, and be certified by, the Ministry of Commerce and Industry, in accordance with the requirements defined in the Ministry's Resolution 264 from 1982. These regulations, in theory, permit the registration of Saudi-foreign joint-venture consulting firms. As part of its WTO accession commitments, Saudi Arabia generally allows consulting firms to establish an office in Saudi Arabia without a Saudi partner. However, offices practicing law, accounting and auditing, design, architecture, engineering, or civil

planning or providing healthcare, dental, or veterinary services must have a Saudi partner, and the foreign partner's equity cannot exceed 75% of the total investment.

In 2002, the Supreme Economic Council announced the approval of a privatization strategy and procedures, open to domestic and foreign investors, and a timetable to transfer certain public services to the private sector. Twenty state-owned companies handling water supply and drainage, water desalination, telecommunications, mining, power, air transportation and related services, railways, some sectors of roadways, postal services, flour mills and silos, seaport services, industrial-cities services, government hotels, sports clubs, some municipality services, educational services, social services, agricultural services, health services, government portions of SABIC, banks, and local refineries were slated for privatization.

As a result of the privatization strategy, the Saudi Telecommunications Company (STC) floated a minority stake (approximately 20%) on the stock market in January 2003, netting close to \$4 billion in proceeds. An additional 10% has since been offered for private ownership. The initial public offering of 50% of the formerly state-owned National Company for Cooperative Insurance (NCCI) was completed in January 2005. The first SABIC offering went public on December 17, 2005, for 35% of the newly formed Yanbu National Petrochemical Company (YANSAB) (to be capitalized at \$1.5 billion). YANSAB is SABIC's largest petrochemical complex to date, and the IPO netted \$533 million in capital.

In July 2003, the SAG took significant, long-awaited steps to lower the corporate tax rate on foreign investors to a flat 20%; however, separate rates apply to investments in hydrocarbons. The flat tax replaced a tiered system with tax rates as high as 45%. While this is a welcome step toward more balanced treatment of foreign and Saudi-owned capital, the tax structure still favors Saudi companies and joint ventures with Saudi participation. Saudi investors do not pay corporate income tax, but are subject to a 2.5% tax, or “zakat,” on net current assets.

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2013	63 of 177	<a href="http://cpi.transparency.org/cpi2013/results/">http://cpi.transparency.org/cpi2013/results/</a>
Heritage Foundation's Economic Freedom index	2013	77 of 177	<a href="http://www.heritage.org/index/ranking">http://www.heritage.org/index/ranking</a>
World Bank's Doing Business Report "Ease of Doing Business"	2013	26 of 189	<a href="http://doingbusiness.org/rankings">http://doingbusiness.org/rankings</a>
Global Innovation Index	2013	42 of 142	<a href="http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener">http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener</a>
World Bank GNI per capita	2012	USD 24,310	<a href="http://data.worldbank.org/indicator/NY.GNP.PCAP.CD">http://data.worldbank.org/indicator/NY.GNP.PCAP.CD</a>

## Conversion and Transfer Policies

[Return to top](#)

There are no restrictions on converting and transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, and lease payments) into a freely usable



currency at a legal market-clearing rate. There have been no recent changes, but press reports have quoted the Minister of Labor as saying the SAG intends to limit remittances by foreign workers in the near future. There are no delays in effect for remitting investment returns such as dividends, repatriation of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal legal channels. There is no need for a legal parallel market for investor remittances.

There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs, with the exception that bulk cash shipments greater than 60,000 riyals must be declared at the point of entry or exit. Since 1986, when the last devaluation occurred, the official exchange rate has been 3.75 Saudi riyals per U.S. dollar. Transactions occur using rates very close to the official rate.

## **Expropriation and Compensation**

[Return to top](#)

The Embassy is not aware of the SAG ever expropriating property from foreign investors. There have been no expropriating actions in the recent past or policy shifts that would lead the Embassy to believe there may be such actions in the near future.

## **Dispute Settlement**

[Return to top](#)

Saudi commercial law is still developing. In 1994 the Kingdom joined the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is also a member of the International Center for the Settlement of Investment Disputes (also known as the Washington Convention). In 2012, the SAG revised its arbitration law to update certain provisions. However, dispute settlement and enforcement of foreign arbitral awards in Saudi Arabia continues to be time-consuming and uncertain, along with the risk of sharia principles possibly trumping any judgments or legal precedents. Even after a decision is reached in a dispute, effective enforcement of the judgment can still take years. The Embassy suggests that American firms investing in Saudi Arabia include a foreign-arbitration clause in contracts, but advises that such clauses are not allowed in government contracts without a decision by the Saudi Council of Ministers.

Saudi litigants have an advantage over foreign parties in almost any investment dispute because of their first-hand knowledge of Saudi law and culture and the dispute-settlement process, as well as a perceived tendency of authorities to favor local parties in a dispute. Foreign partners involved in a dispute typically find it advisable to hire local attorneys with knowledge of Saudi legal practices. Many Saudi attorneys, in turn, retain non-Saudi (and particularly American) lawyers to facilitate the handling of disputes involving foreign investors.

The Saudi legal system is derived from the legal rules of Islam, known as the sharia. The Ministry of Justice oversees the sharia-based judicial system, but most ministries have committees to rule on matters under their jurisdiction. Many disputes that would be handled in a court in the United States are handled through intra-ministerial administrative processes in Saudi Arabia. Generally, the Saudi Board of Grievances has jurisdiction over disputes with the government and over commercial disputes. The Board also reviews all foreign arbitral awards and foreign court decisions to ensure that they comply with sharia law. This review process can take years, and outcomes are unpredictable. Currently, the Saudi Ministry of Commerce and Industry is leading an ambitious project to overhaul commercial laws. This project entails drafting new laws while modernizing current ones, along with creating an arbitration center in cooperation with the Saudi Chambers of Commerce and Industry. In several cases, disputes have caused serious problems for foreign investors. For instance, Saudi

partners have blocked foreigners' access to exit visas, forcing them to remain in Saudi Arabia against their will. In cases of alleged fraud, foreign partners may also be jailed to prevent their departure from the country while awaiting police investigation or adjudication of the case. Courts can impose precautionary restraint on personal property pending the adjudication of a commercial dispute. As with any investment abroad, it is important that U.S. investors take steps to protect themselves by thoroughly researching the business record of the proposed Saudi partner, retaining legal counsel, complying scrupulously with all legal steps in the investment process, and securing a well-drafted agreement.

The Committee for Labor Disputes (under the Ministry of Labor) and the Committee for Tax Matters (under the Negotiable Instruments Committee, also called the Commercial Paper Committee) handle disputes involving private individuals. Judgments of foreign courts are not consistently enforced by Saudi courts, despite Saudi Arabia's signature of the New York Convention. Monetary judgments are based on the terms of the contract—i.e., if the contract were in dollars, the judgment would be in dollars. If unspecified, the judgment is denominated in Saudi riyals. Non-material damages and interest are not included in monetary judgments.

In October 2007, King Abdullah issued a royal decree to overhaul the Kingdom's judicial system and allocated 7 billion Saudi riyals (approximately \$1.9 billion) to train judges and build new courts. To date, few changes have been implemented, although the SAG has disbursed a portion of the funds allocated in 2007 for constructing new appeals courts and sending judges abroad for legal seminars. In early 2010, Saudi Arabia started the process of codifying the sharia regulations that govern the Kingdom's courts in an effort to bring clarity and uniformity to judicial rulings.

A bankruptcy law was enacted by Royal Decree no. N/16, dated 4/9/1416H (corresponding to 1/24/96). Articles contained in the law allow debtors to conclude financial settlements with their creditors through committees in each municipal or regional Chamber of Commerce and Industry or through the Board of Grievances. Designated as the Regulation on Bankruptcy Protective Settlement, the law is open to ordinary creditors, except in the case of debts of expenditures, privileged debts, and debts which arise pursuant to the settlement procedures. The Ministry of Commerce and Industry is revising the bankruptcy law to update key provisions and address several deficiencies in the Saudi bankruptcy regime.

## **Performance Requirements and Incentives**

[Return to top](#)

Investors are not currently required to purchase from local sources or export a certain percentage of output, and their access to foreign exchange is unlimited. There is no requirement that the share of foreign equity be reduced over time. Investors are not required to disclose proprietary information to the SAG as part of the regulatory approval process, except where issues of health and safety are concerned. The government does not impose conditions on investment, such as locating in a specific geographic area, committing to specific percentages of local content or local equity, substitution for imports, export requirements or targets, or financing only by local sources.

Nonetheless, the SIDF will provide additional incentives and better loan terms to foreign investors who set up their manufacturing facilities in Jizan, Hail, and Tabuk. American and other foreign firms are able to participate in SAG-financed and/or -subsidized research-and-development programs.

The government uses its purchasing power to encourage foreign investment, requiring offset investments equivalent to 35% of a program's value for defense contracts exceeding 400 million Saudi riyals (\$107 million). In addition to defense offset, the SAG is also seeking FDI in various key sectors, such as oil, power generation, railways, and others, with aim of fostering job creation.

To date, the SAG has not notified the WTO of any measures inconsistent with the requirements of the Agreement on Trade-Related Investment Measures (TRIMs), nor does it maintain any measures that are alleged to violate the WTO TRIMs text.

The SAG announced in 2002 it would ease restrictions on the issuance of visas to foreign businessmen to allow greater access and decreed in 2005 that sponsor requirements for business visas would be lifted. In November 2007, Saudi Arabia declared that it would begin issuing U.S. business visitors five-year, multiple-entry visas at Saudi embassies, consulates, and ports of entry, but it has not yet fully implemented this policy. One-year “business visas” are routinely issued to U.S. visitors who do not have an invitation letter from a Saudi company, and the visa applicants must provide proof that they are engaged in legitimate commercial activity. By contrast, “commercial visas” are issued by invitation from Saudi companies to applicants who have a specific reason to visit a Saudi company, and the maximum validity is five years if sponsored by Saudi Chamber of Commerce, rather than the company that issued the invitation letter. Difficulties remain regarding the Saudi visa procedures, however, and the government announced that foreign business visitors will no longer need to provide invitation letters from Saudi businesses to receive visas.

### **Right to Private Ownership and Establishment**

[Return to top](#)

All entities with appropriate licenses have the right to establish and own business enterprises and engage in all forms of remunerative activity, except in those sectors on the SAG’s “negative list” reserved for state monopolies and Saudi citizens. Private entities generally have the right to establish, acquire, and dispose of interests freely in business enterprises.

### **Protection of Property Rights**

[Return to top](#)

The Saudi legal system protects and facilitates acquisition and disposition of private property, consistent with Islamic practice respecting private property. Non-Saudi corporate entities are allowed to purchase real estate in Saudi Arabia according to the foreign-investment code. Other foreign-owned corporate and personal property is protected, and the Embassy knows of no cases of government expropriation or nationalization of U.S.-owned assets in the Kingdom. Saudi Arabia does have a system of recording security interests.

Saudi Arabia recently undertook a comprehensive revision of its laws covering intellectual property rights to bring them in line with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) and promulgated changes in coordination with the World Intellectual Property Organization (WIPO). The SAG updated its Trademark Law (2002), Copyright Law (2003), and Patent Law (2004) with the dual goals of TRIPs compliance and effective deterrence. In 2008, the Violations Review Committee created a website and has populated it with information on current cases. In 2010, Saudi Arabia was removed from the 301 Special Report due to IPR improvements. Although intellectual property right reforms are slow and inconsistent in some areas, the Kingdom is progressing overall.

The current Law on Patents, Layout Designs of Integrated Circuits, Plant Varieties and Industrial Designs has been in effect since September 2004. The patent office continues to build its capacity through training, has streamlined its procedures, hired more staff, and reduced its backlog. Patents are available for both products and processes. The term of protection was increased from 15 to 20 years under the new law, but patent holders can no longer apply for a routinely granted five-year extension. In December 2009, the Saudi Council of Ministers approved the Kingdom's accession to both the

Intellectual Property Owners Association Patent Cooperation Treaty (PCT) and its Implementing Regulations and the Patent Law Treaty (PLT) adopted by the Diplomatic Conference in Geneva on June 1, 2000.

In September 2009, the King approved a mechanism to protect Exclusive Marketing Rights (EMR) for certain pharmaceutical products that had lost patent protection when Saudi Arabia transitioned to a new TRIPS-compliant patent law in 2004. EMR protection in Saudi Arabia expires on the same date the patent expires in the United States or the European Union, and companies report that they have received EMR protection for accepted applications.

The SAG has revised its Copyright Law and is seeking to impose stricter penalties on copyright violators. In January 2010, the Ministry of Culture and Information referred the first-ever copyright-violation case to the Board of Grievances for deterrent sentencing. However, as of this writing, no verdict has been handed down. The SAG has stepped up efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores, including raids on shops selling pirated goods. However, many pirated materials are still available in the marketplace, increasing possible cyber-security vulnerability in some systems. An Islamic religious edict, or *fatwa*, stating that software piracy is "forbidden" backs enforcement efforts.

The Rules for Protection of Trade Secrets came into effect in 2005. Trademarks are protected under the Trademark Law. Saudi Arabia has one of the best trademarks laws in the region, and the Saudi Customs Authority has significantly stepped up its enforcement efforts. Saudi Arabia received anti-counterfeiting and piracy awards from the World Customs Organization (WCO) in 2009 for organizing the first Pan-Arab conference on this issue, building the capacity of the Customs Authority, and translating WCO documents into Arabic. Saudi Arabia has not signed or ratified the WIPO internet treaties.

## **Transparency of Regulatory System**

[Return to top](#)

There are few aspects of the SAG's regulatory system that are transparent, although Saudi investment policy is less opaque than many other areas. Saudi tax and labor laws and policies tend to favor technology transfer and the employment of Saudis rather than fostering competition. Saudi health and safety laws and policies are not used to distort or impede the efficient mobilization and allocation of investments. Bureaucratic procedures are cumbersome, but red tape can generally be overcome with persistence.

There are no informal regulatory processes managed by NGOs or private-sector associations. Proposed laws and regulations are generally not published in draft form for public comment. Some government agencies permit public comments through their websites. There are no private-sector or government efforts to restrict foreign participation in the industry standards-setting consortia or organizations that are available.

## **Efficient Capital Markets and Portfolio Investment**

[Return to top](#)

Financial policies generally facilitate the free flow of private capital, and currency can be transferred in and out of Saudi Arabia without restriction (with the exception of previously mentioned limits on bulk cash movements). However, non-GCC foreign investors may only invest in the stock market through swap agreements and exchange-traded funds.

The Capital Markets Law, passed in 2003, allows for brokerages, asset managers, and other non-bank financial intermediaries to operate in the Kingdom. The law created a market regulator, the Capital Market Authority, which was established in 2004, and opened the stock exchange to public investment. As of the end of 2012, the CMA listed 84 companies licensed to work in financial advising and brokerage services in Saudi Arabia. There is an effective regulatory system governing portfolio investment in Saudi Arabia.

In 2003, SAMA, the central bank, enhanced and updated its 1995 Circular on Guidelines for the Prevention of Money Laundering and Terrorist Financing. The enhanced guidelines are more compliant with the Banking Control Law, the Financial Action Task Force (FATF) 40 Recommendations, the nine Special Recommendations on Terrorist Financing, and relevant UN Security Council Resolutions. In 2014, King Abdullah ratified a new counter-terrorism law officially criminalizing acts of terrorism and the financing of terrorism.

Historically, credit was widely available to both Saudi and foreign entities from commercial banks and was allocated on market terms. The global financial crisis of 2008, followed by the default on \$20 billion in debt by two Saudi business concerns and the debt restructuring in Dubai, substantially reduced this availability to all parties, resulting in the delay or cancellation of some projects. Credit became somewhat more available in 2011 and 2012, but extraordinary public spending limited the demand for private lending. In addition to large-scale supplemental programs, credit is available from several government institutions, such as the SIDF, which allocate credit based on government-set criteria rather than market conditions. Companies must have a legal presence in Saudi Arabia in order to qualify for credit. The private sector has access to term loans, and there have been a handful of issuances of sharia-compliant bonds, known as *sukuk*, but there is no fully developed corporate bond market. There were only five IPOs in 2013, as the Saudi exchange continued to trade at a low level, with volumes a fraction of what they were before the financial crisis.

The Council of Ministers issued five long-awaited new laws concerning mortgages and the wider financial sector in July 2012—the Real Estate Finance Law, Financial Lease Law, Law on Supervision of Finance Companies, Real Estate Mortgage Law, and Execution/Enforcement Law. Private-sector contacts are generally optimistic about the laws' long-term potential to enhance mortgage penetration, attract additional investment to the private housing market, and increase overall lending, but the extent of their impact remains unclear. The eventual implementing regulations for the Execution/Enforcement Law will prove especially important, given that uncertainty about enforcement of lenders' rights has been cited as a major reason for anemic mortgage lending in the Kingdom.

As part of the economic reforms initiated for accession to the WTO, Saudi Arabia liberalized licensing requirements for foreign investment in financial services. In addition, the government increased foreign-equity limits in financial institutions from 40% to 60% to entice further foreign investment. In the last few years, the SAG has taken steps to increase foreign participation in its banking sector by granting operating licenses to foreign banks. As of 2012, SAMA had granted 11 foreign banks licenses to operate in the Kingdom: BNP Paribas, Deutsche Bank, Emirates NBD, Gulf International Bank, J.P. Morgan Chase, Muscat Bank, National Bank of Bahrain, National Bank of Kuwait, National Bank of Pakistan, State Bank of India, and T.C. Ziraat Bankasi A.S. On August 6, the Cabinet further approved the licensing of a branch of the Chinese Bank of Industry and Commerce.

The legal, regulatory, and accounting systems practiced in the banking sector are generally transparent and consistent with international norms. SAMA, which oversees and regulates the banking system, generally gets high marks for its prudent oversight of commercial banks in Saudi Arabia. SAMA is the only central bank in the Middle East other than Israel's that is a member and shareholder of the Bank for International Settlements in Basel, Switzerland.

## Competition from State Owned Enterprises

[Return to top](#)

State-owned enterprises (SOEs) play a leading role in the Saudi economy, particularly in water, power, oil, natural gas, and petrochemicals. Saudi Aramco, the world's largest producer and exporter of crude oil and a large-scale oil refiner and producer of natural gas, is 100% SAG-owned, and its revenues typically account for around 85% of the SAG's budget. Aramco's board reports to the Supreme Council for Petroleum and Minerals Affairs, which the King chairs. The Kingdom's leading petrochemical company, Saudi Basic Industries Corporation (SABIC), is 70% owned by the SAG. SABIC's Chairman is a member of the royal family and also the chair of the Royal Commission of Jubail & Yanbu, and four additional members of SABIC's seven-member board are SAG officials as well. The SAG tends to be similarly well represented in the leadership of other SOEs. State-owned Saudi Arabian Airlines (Saudia) competes against Nas Air, a private, low-cost carrier, but enjoys substantial discounts on aviation fuel.

The Embassy is not aware of SOEs expressly exercising delegated governmental powers, though they are heavily involved in policy consultations. SOEs benefit from water, power, and feedstock sold below market rates and often receive free land from the SAG. Generally, private industries also get water, power, and feedstock at below-market prices, and the SAG often gives land as part of public-private partnerships, but fully private enterprises do not typically receive free land unless as part of a SAG effort to stimulate specific sectors. In principle, credit is equally available to private companies and SOEs. The Embassy does not believe Saudi SOEs to operate, in practice, under hard budget constraints. The detail and regularity of financial reporting by SOEs vary and do not consistently meet international financial reporting standards.

In 2008, the Kingdom established a sovereign wealth fund, the Saudi Arabian Investment Company (also known as Sanabil al-Saudia), a wholly SAG-owned entity within the Ministry of Finance's Public Investment Fund. The fund began with \$5.3 billion of startup capital, but little information is available regarding the fund's organization or operations.

## Corporate Social Responsibility

[Return to top](#)

There is a dawning awareness of corporate social responsibility (CSR) in Saudi Arabia. The SAG sees CSR primarily as a component of its competitiveness vis-à-vis global economies and has knit CSR promotion to its goal of becoming a top-ten economy. In July 2008, SAGIA, the King Khalid Foundation, and the international NGO AccountAbility jointly established the Saudi Arabian Responsible Competitiveness Index (SARCI), a ranking of companies' CSR contributions. The results led to the granting of the King Khalid Responsible Competitiveness Award in several categories at the annual Global Competitiveness Forum. The Embassy believes the SAG and major corporations are fully aware of CSR but does not believe CSR currently has a broad impact on consumer perception.

## Political Violence

[Return to top](#)

The Department of State authorized the return of all family members to U.S. Embassy Riyadh, U.S. Consulate General Jeddah, and U.S. Consulate General Dhahran in 2010 but continues to warn U.S. citizens about the security situation in Saudi Arabia and reminds U.S. citizens of recommended security precautions. In the most recent Travel Warning for Saudi Arabia, the Department of State urges U.S. citizens to consider carefully the risks of traveling to Saudi Arabia. Significant enhancements in the capacity and capability of Saudi security and intelligence forces have greatly improved the security environment, but it is important to note that there is an ongoing security threat from transnational terrorist organizations such as Al Qaida in the Arabian Peninsula (AQAP).



Corruption, including bribery, raises the costs and risks of doing business. Corruption has a corrosive impact on both market opportunities overseas for U.S. companies and the broader business climate. It also deters international investment, stifles economic growth and development, distorts prices, and undermines the rule of law.

It is important for U.S. companies, irrespective of their size, to assess the business climate in the relevant market in which they will be operating or investing, and to have an effective compliance program or measures to prevent and detect corruption, including foreign bribery. U.S. individuals and firms operating or investing in foreign markets should take the time to become familiar with the relevant anticorruption laws of both the foreign country and the United States in order to properly comply with them, and where appropriate, they should seek the advice of legal counsel.

The U.S. Government seeks to level the global playing field for U.S. businesses by encouraging other countries to take steps to criminalize their own companies' acts of corruption, including bribery of foreign public officials, by requiring them to uphold their obligations under relevant international conventions. A U. S. firm that believes a competitor is seeking to use bribery of a foreign public official to secure a contract should bring this to the attention of appropriate U.S. agencies, as noted below.

**U.S. Foreign Corrupt Practices Act:** In 1977, the United States enacted the Foreign Corrupt Practices Act (FCPA), which makes it unlawful for a U.S. person, and certain foreign issuers of securities, to make a corrupt payment to foreign public officials for the purpose of obtaining or retaining business for or with, or directing business to, any person. The FCPA also applies to foreign firms and persons who take any act in furtherance of such a corrupt payment while in the United States. For more detailed information on the FCPA, see the FCPA Lay-Person's Guide at: <http://www.justice.gov/criminal/fraud/>

**Other Instruments:** It is U.S. Government policy to promote good governance, including host country implementation and enforcement of anti-corruption laws and policies pursuant to their obligations under international agreements. Since enactment of the FCPA, the United States has been instrumental to the expansion of the international framework to fight corruption. Several significant components of this framework are the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (OECD Antibribery Convention), the United Nations Convention against Corruption (UN Convention), the Inter-American Convention against Corruption (OAS Convention), the Council of Europe Criminal and Civil Law Conventions, and a growing list of U.S. free trade agreements. This country is party to [add instrument to which this country is party], but generally all countries prohibit the bribery and solicitation of their public officials.

**OECD Antibribery Convention:** The OECD Antibribery Convention entered into force in February 1999. As of March 2009, there are 38 parties to the Convention including the United States (see <http://www.oecd.org/dataoecd/59/13/40272933.pdf>). Major exporters China, India, and Russia are not parties, although the U.S. Government strongly endorses their eventual accession to the Convention. The Convention obligates the Parties to criminalize bribery of foreign public officials in the conduct of international business. The United States meets its international obligations under the OECD Antibribery Convention through the U.S. FCPA. [Insert information as to whether your country is a party to the OECD Convention.]

**UN Convention:** The UN Anticorruption Convention entered into force on December 14, 2005, and there are 158 parties to it as of November 2011 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The UN Convention is the first global comprehensive international anticorruption agreement. The UN Convention requires countries to



establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Saudi Arabia ratified the United Nations Convention Against Corruption on 29 April 2013. It is not a signatory to the OECD Antibribery Convention.

**OAS Convention:** In 1996, the Member States of the Organization of American States (OAS) adopted the first international anticorruption legal instrument, the Inter-American Convention against Corruption (OAS Convention), which entered into force in March 1997. The OAS Convention, among other things, establishes a set of preventive measures against corruption, provides for the criminalization of certain acts of corruption, including transnational bribery and illicit enrichment, and contains a series of provisions to strengthen the cooperation between its States Parties in areas such as mutual legal assistance and technical cooperation. As of December 2009, the OAS Convention has 34 parties (see <http://www.oas.org/juridico/english/Sigs/b-58.html>).

**Council of Europe Criminal Law and Civil Law Conventions:** Many European countries are parties to either the Council of Europe (CoE) Criminal Law Convention on Corruption, the Civil Law Convention, or both. The Criminal Law Convention requires criminalization of a wide range of national and transnational conduct, including bribery, money-laundering, and account offenses. It also incorporates provisions on liability of legal persons and witness protection. The Civil Law Convention includes provisions on compensation for damage relating to corrupt acts, whistleblower protection, and validity of contracts, inter alia. The Group of States against Corruption (GRECO) was established in 1999 by the CoE to monitor compliance with these and related anti-corruption standards. Currently, GRECO comprises 49 member States (48 European countries and the United States). As of December 2011, the Criminal Law Convention has 43 parties and the Civil Law Convention has 34 (see [www.coe.int/greco](http://www.coe.int/greco).)

**Free Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. [Insert information as to whether your country has an FTA with the United States: Country [X] has a free trade agreement (FTA) in place with the United States, the [name of FTA], which came into force. Consult USTR Website for date: <http://www.ustr.gov/trade-agreements/free-trade-agreements>.]

**Local Laws:** U.S. firms should familiarize themselves with local anticorruption laws, and, where appropriate, seek legal counsel. While the U.S. Department of Commerce cannot provide legal advice on local laws, the Department’s U.S. and Foreign Commercial Service can provide assistance with navigating the host country’s legal system and obtaining a list of local legal counsel.

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the U.S. and Foreign Commercial Service can provide services that may assist U.S. companies in conducting their due diligence as part of the company’s overarching compliance program when choosing business

partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

The Departments of Commerce and State provide worldwide support for qualified U.S. companies bidding on foreign government contracts through the Commerce Department's Advocacy Center and State's Office of Commercial and Business Affairs. Problems, including alleged corruption by foreign governments or competitors, encountered by U.S. companies in seeking such foreign business opportunities can be brought to the attention of appropriate U.S. government officials, including local embassy personnel and through the Department of Commerce Trade Compliance Center "Report A Trade Barrier" Website at [tcc.export.gov/Report\\_a\\_Barrier/index.asp](http://tcc.export.gov/Report_a_Barrier/index.asp).

**Guidance on the U.S. FCPA:** The Department of Justice's (DOJ) FCPA Opinion Procedure enables U.S. firms and individuals to request a statement of the Justice Department's present enforcement intentions under the anti-bribery provisions of the FCPA regarding any proposed business conduct. The details of the opinion procedure are available on DOJ's Fraud Section Website at [www.justice.gov/criminal/fraud/fcpa](http://www.justice.gov/criminal/fraud/fcpa). Although the Department of Commerce has no enforcement role with respect to the FCPA, it supplies general guidance to U.S. exporters who have questions about the FCPA and about international developments concerning the FCPA. For further information, see the Office of the Chief Counsel for International Counsel, U.S. Department of Commerce, Website, at [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html). More general information on the FCPA is available at the Websites listed below.

Exporters and investors should be aware that generally all countries prohibit the bribery of their public officials, and prohibit their officials from soliciting bribes under domestic laws. Most countries are required to criminalize such bribery and other acts of corruption by virtue of being parties to various international conventions discussed above.

Saudi Arabia has some limited legislation aimed at curbing corruption. The Tenders Law of Saudi Arabia, approved in 2004, has improved transparency of government procurement through publication of tenders. Further, ministers and other senior government officials appointed by royal decree are forbidden from engaging in business activities with their ministry or organization while employed there. There are few cases of prominent citizens or government officials being tried on corruption charges.

Despite the fact that corruption has been identified by foreign firms as an obstacle to investment in Saudi Arabia, authorities have so far taken only modest steps toward combating it. In April 2007, the King established the National Authority for Combating Corruption that was to report directly to him, but there was little, if any, follow-through to establish this institution. The General Auditing Bureau is also charged with combating corruption. In 2011, the King reconstituted the Authority as the Anti-corruption Commission under new and more energetic leadership. Although little of its work has so far been publicized and many remain skeptical, some anecdotal evidence suggests the Commission has been active in its investigations and is not shying away from influential players whose indiscretions may previously have been ignored.

Saudi Arabia ratified the U.N. Convention against Corruption (UNCAC) in April 2013 and signed the G-20 Anti-Corruption Action Plan (ACAP) in November 2010.

### **Anti-Corruption Resources**

Some useful resources for individuals and companies regarding combating corruption in global markets include the following:

Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a “Lay-Person’s Guide to the FCPA” is available at the U.S. Department of Justice’s Website at:  
<http://www.justice.gov/criminal/fraud/fcpa>.

Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at:  
[http://www.oecd.org/department/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html). See also new Antibribery Recommendation and Good Practice Guidance Annex for companies:  
<http://www.oecd.org/dataoecd/11/40/44176910.pdf>.

General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website:  
[http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).

Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI). The CPI measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009](http://www.transparency.org/policy_research/surveys_indices/cpi/2009). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.

The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 213 countries, including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See <http://info.worldbank.org/governance/wgi/index.asp>. The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://data.worldbank.org/data-catalog/BEEPS>.

The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=global+enabling+trade+report>.

Additional country information related to corruption can be found in the U.S. State Department’s annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.

Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 106 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## **Bilateral Investment Agreements**

[Return to top](#)

Saudi Arabia has Investment Promotion & Protection Agreements with Austria, Belgium, China, France, Germany, Italy, Malaysia, and Taiwan. The Kingdom has cooperation agreements of varying scope with 36 countries, including an agreement on secured private investment with the United States that has been in place since February 1975. The United States and Saudi Arabia signed a Trade and

Investment Framework Agreement in 2003. As of 2011, the Kingdom had ratified agreements on avoidance of double taxation with 19 countries. Further information on the above, and on miscellaneous additional agreements, can be found at <http://www.sagia.gov.sa/en/Investment-climate/Some-Things-You-Need-To-Know-/International-agreements/>.

## **OPIC and Other Investment Insurance Programs**

[Return to top](#)

OPIC stopped operating in Saudi Arabia in 1995 due to the Kingdom's failure to take steps to adopt and implement laws that extend internationally recognized workers rights to its labor force. Saudi Arabia has been a member of the Multilateral Investment Guarantee Agency since April 1988.

## **Labor**

[Return to top](#)

The Ministry of Labor and the Ministry of Interior regulate recruitment of expatriate labor, which makes up a large majority of the private-sector workforce. The government encourages recruitment of Saudi employees through a series of incentives and limits placed on the number of visas for foreign workers available to companies. The largest groups of foreign workers now come from Bangladesh, Egypt, India, Pakistan, the Philippines, and Yemen. Westerners compose less than 2% of the labor force.

Beginning with the 1969 Labor and Workman Regulations, Saudi Arabia has pursued a number of localization schemes to combat unemployment among Saudis, which the CIA World Factbook put at 10.9% for 2011, a rate believed to be much higher among women. These schemes attempted to require blanket "Saudi-ization" percentages irrespective of sector or company size, failing to account for fundamental differences in organization and the nature of work. Enforcement was inconsistent. The SAG largely ignored violations by influential business owners and lacked resources to conduct sufficient inspections elsewhere, as a majority of firms were unable to meet the unreasonable requirements. In 2011, however, the Ministry of Labor laid out a more sophisticated plan known as *Nitaqat*, under which companies are divided into sectors, each with a different set of quotas for Saudi employment based on company size. Each of the sectors is subdivided into four strata based on actual percentage of Saudi employees, with platinum and green strata for companies meeting or exceeding the quota and yellow and red strata for those failing to meet it. The Ministry of Labor set the quota for each sector so that 50% of companies were already platinum or green and the remaining 50% non-compliant. Expatriate employees in red and yellow companies can move freely to green or platinum companies, without the approval of their current employers, and green and platinum companies have greater privileges with regard to securing and renewing work permits for expatriates. The Ministry of Labor has announced its goal of reducing the expatriate population to 20% of the Saudi population. Many elements of *Nitaqat* have garnered criticism from the private sector and parts of the government, but the SAG claims it led to the employment of 380,000 Saudis in its first ten months. Most recently, the Ministry of Labor and Ministry of Interior launched a campaign to deport illegal and improperly documented workers, which has resulted in higher labor costs for many businesses. In addition, all companies operating in the Kingdom, regardless of sector or size, are now obliged to pay SR 2,400 (\$640) per year for each expatriate employee in excess of the number of the company's Saudi employees. Numerous sources, particularly in construction and other blue-collar services sectors, have vehemently criticized the SAG's new labor policies, but it currently appears the Ministry will continue to enforce it.

Saudi labor law forbids union activity, strikes, and collective bargaining. However, the government allows companies that employ more than 100 Saudis to form "labor committees." By-laws detailing the functions of the committees were enacted in April 2002. Domestic workers are not covered under the provisions of the latest labor law, issued in 2005. The Saudi Majlis al-Shura, a consultative assembly

with a role in the legislative process, has proposed a law covering domestic workers, which is now with the Council of Ministers for review.

Overtime is normally compensated at time-and-a-half rates. The minimum age for employment is 14. The SAG does not adhere to the International Labor Organization's (ILO) convention protecting workers' rights. A July 2004 decree addresses some workers'-rights issues for non-Saudis, and the Ministry of Labor has begun taking employers to the Board of Grievances. Some of these penalties include banning these employers from recruiting foreign and/or domestic workers for a minimum of five years.

**Foreign-Trade Zones/Free Ports**

[Return to top](#)

Saudi Arabia permits transshipment of goods through its ports in Jeddah, Dammam, and King Abdullah Economic City, and it has bonded re-export zones at the Jeddah and Dammam ports. Saudi Arabia is also a member of the Gulf Cooperation Council (GCC), which confers special trade and investment privileges among the six member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE), and is a member of the Arab Free Trade Zone, established in 2005.

**Foreign Direct Investment Statistics**

[Return to top](#)

**TABLE 2: Key Macroeconomic data, U.S. FDI in host country/economy**

	Saudi Central Department of Statistics and Information		USG or international statistical source		USG Source of Data
<b>Economic Data</b>	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ( <i>U.S. Dollars</i> )	2012	\$711 billion	2012	\$896 billion	<a href="https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html">https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html</a>
<b>Foreign Direct Investment</b>	Host Country Statistical source		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ( <i>Millions U.S. Dollars, stock positions</i> )	N/A	N/A	2012	9,692	<a href="#">U.S. Department of Commerce, Bureau of Economic Analysis</a>

Figures provided below are taken from United Nations Conference on Trade and Development's "World Investment Report 2013 Country Fact Sheet." Following are key FDI indicators for 2012 (all figures in USD millions unless otherwise indicated):

FDI Inflow 12,182

FDI Inflow as % of GFCF 10.1

FDI Outflow 4,402

FDI Outflow as % of GFCF 3.6

FDI Inward Stock 199,032

FDI Inward Stock as % of GDP 30.7

FDI Outward Stock 34,360

FDI Outward Stock as % of GDP 5.3

GDP = gross domestic product

GFCF = gross fixed capital formation

### TABLE 3: Sources of FDI

#### Saudi Arabia: 2010

Direct Investment from/in Counterpart Economy Data		
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)		
Inward Direct Investment (Outward Direct Investment unavailable)		
Total Inward	169,206	100%
Kuwait	16,761	10%
France	15,918	9%
Japan	13,160	8%
United Arab Emirates	12,601	7%
China, P.R.: Mainland	9,035	5%

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cds.imf.org>

#### Contact Point at Post

[Return to top](#)

Foreign Commercial Officer Erik Hunt and Economic Officer Timothy Haynes are Post's points of contact for the Investment Climate Statement.

Economic Officer: Timothy Haynes [HaynesTF@state.gov](mailto:HaynesTF@state.gov)

Commercial Attache: Erik Hunt [Erik.Hunt@trade.gov](mailto:Erik.Hunt@trade.gov)

[Return to table of contents](#)



[Return to table of contents](#)

## Chapter 7: Trade and Project Financing

[How Do I Get Paid \(Methods of Payment\)](#)  
[How Does the Banking System Operate](#)  
[Foreign-Exchange Controls](#)  
[U.S. Banks and Local Correspondent Banks](#)  
[Project Financing](#)  
[Web Resources](#)

### How Do I Get Paid (Methods of Payment)

[Return to top](#)

An irrevocable letter of credit (L/C) is the instrument normally used for Saudi imports. Open account, cash in advance and documentary collections are also acceptable if both parties agree. Maximum or minimum credit terms are not required. Export Credit Insurance for political and commercial risk is available from the U.S. Export-Import Bank in Washington, D.C. (<http://www.exim.gov/>).

The Saudi Credit Bureau (SIMAH) (<http://www.simah.com/en/Home.aspx>) is Saudi Arabia's first comprehensive consumer-credit bureau. SIMAH was established in 2004 under the Saudi Arabia's banking and operating under regulations established by the Saudi Arabia Monetary Agency (SAMA). The providing of consumer and corporate financial information is not allowed for non-banking institutions.

Debt collection is usually undertaken by a number of law firms. A representative list of lawyers is available through the U.S. Commercial Service (<http://photos.state.gov/libraries/saudi-arabia/768382/yoderja/lawyers2013.pdf>).

### How Does the Banking System Operate

[Return to top](#)

The Kingdom's financial system consists of the Saudi Arabia Monetary Agency (central bank), the commercial banks, specialized lending institutions, and the stock market. The Saudi Arabia Monetary Agency (SAMA) is the central bank of Saudi Arabia and was established to supervise banks and financial institutions, manage monetary policy, oversee the financial system and insurance, and to maintain soundness within the banking system. The banking sector has been organized per promulgated regulations stemming from a Royal Decree in 1966. Bank licenses are issued by the Council of Ministers upon the recommendation from the Finance Minister and Central Bank review. The government's stake in commercial banks is less than 10%, as adequate monetary flows enable fair price funding.

There are twelve domestic banks licensed in Saudi Arabia: The National Commercial Bank (NCB), The Saudi British Bank (SABB), Saudi Investment Bank, Alinma Bank, Banque Saudi Fransi, Riyad Bank, SAMBA Financial Group, Saudi Hollandi Bank, Al Rajhi Bank, Arab National Bank, Bank Al Bilad, and Bank Al Jazira. Foreign banks licensed to operate branches in Saudi Arabia include Gulf International Bank (GIB), Emirates (NBD), National Bank of Bahrain (NBB), National Bank of Kuwait (NBK), Muscat Bank, Deutsche Bank, BNP Paribas, J.P. Morgan Chase, the National Bank of



Pakistan (NBP), State Bank of India (SBI), and the Industrial and Commercial Bank of China (licensed but not yet operational).

In the financial services sector, the Capital Market Authority (CMA) licensed 91 foreign and local companies to provide financial and brokerage services. Major companies include BNP Paribas, Credit Suisse, Deutsche Securities, Goldman Sachs, JP Morgan, KKR, Societe Generale, and UBS among others. During 2013, there were five IPOs in Saudi Arabia valued at USD 506 million.

On March 7, 2014, Fitch upgraded Saudi Arabia's credit rating from AA- to AA. Fitch noted that the upgrade was related to Saudi Arabia's real GDP growth exceeding its peers (3.8 percent increase in GDP for 2013), and that non-oil economic growth remained at a strong 5 percent. Fitch also upgraded the country ceiling from AA to AA+.

### **Regulatory Oversight**

The Saudi Arabian Monetary Agency (SAMA) maintains on-line the banking regulations to which commercial banks and financial institutions must follow. Information on the regulatory environment of the banking and financial sector can be found at the SAMA website at:

<http://www.sama.gov.sa/sites/SAMAEN/RulesRegulation/BankingSystem/Pages/Home.aspx> For an overview of SAMA, information can be found at this web link:

<http://www.sama.gov.sa/sites/samaen/AboutSAMA/Pages/Home.aspx>. For information related to the financial markets and the stock exchange, please see the web link of the Capital Market Authority at: [http://www.cma.org.sa/en/Pages/Implementing\\_Regulations.aspx](http://www.cma.org.sa/en/Pages/Implementing_Regulations.aspx).

### **Foreign-Exchange Controls**

[Return to top](#)

Saudi Arabia imposes no foreign exchange restrictions on capital receipts or payments by residents or nonresidents, beyond a prohibition against transactions with Israel. Although officially linked to the IMF's Special Drawing Rights, Saudi Arabia in practice pegs its currency, the Saudi riyal (SAR), to the U.S. dollar.

Saudi Arabia set its official currency exchange rate at SAR 3.75 = \$1. Residents of Saudi Arabia may freely and without license buy, hold, sell, import, and export gold, with the exception of gold of 14 karats or less.

On July 8, 2013, the Executive Board of the International Monetary Fund (IMF) concluded its Article IV consultation with Saudi Arabia. The IMF noted that Saudi Arabia had been one of the best performing G-20 economies in recent years. The IMF noted that private sector growth should continue to be strong, the banking systems well-capitalized, with Basle III capital standards implemented in January 2013. The IMF Directors agreed that the pegged exchange rate continues to remain appropriate.

### **U.S. Banks and Local Correspondent Banks**

[Return to top](#)

The Saudi Arabian Monetary Agency (SAMA) has granted licenses to J.P. Morgan Chase, Goldman Sachs, and KKR Morgan Stanley, Merrill Lynch, and Goldman Sachs to operate in Saudi Arabia as a foreign investment banking entity.

Currently, 12 majority Saudi-owned banks and five regional banks are licensed to operate in

Saudi Arabia. The regional banks include Emirates Bank, Gulf International Bank, Muscat Bank, National Bank of Bahrain, and the National Bank of Kuwait.

The Saudi Arabian Monetary Agency (SAMA) also granted licenses to international investment banks, including, Deutsche Bank, BNP-Paribas, J.P. Morgan, the State Bank of India, and the National Bank of Pakistan to open a branch office.

## Project Financing

[Return to top](#)

There are currently about \$960 billion worth of projects planned or under way in Saudi Arabia. Of these, more than \$700 billion are megaprojects, or large master planned developments of more than \$1billion, making Saudi Arabia the biggest opportunity in the region for businesses involved in the infrastructure and construction sectors. The revenues from hydrocarbon resources are expected to be sufficient to support planned development spending and support private sector growth. The FY-2014 budget projected spending is \$219 billion.

### Project Finance Institutions:

The U.S. Export-Import Bank (EX-IM Bank): Saudi Arabia is the third-largest export market for EX-IM financing. The EX-IM Bank team offered trade finance support for chemical projects, energy projects, electricity generation, and water. EX-IM is looking at supporting additional major projects in the Kingdom. For additional information on the Export-Import Bank, please see the following website: <http://www.exim.gov/>

International Finance Corporation (IFC)-a member of the World Bank Group: IFC's strategy in Saudi Arabia focuses on promoting selective business and supporting the country's financial markets (particularly housing finance, insurance, and leasing), infrastructure development, and lending to SMEs as ways to support job creation and economic growth. For additional information, please visit the IFC website:

[http://www.ifc.org/wps/wcm/connect/region\\_ext\\_content/regions/europe+middle+east+and+north+af+rica/ifc+middle+east+north+africa+and+southern+europe/countries/saudi+arabia+country+landing+page](http://www.ifc.org/wps/wcm/connect/region_ext_content/regions/europe+middle+east+and+north+af+rica/ifc+middle+east+north+africa+and+southern+europe/countries/saudi+arabia+country+landing+page)

**Saudi Industrial Development Fund (SIDF):** provides financial assistance in the form of medium and long term loans to investors in industry besides including the offering of technical, administrative, financial and marketing advice to borrowers

**Saudi Agricultural Bank:** a public credit institution, specializing in providing finance for various agricultural activities in all regions of the Kingdom. Its mission is to assist in the development of the agricultural sector and the enhancement of its production efficiency by introducing up-to-date, state of the art, scientific and technical methods through providing soft interest-free loans to farmers to enable them to secure such industry prerequisites as machinery, irrigation pumps, agricultural equipment, livestock and poultry keeping and fish farming equipment.

**Saudi Credit Bank:** provide interest-free loans for small enterprises, employers, and emerging trades to encourage them to run their own businesses independently. The bank operates twenty-six branches throughout Saudi Arabia.

**Public Investment Fund (PIF):** The Public Investment Fund funded numerous projects in important sectors of the Saudi Arabian economy, including petroleum refineries, petrochemical industries, pipelines and storage, transportation, energy, minerals, water desalination and infrastructural facilities. It has also participated in the capital funding of a number of bilateral and Pan Arab corporations.

**Islamic Development Bank:** fosters the economic development and social progress of member countries and Muslim communities. It participates in equity capital and grants loans for productive projects and enterprises, besides providing financial assistance to member countries in other forms for economic and social development.

**Saudi Fund for Development:** offers financing for Saudi exports to countries where there is no commercial bank coverage, no correspondent banks and/or high-risk country/bank.

**Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC):** provides Export Credit guarantees on exports to member states and to companies owned/partly owned by member states. In addition, the corporation provides investment insurance and guarantees against country risks to member states.

## REGIONAL ORGANIZATIONS

**Arab Fund for Economic and Social Development:** an autonomous regional Pan-Arab development finance organization. Members include all Arab states in the League of Arab Nations.

**Arab Industrial Development and Mining Organization:** a Pan-Arab organization for the encouragement of industrial and mining investments.

**Arab Monetary Fund:** a 21-member regional Arab organization aiming to improve the balance of payments of member states, to promote Arab monetary cooperation as well as trade among member states. The organization also advises member countries on policies with respect to their foreign investments.

**Inter-Arab Investment Guarantee Corporation:** promote and facilitate inter-Arab investments and trade.

## Web Resources

[Return to top](#)

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: [http://www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html)

OPIC: <http://www.opic.gov>

Trade and Development Agency: <http://www.tda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/oit/>

USDA Commodity Credit Corporation: <http://www.fsa.usda.gov/cc/default.htm>

U.S. Agency for International Development : <http://www.usaid.gov>

Export-Import Bank of the United States: <http://www.exim.gov>

Country Limitation Schedule: <http://www.exim.gov/tools/countrylimitationschedule/index.cfm>

OPIC: <http://www.opic.gov/>

Trade and Development Agency: <http://www.ustda.gov/>

SBA's Office of International Trade: <http://www.sba.gov/>

USDA Commodity Credit Corporation:  
<http://www.fsa.usda.gov/FSA/webapp?area=about&subject=landing&topic=sao-cc>

U.S. Agency for International Development: <http://www.usaid.gov/>

International Finance Corporation (World Bank):  
[http://www.ifc.org/wps/wcm/connect/corp\\_ext\\_content/ifc\\_external\\_corporate\\_site/home](http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/home)

Arab Fund for Economic and Social Development: <http://www.arabfund.org/>

Arab Industrial Development and Mining Organization:  
<http://www.aidmo.org//index.php?lang=en>

Arab Monetary Fund: <http://www.amf.org.ae/>

Council of Saudi Chambers of Commerce and Industry:  
<http://www.csc.org.sa/English/Pages/default.aspx>

Inter-Arab Investment Guarantee Corporation: <http://iaigc.net/>

Islamic Corporation for the Insurance of Investment and Export Credit: <http://www.iciec.com/>

Islamic Development Bank: <http://www.isdb.org/irj/portal/anonymous>

Saudi Orix Leasing Corporation: <http://www.saudiorix.com.sa/>

Public Investment Fund:  
<http://www.mof.gov.sa/english/Pages/investment.aspx>

Saudi Credit Bureau – SIMAH: <http://www.simah.com/en/Home.aspx>

Saudi Arabian Monetary Agency: <http://www.sama.gov.sa/SITES/SAMAEN/Pages/Home.aspx>

Saudi Fund for Development:

[http://www.sfd.gov.sa/webcenter/faces/oracle/webcenter/page/scopedMD/s5dc73d77\\_7324\\_4d08\\_b347\\_444721019cba/Page24.jspx?\\_afLoop=608603538444519#%40%3F\\_afLoop%3D608603538444519%26\\_adf.ctrl-state%3D16ufxej76s\\_89](http://www.sfd.gov.sa/webcenter/faces/oracle/webcenter/page/scopedMD/s5dc73d77_7324_4d08_b347_444721019cba/Page24.jspx?_afLoop=608603538444519#%40%3F_afLoop%3D608603538444519%26_adf.ctrl-state%3D16ufxej76s_89)

Saudi Industrial Development Fund: <http://www.sidf.gov.sa/En/Pages/default.aspx>

Saudi Investment Bank: <https://www.saib.com.sa/en>

Saudi Credit Bank <http://www.scb.gov.sa/home.aspx?lang=en-US>

Saudi Stock Exchange – Tadawul:

[http://www.tadawul.com.sa/wps/portal!/ut/p/c1/04\\_SB8K8xLLM9MSSzPy8xBz9CP0os3g\\_A-ewIE8TIwP3gDBTA08Tn2Cj4AAvY\\_dQA\\_3qxCJ9P4\\_83FT9gmxHRQAK2gLn/dl2/d1/L0IHSkovd0RNQUprQUVnQSEhL1ICWncvZW4!/  
/](http://www.tadawul.com.sa/wps/portal!/ut/p/c1/04_SB8K8xLLM9MSSzPy8xBz9CP0os3g_A-ewIE8TIwP3gDBTA08Tn2Cj4AAvY_dQA_3qxCJ9P4_83FT9gmxHRQAK2gLn/dl2/d1/L0IHSkovd0RNQUprQUVnQSEhL1ICWncvZW4!/)

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 8: Business Travel

[Business Customs](#)

[Travel Advisory](#)

[Visa Requirements](#)

[Telecommunications](#)

[Transportation](#)

[Language](#)

[Health](#)

[Local Time, Business Hours and Holidays](#)

[Temporary Entry of Materials and Personal Belongings](#)

[Web Resources](#)

### Business Customs

[Return to top](#)

The website of the U.S. Commercial Service in Saudi Arabia has a section on Saudi Culture, Customs, and Business Etiquette. For more information, please visit our site at <http://export.gov/saudiarabia/saudicustomsetiquette/index.asp>.

In addition, the following websites of the U.S. Department of State contains a wealth of information useful to business traveler to the Kingdom of Saudi Arabia, including updated travel advisories.

<http://riyadh.usembassy.gov/service.html>

<http://www.state.gov/travel/>

<http://www.state.gov/business/>

While modern Saudi Arabia has adopted numerous business methods and styles of the West, many cultural differences remain. Most important is that business will generally only be conducted after a degree of trust and familiarity has been established. Considerable time may be spent exchanging courtesies, and several visits may be needed to establish a business relationship. Business visitors should arrange their itineraries to allow for long meetings, as traditional Saudis often maintain an "open office" in which they will sign papers, take telephone calls and converse with friends or colleagues who drop by. Tea and traditional Saudi coffee are usually offered. One to three cups of Saudi coffee should be taken for politeness, after which the cup may be wiggled between thumb and forefinger when returning it to the server to indicate that you have finished.

Many Saudi businessmen have been educated or have traveled extensively in the West and are sophisticated in dealing with Americans. For the most part, travelers can rely on Western manners and standards of politeness to see them through, with a few additional rules that may be observed. One should avoid sitting at any time with the sole of the foot pointed at the host or other guest. Unless one is on familiar terms with a Saudi, it may be discourteous to ask about a man's wife or daughters; ask instead about his family.

Shoes are often removed before entering a Saudi living room (*majlis*). If you are invited

to the home of a Saudi for a party or reception, a meal is normally served at the end of the evening, and guests will not linger long after finishing. Be observant and adapt your behavior to the customs of your host.

Dress is conservative for both men and women. Men should not wear shorts or tank tops, while women are advised to wear loose-fitting and concealing clothing with long skirts, elbow-length sleeves and modest necklines.

There is strict gender separation in the Kingdom and restaurants maintain separate sections for single men and families. Wives are often excluded from social gatherings or are entertained separately.

## **Travel Advisory**

[Return to top](#)

Current travel warnings and advisories can be found on the U.S. State Department's site: <http://travel.state.gov/content/passports/english/alertswarnings.html>. Travelers should check this link for any updates to the security situation before leaving the United States.

The Department of State warns U.S. citizens about the security situation in Saudi Arabia and reminds U.S. citizens of recommended security precautions. The Department of State urges U.S. citizens carefully to consider the risks of traveling to Saudi Arabia.

The security climate in Saudi Arabia continues to improve, despite an attack of unknown motivation on two German Embassy officials in Awamiyah in the Eastern Province in January 2014. Prior to the January 2014 incident, the last major terrorist attack directed against the civilian population was an attack against French nationals in 2007. It is important to note that there remains an ongoing security threat due to the continued presence of terrorist groups, some affiliated with Al-Qaida, who may target Western interests, housing compounds, hotels, shopping areas and other facilities where Westerners congregate. These terrorist groups may employ a wide variety of tactics and also may target Saudi Government facilities and economic/commercial targets within the Kingdom. Significant improvements in the capacity and capability of Saudi security and intelligence forces have greatly improved the security environment. Although much improved, the improvements remain fragile and reversible.

In addition, the State Department issues consular information for every country of the world with information on such matters as the health conditions, crime, unusual currency or entry requirements, any areas of instability and the location of the nearest American embassy or Consulate in the subject country. For consular information related to travel to Saudi Arabia, information can be found on the following site:

<http://travel.state.gov/content/passports/english/country/saudi-arabia.html>.

U.S. citizens who choose to visit Saudi Arabia are strongly urged to avoid staying in hotels or housing compounds that do not apply stringent security measures and also are advised to be aware of their surroundings when visiting commercial establishments frequented by Westerners. U.S. citizens also are advised to keep a low profile, vary times and routes of travel, exercise caution while driving, entering or exiting vehicles, and ensure that travel documents and visas are current and valid.

From time to time, the U.S. Embassy and Consulates in Saudi Arabia may restrict travel of official Americans or suspend public services for security reasons. Whenever threat information is specific,



credible, and non-counterable, this threat information will be made available to the American public. In those instances, the Embassy and Consulates will keep the local American citizen community apprised through the Warden system and make every effort to provide emergency services to U.S. citizens. Warden messages can be found on the U.S. Embassy Riyadh website: <http://riyadh.usembassy.gov/amcitmessages.html>.

All travelers are encouraged to register their trip online through the Smart Traveler Enrollment Program (STEP) at the following website: <http://travel.state.gov/content/passports/english/go/step.html>. Updated information on travel and security in Saudi Arabia may be obtained from the Department of State by calling 1-888-407-4747 from within the United States and Canada or, from outside the United States and Canada on a regular toll line at 1-202-501-4444. These numbers are available from 8:00 am to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays). For additional information, consult the Department of State's Country Specific Information for Saudi Arabia, and Worldwide Caution. U.S. citizens who require emergency services may telephone the Embassy in Riyadh at (966) (11) 488-3800, the Consulate General in Jeddah at (966) (12) 667-0080, or the Consulate General in Dhahran at (966) (13) 330-3200.

## Visa Requirements

[Return to top](#)

A passport valid for at least six months and a visa are required for entry. Visas are issued for business and work, to visit close relatives, and for transit and religious visits by Muslims. Visas for tourism are issued only for approved tour groups following organized itineraries. Airport and seaport visas are not available. All visas require a sponsor, can take several months to process, and must be obtained prior to arrival.

Effective May 2008, the Saudi Ministry of Foreign Affairs agreed to issue 5-year multiple- entry visas to American visitors and students. All Saudi Embassies have the authority to issue the 5-year visas, but only the Saudi Embassy in Washington, D.C. appears to be doing so at this time. In the past, American citizens have reported being refused a Saudi visa because their passports reflected travel to Israel or indicated that they were born in Israel, although this has not happened recently. Women visitors and residents are required to be met by their sponsor upon arrival. Women who are traveling alone and are not met by sponsors have experienced delays before being allowed to enter the country or to continue on other flights.

In order to obtain a visitor's visa for business purposes, a U.S. company representative is required to submit a letter of invitation from a sponsoring entity in Saudi Arabia. The invitation letter must be in Arabic, the American applicant may present a copy of the original letter, the letter must be on the sponsoring organization's letterhead and must bear an authenticating stamp of the local Saudi Chamber of Commerce. The letter should name the visa applicant, passport number, company name and address, approximate dates of visit, and reason for visit (e.g., business meetings).

It is recommended that the American applicant's company use the company's letterhead when requesting cooperation of the Saudi embassy/consulates in issuing the visa. The visa applicant must apply for and receive the visa prior to departing the United States at either the Saudi Embassy in Washington or at Saudi Consulates-General in Houston, Los Angeles or New York City. Once the visa is placed in the passport, it is usually valid for one month and must be used or officially canceled before a subsequent visa will be issued. The visa may be extended at the discretion of the Saudi Embassy or Consulate prior to the expiration date.

If the American applicant does not have a Saudi sponsor, the U.S. Commercial Service offices in Saudi Arabia can advise on how to make initial contacts with potential sponsors. Please note that the U.S. Embassy and Consulates-General cannot sponsor private American citizens for Saudi

visas. Please visit the following website:  
<http://export.gov/saudi-arabia/contactus/index.asp>

Occasionally the Saudi consular officer may require the applicant to obtain the visa through a more time-consuming process involving approval by the Saudi Ministry of Foreign Affairs. Women traveling alone, Americans of Arab origin and private consultants are often required to use this process. Resident visas also are available through a separate process.

It is also worth mentioning that travelers with an Israeli visa in their passport are likely to be denied a Saudi visa. If a traveler already has an Israeli visa in his/her passport, it is highly recommended that the traveler obtain a new passport prior to requesting a Saudi visa. Further, if a traveler arrives at the Saudi Arabian immigration desk with an Israeli visa or entry-exit stamp, it is very possible that Saudi immigration could deny the traveler entry to Saudi Arabia.

A medical report, including an AIDS test, is required to obtain a work and residence permit. This includes a medical certification. For further information on entry requirements, travelers may contact the Royal Embassy of Saudi Arabia in Washington, DC, or one of the Consulates in New York, Houston, or Los Angeles. Please visit the Saudi Embassy website: <http://saudiembassy.net>

U.S. Companies that require travel of foreign businesspersons to the United States should be advised that security evaluations are handled via an interagency process. Visa applicants should go to the following links.

State Department Visa Website: <http://travel.state.gov/visa/>

State Department Visa Website for Saudi Arabia:  
<http://travel.state.gov/content/passports/english/country/saudi-arabia.html>

On-line U.S. Non-Immigrant Visa Application Form	<a href="https://ceac.state.gov/genniv/">https://ceac.state.gov/genniv/</a>
American Embassy in Riyadh	<a href="http://riyadh.usembassy.gov/">http://riyadh.usembassy.gov/</a>
Saudi Embassy in Washington, D.C.	<a href="http://www.saudiembassy.net">www.saudiembassy.net</a>

## Telecommunications

[Return to top](#)

### Telephone

Country code: 966. A sophisticated telecommunications network and satellite, microwave and cable systems span the country.

### Mobile Telephone

International roaming agreements exist with some mobile phone companies. Coverage is mostly good.

### Internet

The Saudi Telecommunications Company (STC) provides internet facilities in most cities. E-mail can also be accessed from many hotels and internet cafes. Access is blocked to many web sites featuring sensitive political, religious, and/or social content, or content that is deemed obscene and anti-Islamic. E-mail traffic may be monitored in certain cases.

### Media

Saudi Arabia has very tightly controlled media environment and criticism of the Government, the royal family and religious tenets are not really tolerated-although there are signs of an increasing

tolerance emerging. The state-run Broadcasting Service of the Kingdom of Saudi Arabia (BSKSA) is responsible for all broadcasting in the kingdom.

The Minister of Culture and Information oversees radio and TV operations. Viewers in the country's eastern region can pick up TV stations from more liberal Gulf neighbors. The government blocks access to websites that it deems offensive. Newspapers tend to follow the lead of the state-run news agency on whether or not to publish stories on sensitive subjects.

## Press

Saudi newspapers are created by royal decree.

Pan-Arab papers, subject to censorship, are available.

The main newspapers include *Al-Jazirah*, *Al-Riyadh*, and *Okaz*. English-language dailies include Arab News (<http://www.arabnews.com/>) and the Saudi Gazette (<http://www.saudigazette.com.sa/>).

## Transportation

[Return to top](#)

The business centers of Riyadh, Jeddah, and Dammam/Al-Khobar/Dhahran have international airports served by a variety of international airlines. Domestic air service is provided by national carrier, Saudi Arabian Airlines, and one private, low-cost airline, NAS Air.

Short-term male visitors may drive on their U.S. driver's license. American men employed in Saudi Arabia should obtain a local driver's license with the Department of Traffic Police. Women are not allowed to drive or ride bicycles on public roads. Traffic accidents are a significant hazard in Saudi Arabia. Driving habits are generally poor, and accidents involving vehicles driven by minors are not uncommon. In the event of a traffic accident resulting in personal injury, all persons involved (if not in the hospital) may be taken to the local police station. Drivers are likely to be held for several days until responsibility is determined and any reparations paid.

## Language

[Return to top](#)

The official language of Saudi Arabia is Arabic, but English is widely used in business and some signs and notices. Most road signs are in Arabic, while major highways and streets in major cities display road signs in both Arabic and English.

## Health

[Return to top](#)

Good modern medical care and medicines are available in several hospitals and health centers in major Saudi cities, but only adequate medical care may be available in the outlying areas. Most Western expatriates in major Saudi cities find it adequate for routine care and minor surgery. In recent years, however, medical care has evolved in Saudi Arabia with sophisticated types of treatment, such as open-heart surgery, kidney transplants and cancer treatment, being undertaken. Only a few drugs available in the United States are not available in Saudi Arabia. Many local hospitals and healthcare companies are vying to join with American healthcare providers. In 2005, for example, the Cleveland Clinic set up a joint venture medical center in Jeddah, the International Medical Center, worked on several joint initiatives including e-health, teleconferencing, consultations and continuing education programs. In 2014, the Johns Hopkins University Hospital, in conjunction with Saudi Aramco, will be offering health care services for Saudi Aramco employees.

A yellow-fever certificate is required from travelers coming from infected countries. A meningitis vaccine is recommended for incoming to Jeddah and the western region, especially during the annual pilgrimage ritual.

There is a risk of malaria throughout the year in most of the Southern Region and in certain rural areas of the Western Region, except for Mecca and Medina.

Travelers can check the latest health information with the U.S. Centers for Disease Control and Prevention in Atlanta, Georgia. A hotline at 800-CDC-INFO (800-232-4636) and a web site at <http://wwwn.cdc.gov/travel/default.aspx> give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries. The CDC publication "Health Information for International Travel" can be found at the following website: <http://wwwn.cdc.gov/travel/contentYellowBook.aspx>.

## Local Time, Business Hours, and Holidays

[Return to top](#)

Saudi Arabia's time zone is UTC/GMT+03:00. Saudi Arabia is a Muslim country that requires strict adherence to Islamic principles. Five times a day, Muslims are called to pray in the direction of the holy city Mecca. The prayer times are published in the newspaper and come at dawn, noon, afternoon, sunset and evening. Stores and restaurants close for approximately 30 minutes at these times. When staging promotional events or product demonstrations, one must anticipate these prayer breaks.

Business hours vary in different parts of the country. Saudi companies usually close for 2-4 hours in the afternoon and remain open throughout the early evening. Retail stores close for the noon prayer and reopen around 4:00 P.M.

The normal workweek runs from Sunday through Thursday. Friday is the Muslim holy day.

### Work Week:

U.S. Embassy:	08:00 - 17:00 Sun.- Thurs.
Saudi Government:	08:00 - 14:30 Sun. to Thurs.
Banks:	09:00 - 17:00 Sun. to Thurs.
Businesses:	08:00 - 12:00 and 16:00 – 20:00 Sun. to Thur.

There are two Islamic religious holidays during which most businesses close for at least three working days and all government offices close for a longer period. During these holidays it is very difficult to make contacts or transact business:

The *Eid al-Fitr* holiday occurs at the end of the holy month of Ramadan (month of fasting). The next *Eid al-Fitr* holiday will begin on or about July 28, 2014.

*Eid al-Adha* celebrates the time of year when pilgrims arrive from around the world to perform the pilgrimage to Mecca, or *Hajj*. The next *Eid al-Adha* holiday will begin on or about October 4, 2014.

Please note that the dates of these two religious holidays are governed by the lunar calendar; exact dates are subject to change and will be confirmed by the Saudi authorities at a later date.

Please visit the website of the U.S. Embassy in Saudi Arabia (<http://riyadh.usembassy.gov/>) as these holidays draw near to verify their exact dates.

During Ramadan, Muslims abstain from food and drink during daylight hours. Office hours are shortened and shifted to the evening, and people may be affected by the fasting and customary late night social gatherings. During Ramadan, business travelers should not drink, eat, or smoke in public during daylight or in the presence of fasting Muslims. Major hotels offer special daytime food services for their non-Muslim guests.

The complete list of U.S. and local holidays observed by the U.S. Embassy and Consulates General in Saudi Arabia can also be found on U.S. Embassy website at:  
<http://riyadh.usembassy.gov/holidays.html>

### **Temporary Entry of Materials and Personal Belongings**

[Return to top](#)

For temporary entry of goods for promotional purposes, importers need an invoice with the value of the goods endorsed by the local Chamber of Commerce or the U.S.-Saudi Business Council and a certificate of origin also to be authenticated by one of the aforementioned entities. The invoice should state that the goods are being imported for exhibition purposes only and will be re-exported.

Saudi Customs requires a deposit for these goods (equivalent to the applicable tariff rate on the total value of the goods). This deposit is refundable when the exhibition is over and upon showing a document that the owner of the equipment officially participated in a trade show. Additionally, the customs authorities will collect handling charges. Reimbursement takes between two to four weeks. If the goods are meant for demonstration purposes to a Government entity, a letter from that entity is required indicating the nature and purpose of the goods.

### **Web Resources**

[Return to top](#)

Travel advisories and warnings

<http://travel.state.gov/content/passports/english/alertswarnings.html>

United States Embassy

<http://riyadh.usembassy.gov/>

U.S. Commercial Service in Saudi Arabia

<http://export.gov/saudiarabia/>

U.S. Embassy Riyadh warden messages

<http://riyadh.usembassy.gov/amcitmessages.html>

Consular information on Saudi Arabia

<http://travel.state.gov/content/passports/english/country/saudi-arabia.html>

Royal Embassy of Saudi Arabia in Washington, DC

<http://saudiembassy.net/>

World Health Organization (WHO) traveler and vaccination information

<http://www.who.int/topics/travel/en/>

Centers for Diseases Control and Prevention (CDC) traveler information  
<http://wwwn.cdc.gov/travel/default.aspx>

Saudi Arabian Airlines  
<http://www.saudiairlines.com/portal/saudiairlines/Welcome>

Saudi Railways Organization (SRO) passenger rail service  
<http://www.saudirailways.org/portal/page/portal/PRTS/root>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 9: Contacts, Market Research and Trade Events

- [Contacts](#)
- [Market Research](#)
- [Trade Events](#)

### Contacts

[Return to top](#)

#### U.S. Government

U.S. Commercial Service in Saudi Arabia: <http://export.gov/saudiarabia/>  
U.S. Embassy Riyadh, Saudi Arabia: <http://riyadh.usembassy.gov/>  
U.S. Consulate-General Dhahran: <http://dhahran.usconsulate.gov/>  
U.S. Consulate-General Jeddah: <http://jeddah.usconsulate.gov/>  
U.S. Dept. of Commerce: <http://export.gov/>  
U.S. Dept. of State: <http://www.state.gov/>

#### Government of the Kingdom of Saudi Arabia

Embassy of Saudi Arabia in the USA: <http://saudiembassy.net/>

#### Ministries:

##### Ministry of Agriculture

[http://www.moa.gov.sa/webcenter/oracle/webcenter/webcenterapp/view/templates/publichtml/LandingGateway.jsp?wc.contentSource=%2Fspaces&wc.originURL=%2Fspaces&\\_afLoop=1206428411432&\\_afWindowMode=0&\\_afWindowId=null#%40%3F\\_afWindowId%3Dnull%26\\_afLoop%3D1206428411432%26wc.originURL%3D%252Fspaces%26wc.contentSource%3D%252Fspaces%26\\_afWindowMode%3D0%26\\_adf.ctrl-state%3D13h7m8zjdo\\_4](http://www.moa.gov.sa/webcenter/oracle/webcenter/webcenterapp/view/templates/publichtml/LandingGateway.jsp?wc.contentSource=%2Fspaces&wc.originURL=%2Fspaces&_afLoop=1206428411432&_afWindowMode=0&_afWindowId=null#%40%3F_afWindowId%3Dnull%26_afLoop%3D1206428411432%26wc.originURL%3D%252Fspaces%26wc.contentSource%3D%252Fspaces%26_afWindowMode%3D0%26_adf.ctrl-state%3D13h7m8zjdo_4)

##### Ministry of Commerce and Industry

<http://www.mci.gov.sa/en/Pages/Default.aspx>

##### Ministry of Foreign Affairs

<http://www.mofa.gov.sa/sites/mofaen/Pages/Default.aspx>

##### Ministry of Higher Education

<http://www.mohe.gov.sa/en/default.aspx>

##### Ministry of Education

<http://www2.moe.gov.sa/english/Pages/Default.htm>

##### Ministry Health

<http://www.moh.gov.sa/en/Pages/Default.aspx>



**Ministry of Finance**

<http://www.mof.gov.sa/english/Pages/Home.aspx>

**Ministry of Defense**

Airport Road, Riyadh 11165

TEL: 966-11-478-5900/11-477-7313 FAX: 966-11-401-1336

Jeddah Office TEL: 966-12-665-2400

**Ministry of Interior**

[http://www.moi.gov.sa/wps/portal/moi/moihome/diwan!/ut/p/b1/hc5RC4lwFAXgn3TvwHObj2PQtrSwQs q9xB4kDJ0v4u\\_PoB6z83bgO3AgQMuEzEgSEwJuEFJc-kec-ynF4d2DuOemNI4diNm6kZjtJN8bUSos-QraFeCPaPy3v0LYJJw-wFjtuKwQVWVz9No15-JEhPoLNj4c3TR2cOkSjGEo\\_JPrF-yIDP8!dl4/d5/L2dJQSEvUUt3QS80SmtFL1o2XzVDUENJOE0zMUdQVTcwMkY3NEpDNks4MEs0/](http://www.moi.gov.sa/wps/portal/moi/moihome/diwan!/ut/p/b1/hc5RC4lwFAXgn3TvwHObj2PQtrSwQs q9xB4kDJ0v4u_PoB6z83bgO3AgQMuEzEgSEwJuEFJc-kec-ynF4d2DuOemNI4diNm6kZjtJN8bUSos-QraFeCPaPy3v0LYJJw-wFjtuKwQVWVz9No15-JEhPoLNj4c3TR2cOkSjGEo_JPrF-yIDP8!dl4/d5/L2dJQSEvUUt3QS80SmtFL1o2XzVDUENJOE0zMUdQVTcwMkY3NEpDNks4MEs0/)

**Saudi Arabia National Guard (SANG)**

<http://www.sang.gov.sa/Languages/English/Pages/Default.aspx>

**Ministry of Economy and Planning**

<http://www.mep.gov.sa/themes/GoldenCarpet/index.jsp>

**Ministry of Municipal and Rural Affairs**

Nasseriya Street, Riyadh 11136

TEL: 966-11-441-5434

Jeddah Office TEL: 966-12-667-4387

*Housing and public works:*

Washem St., Riyadh 11151

TEL : 966-11-402-2268/ 11-402-2036

**Ministry of Transportation**

Airport Road, Riyadh 11178

TEL: 966-11-404-2928/11-404-3000 FAX: 966-11-403-1401

Jeddah Office TEL: 966-12-665-1511

**Ministry of Labor**

Omar Bin Al-Khatlab Street, Riyadh 11157

TEL : 966-11-477-1480/11-478-7166 FAX : 966-11-477-7336

Jeddah Office TEL: 966-12-642-4626

**Ministry of Petroleum and Mineral Resources**

PO Box 757, Airport Road, Riyadh 11189

TEL: 966-11-478-1661/11-478-1133 FAX: 966-11-479-3596

Jeddah Office TEL: 966-12-643-31331

**Ministry of Water and Electricity**

<http://www.mowe.gov.sa/ENindex.aspx?AspxAutoDetectCookieSupport=1>

## **Agencies:**

Saudi Customs Authority

[http://www.customs.gov.sa/CustomsNew/default\\_E.aspx](http://www.customs.gov.sa/CustomsNew/default_E.aspx)

Saudi Ports Authority

<http://www.ports.gov.sa/english/pages/default.aspx>

Saudi Arabia Standards Organization (SASO)

<http://www.saso.gov.sa/en/pages/default.aspx>

General Authority for Civil Aviation (GACA)

<http://www.gaca.gov.sa/>

Presidency of Meteorology and Environmental Protection

<http://www.pme.gov.sa/en/eindex.asp>

Saline Water Conversion Corporation

<http://www.swcc.gov.sa/>

Saudi Arabia General Investment Authority (SAGIA)

<http://www.sagia.gov.sa/>

Supreme Economic Council

<http://www.sec.gov.sa/?lang=en-US>

Saudi Arabia Monetary Agency (SAMA)

<http://www.sama.gov.sa/SITES/SAMAEN/Pages/Home.aspx>

Capital Market Authority

<http://www.cma.org.sa/En/Pages/home.aspx>

Public Investment Fund (PIF)

<http://www.mof.gov.sa/english/Pages/investment.aspx>

Saudi Fund for Development (SFD)

[http://www.sfd.gov.sa/webcenter/faces/oracle/webcenter/page/scopedMD/s5dc73d77\\_7324\\_4d08\\_b347\\_444721019cba/Page24.jsp?\\_afLoop=811893563696232#%40%3F\\_afLoop%3D811893563696232%26\\_adf.ctrl-state%3Dbw28nes5i\\_93](http://www.sfd.gov.sa/webcenter/faces/oracle/webcenter/page/scopedMD/s5dc73d77_7324_4d08_b347_444721019cba/Page24.jsp?_afLoop=811893563696232#%40%3F_afLoop%3D811893563696232%26_adf.ctrl-state%3Dbw28nes5i_93)

Saudi Industrial Development Fund (SIDF)

<http://www.sidf.gov.sa/En/Pages/default.aspx>

Saudi Arabia Basic Industries Corp. (SABIC)

<http://www.sabic.com/corporate/en/>

Saudi Aramco

<http://www.saudiaramco.com/en/home.html#top>

Aramco Services Company- Houston  
<http://www.aramcoservices.com/Home.aspx>

King Abdulaziz City for Science and Technology (KACST)  
<http://www.kacst.edu.sa/en/Pages/default.aspx>

Royal Commission of Jubail and Yanbu:  
<http://www.rcjy.gov.sa/en-US/Pages/default.aspx>

Saudi Food and Drug Authority (SFDA)  
<http://www.sfda.gov.sa/en/Pages/default.aspx>

Saudi Mining Company (Ma'aden)  
<http://www.maden.com.sa/en>

Saudi Public Transport (SAPTCO)  
[http://www.saptco.com.sa/bus\\_en.html](http://www.saptco.com.sa/bus_en.html)

Central Department of Statistics and Information  
<http://www.cdsi.gov.sa/english/>

Department of Zakat and Income Tax  
<http://dzit.gov.sa/home>

Communications and Information Technology Commission (CITC)  
<http://www.citc.gov.sa/English/Pages/default.aspx>

Arab Satellite Communications Organization  
<http://www.arabsat.com/pages/Default.aspx>

Saudi Electricity Company (SEC)  
<http://www.se.com.sa/SEC/English/default.htm>

National Water Company  
<http://www.nwc.com.sa/English/Pages/default.aspx>

Saudi Press Agency  
<http://www.spa.gov.sa/english/>

Saudi Telecommunications Company (STC)  
<http://www.stc.com.sa/wps/wcm/connect/english/individual/individual>

Saudi Arabian Railroad (SAR)  
<http://www.sar.com.sa/>

## **Chambers of Commerce and Foundations**

U.S.-Saudi Arabian Business Council  
<http://www.us-sabc.org/i4a/pages/index.cfm?pageid=1>

Middle East Council of American Chambers of Commerce  
<http://www.mecacc.org/>

Council of Saudi Chambers of Commerce and Industry  
<http://www.csc.org.sa/English/Pages/default.aspx>

Riyadh Chamber of Commerce and Industry  
<http://www.riyadhchamber.org.sa/mainpage/Pages/homepage.aspx#>

Jeddah Chamber of Commerce and Industry  
<http://jcci.org.sa/English/Pages/default.aspx>

Eastern Province Chamber of Commerce  
<http://www.chamber.org.sa/English/Pages/default.aspx>

King Faisal Foundation  
<http://www.kff.com/index.html>

## **Market Research**

[Return to top](#)

To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

## **Trade Events**

[Return to top](#)

Please click on the link below for information on upcoming trade events.

<http://www.export.gov/tradeevents/index.asp>

In addition, please click here for trade events supported by the Commercial Service in Saudi Arabia for exhibitions in the United States and in the Gulf region:

<http://export.gov/saudiarabia/servicesforsaudicompanies/internationalbuyerprogram/index.asp>

[Return to table of contents](#)

[Return to table of contents](#)

## Chapter 10: Guide to Our Services

The President's National Export Initiative marshals Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities and support them once they do have exporting opportunities.**

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers
- Gain access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov)

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please click on the following link: [www.export.gov/saudi Arabia](http://www.export.gov/saudi Arabia)

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **The Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

[Return to table of contents](#)