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Saudi Arabia

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Doing Business in Saudi Arabia

Market Overview

Saudi Arabia is the largest country in the Gulf region with a population of 33 million, and the largest economy in the Arab World with a GDP of $ 782 billion. It is the only G-20-member country in the region. The Saudia Arabian Government (SAG) exercises control over main economic activities of the country's oil-based economy. Saudi Arabia has almost 16 percent of the world's proven petroleum reserves, plays a principal role in OPEC, is one of the world's largest producer and exporter of crude oil, and is a large-scale oil refiner and producer of natural gas. According to *Forbes Magazine*, petroleum accounts for roughly 87 percent of budget revenues, 32 percent of GDP, and 81 percent of export earnings.

To diversify its economy away from oil, in 2016, SAG launched a broad and ambitious socio-economic reform plan known as Vision 2030. The program is aimed at diversifying the economy, creating private sector jobs for a growing population, and placing government finances on a sounder footing. Vision 2030's most significant goals and targets include: spurring private-sector growth; increasing local content requirements in manufacturing, particularly in defense equipment and basic materials; enhancing Saudi government efficiencies; improving the provision of government services; increasing revenue generation through new taxes; transforming the Public Investment Fund (PIF) into the world's largest sovereign wealth fund; providing affordable housing to citizens; developing Saudi Arabia's capital markets; building a renewable energy sector; attracting greater foreign direct investment; privatizing dozens of government entities; expanding the ICT sector; further developing the mining sector; accelerating the development of the public transportation and the railway network; building an effective domestic tourism infrastructure; and expanding natural gas and petrochemical production. To date, the SAG is not on pace to reach the Vision 2030 goals by 2030 but it is moving in a positive direction.

Saudi Arabia policies aimed at attracting new foreign investments were amplified at the Future Investment Initiative forum held in Riyadh in October of 2019. Three hundred global investment chiefs and policymakers attended. Saudi Arabia announced signing of $20 billion in investment deals during the event, including significant deals between Saudi and American companies.

In November 2019 Saudi Arabian- Oil Company (Aramco) announced its plan to list stock for public purchase for the first time in the company's 86-year history. It plans to sell 1.5% of its outstanding shares. In 2018, Aramco made $111 billion dollars in profit, making it the most profitable company in the world (The second-most profitable company, Apple, made $60 billion that year). The oil giant announced the company could be valued at $1.7 trillion. Aramco's procurements present numerous significant opportunities for U.S. suppliers in energy, construction, and security including cyber security. U.S. Commercial Service maintains an office in Dhahran in the oil-rich Eastern Province of Saudi Arabia, assisting U.S. exporters in their business dealings with Aramco.

Saudi Arabia is America's 22nd-largest goods trading partner and the second-largest U.S. goods export market in the Gulf region behind the UAE. U.S. goods exports in 2018 totaled $$3.6 billion, (down 17 percent from 2017); U.S. imports from Saudi Arabia totaled $$24.1 billion, resulting in a goods trade deficit of $$10.5 billion. Major U.S. export products include: transportation equipment (including aircraft but excluding rail) ($$3.8 billion); nuclear machinery ($$1.9 billion), arms and ammunition ($$1.5 billion), electric machinery ($$1.1 billion); optic, photo, medical instruments ($$0.7 billion), chemicals (500 million), and cereals ($400 m$illion) . *Source: Global Trade Atlas*.

In 2017, U.S. exports of consumer-oriented food products to Saudi Arabia declined by approximately 11 percent to $$508 million. Saudi Arabia is the largest importer of food and agricultural products in the Gulf Cooperation Council

(GCC). The latest available U.N. trade data show Saudi Arabia imported $$14.8 billion worth of agricultural and related products in 2016, a decline of approximately 23 percent from 2015. This decline was mostly due to lower prices of grains, such as corn, wheat, barley and rice, and lower imported quantities of dairy product and frozen broiler meat. In 2016, Saudi Arabia imported approximately $$7.8 billion of consumer-oriented food products, a 20 percent decrease from 2015. U.S. food products are generally viewed as meeting higher-quality standards compared to those produced locally or imported from other countries. Although U.S. food products command higher price prices compared to imports from Asia and Arab countries, demand for U.S. food products in the Saudi market has been increasing in the past few years. *Source: USDA Report*

Market Challenges

Technical Standards and Regulations

Saudi Arabia continues to move toward adherence to a single standard, which is often based on International Organization for Standardization (ISO) or International Electrotechnical Commission (IEC) standards, in technical regulations to the exclusion of other international standards, such as those developed by U.S.-domiciled standards development organizations (SDOs). Saudi Arabia's exclusion of these other international standards, which are often used by U.S. manufacturers, can create significant market access restrictions for industrial and consumer products exported from the United States.

Branding and Content

The Saudi market can be very sensitive to branding and materials content. U.S. companies are encouraged to familiarize themselves with Saudi traditions, customs, and strict observances of the Islamic faith to ensure that branding does not unintentionally offend local norms and practices.

Performance and Localization Requirements

Government-controlled enterprises in Saudi Arabia are increasingly introducing local content requirements for foreign firms. Aramco's "In-Kingdom Total Value Added" (IKTVA) program, for example, strongly encourages the purchase of goods and services from a local supplier base and aims to double Aramco's percentage of locally-manufactured energy-related goods and services to 70 percent by 2021. Saudi Arabia's military is reforming its procurement processes and policies to incorporate new Saudi employment and localized production goals. SAG's Vision 2030 program calls for 50 percent of defense materials to be produced and procured locally by 2030, and simultaneously seeks comparable increases in the number of Saudis employed in this sector.

"Saudization"

The SAG is adopting progressively stricter quotas for hiring Saudi nationals. U.S. companies report increasing difficulties obtaining visas for expatriate professional employees, others have left the country due to the slowing of opportunities or not had their work visas renewed because of this law. Firms also may face challenges in finding enough qualified Saudi nationals to fill jobs.

Intellectual Property Rights Protection

Despite increased progress on IPR in recent years, enforcement is still lacking in several key sectors. Saudi Arabia was included on USTR's Special 301 "Priority Watch List" in April 2019, following an increase in IP complaints in the Kingdom, particularly with respect to pharmaceuticals, software, digital and signal piracy, and counterfeit goods. The Saudi Authority for Intellectual Property signed a Memorandum of Understanding with the U.S. Patent Office in 2018, which could lead to further improvements of IPR enforcement in the coming years.

Counterfeiting

The government has shown improvements in combatting the proliferation of counterfeit products in recent years with increased resources devoted to marketplace enforcement and stricter penalties for copyright and trademark violators. However, enforcement often remains uneven while copyright enforcement remains hampered by an insufficient number of inspectors. Moreover, manufacturers of consumer products and automobile spare parts are concerned about the availability of cheap counterfeit products in the market place. These products are often of Chinese origin.

Delayed Payments

Companies that have significant experience with government procurement in country report they have carried Saudi government receivables for years. Late payments by the SAG to American vendors are reportedly a cash-flow management tactic to reduce budget deficits. The country has struggled in recent years with a budget deficit linked to high spending on "giga" projects and declining oil prices. There is also a lack of due process to recover funds. U.S. companies should be sure to conduct all due diligence in protecting themselves from incurring non-payment issues through resources such as ExIm bank, letters of credit, or payment before shipment as well as vetting potential Saudi companies prior to making any deals. U.S. companies should contact the U.S. Commercial Service at the Embassy in Riyadh or Consulates in Dhahran or Jeddah if payment delays persist.

Unsolicited Contracts (Scam)

The U.S. Commercial Service in Saudi Arabia has noticed an increase in the number of U.S. firms receiving unsolicited but seemingly attractive business proposals from scam artists. Businesses should be particularly wary of unverified Saudi "companies" and/or government entities promising lucrative business deals and demanding staggered payments to progress through a non-existing procurement process. Perpetrators of sophisticated internet scams use Saudi Arabia's wealth and admiration for American products and services to lure unsuspecting U.S. companies and citizens with "419" type scams (named for a Nigerian law aimed at combating financial crimes). U.S. businesses should verify the identity of any potential "partner" and the veracity of proposals before committing any resources.

Commercial Disputes Settlements

In 2016, the Saudi Center for Commercial Arbitration (SCCA) was established, with arbitration rules that conform to internationally recognized standards and principles. The SCCA offers comprehensive dispute-resolution services to both domestic and foreign firms. Some firms have already started incorporating the SCCA by reference in their contracts. SCCA arbitration awards can be enforced in local courts *if* they comply with Shari'a law.

The enforcement of foreign arbitration awards for private-sector disputes has yet to be upheld in practice. SAG agencies are not allowed to agree to international arbitration without express approval from the Council of Ministers, which is rarely granted.

Inflation

Saudi Arabia's inflation rate averaged 2.4 percent from 2000, until 2018. During 2018, inflation was .2 percent, and has averaged about -2. 8percent in 2019. Costs went up faster for food and non-alcoholic beverages, transport, furnishings, and health. In addition, prices rebounded for miscellaneous goods and services, recreation, and culture, and fell for clothing and footwear. *Sources:* https://tradingeconomics.com/saudi-arabia/inflation-cpi and https://www.focus-economics.com/countries/saudi-arabia/news/inflation/inflation-moderates-in-may.

Market Opportunities

Saudi Arabia's Vision 2030 and the National Transformation Program (NTP) suggest a paradigm shift from a public sector-driven economy to one driven by the private sector as the main engine for economic growth and job creation. This may present some areas of opportunity for U.S. businesses and industry, including: workforce development; IT/big data/geospatial information systems; health care services; electricity generation (including renewables) and distribution/transmission; mining industry; entertainment, and tourism. The "*Leading Sectors for U.S. Exports & Investments"* section of this document describes

Saudi Arabia has the Gulf Region's largest IT market, and the NTP outlines $$4 billion in ICT initiatives over the next five years. Important growth sectors include cyber security, smart grid, and command/control of major infrastructure utilizing geospatial IT systems.

Saudi Arabia's ambitious plans to expand and upgrade its infrastructure may offer major opportunities for U.S. firms. In addition to both light and heavy rail, Saudi Arabia also seeks to expand intermodal connectivity between maritime, bus, rail, and air services. The SAG has pressed forward with key projects, including an ongoing $27 billion metro project in Riyadh. The NTP outlines $1.5 billion in transport initiatives over the next four years and sets a goal of increasing the number of cities benefiting from public transport projects from 11 to 16 by 2020.

Saudi Arabia's abundant oil and gas reserves have provided the kingdom with a comparative advantage in terms of energy costs while export revenues have helped fund the Kingdom's ambitious power-sector-capacity expansion plans. All the state-owned Saudi Electricity Company's (SEC) fuel for power generation is still supplied under long-term arrangements with Aramco, with the government intervening to set preferential prices. Saudi Arabia's need for increased electricity output will continue to underpin its position as the largest oil-consuming country in the Middle East and the sixth largest in the world, according to calculations by the International Energy Agency (IEA). *Source*: BMI Research.

The SEC has announced plans to privatize all its power stations but the privatization process has not yet begun. The SEC and the generation companies will be looking to boost generation capacity, replace outdated distribution infrastructure, implement smart grid technology, and promote international connectivity. To meet increased demand, the Kingdom must more than double its power generation capacity, supplemented by new investments in solar and wind projects, from 77GW in 2014, to 156GW by the year 2040. This translates into adding 5GW of capacity at a cost of $5 billion annually during that period. Likewise, the government plans to invest $4 billion annually to upgrade its distribution infrastructure. Over the long term, Saudi Arabia is expanding minerals mining and diversification of downstream petrochemicals in order to develop a strong manufacturing base for automobiles, electronics, and life-science technologies. The purpose is to create higher-paying technical jobs for Saudi nationals.

The Saudi healthcare market is expected to continue to provide opportunities for U.S. firms. The healthcare sector is expected to open further to public-private partnerships. Saudi Arabia is also facing increased demand for healthcare services to treat non-communicable diseases, such as cardiovascular disease and diabetes. U.S. e-health and hospital management solutions, pharmaceuticals, and medical devices should continue to find opportunities in this sector.

Saudi Mega Projects

Saudi Arabia is the Middle East's largest construction site. More than 80 mega projects, each worth at least $1 billion, being built or planned for construction by 2030 create opportunities for U.S. architects and engineering firms: upgrades to airports including expansions of major airports in Riyadh and Jeddah; several major rail projects are in the pipeline; and contracts have yet to be awarded for the design of the Saudi Land Bridge that will connect ports on the Red Sea to ports in the Arabian (Persian) Gulf.   These Mega Projects include:

- Transportation Infrastructure (Saudi Land Bridge, King Fahad Causeway, airports expansion, rail projects)
- Economic Cities (Neom, Faisaliah)
- Housing/Residential Infrastructure (1.5 million new homes)
- Tourism and Entertainment (Red Sea Beach Tourism Project, Al-Qiddiya Entertainment City, Jeddah's Waterfront Corniche, Souq Okaz City, Ula city, cinemas, museums)
- Expected increase in hotel and hospitality project spending in both public and private sector (Two Holy Cities).

Some of these projects are moving forward but most are moving at less than the anticipated pace and American companies should proceed with caution in signing deals for Mega project work.

Market Entry Strategy

Although American exporters/companies are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, we recommend that all new-to-market U.S. companies consider partnering with a local corporation for the purposes of monitoring business opportunities, navigating import and standards testing regulations, and identifying public sector sales and contract opportunities. For complete information and regulations on registering a business in Saudi Arabia, please visit the Saudi Arabia Government Investment Agency (SAGIA).

The U.S. Department of Commerce in Saudi Arabia regularly assists U.S. product and service exporters to identify market opportunities and qualified business partners. It also provides advocacy and commercial diplomacy services to U.S. firms and promotes greater transparency in commercial matters and public procurement by engaging Saudi regulatory and standards bodies and Saudi public institutions.

Political Environment

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

Selling US Products & Services

Agents and Distributors

Traditionally, only GCC citizens and companies (from the Gulf Coast Countries - Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and the UAE) have been allowed to engage in trading and retail activities in the Kingdom, including real estate, without a local Saudi partner. In June 2016, the SAG's Council of Ministers formally approved full foreign ownership of retail and wholesale businesses, removing the former 25 percent local ownership requirement. To date, over half a dozen companies have taken advantage of the new regulation, including several U.S. firms. American exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies. As mentioned above, we recommend that all new-to-market companies consider finding a qualified local partner through one of our matchmaking services.

Agent/distributor relations are governed by the Commercial Agency Regulations of the Ministry of Commerce and Investment (MOCI). 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 three to 10 percent, depending on the product or service and the duties required of the service agent. Whether or not and when sales commissions are to be paid should clearly 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 an existing distributor. While most prospective Saudi agents and/or distributors generally prefer exclusive agency contracts, they are not required. American firms should be aware that beccause of the close-knit nature of business circles in Saudi Arabia (many companies work in multiple sectors and know the players well in each sector) replacing an agent or distributor could damage a U.S. firm's reputation if not handled sensitively. A U.S. company should 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 prior to executing any 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 liaison will serve to vouch for the reliability of both parties. The U.S. Commercial Service in Saudi Arabia performs these introductions for U.S. companies as part of its "Gold Key" matchmaking service. Other appropriate third parties for such introductions include other Saudi firms and 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 Law*, is based on the Koran and Hadith (sayings of the Prophet) and differs considerably from the U.S. judicial system. U.S. firms are strongly encouraged to seek in-country legal counsel to evaluate risk and navigate the complex investment environment.

U.S. firms contemplating an agency or distribution agreement with a Saudi entity are strongly urged to consult with a local attorney and have a legally binding contract drawn up in detail and clearly stating 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.

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. The U.S. Commercial Service's Gold Key Matching Service is a personalized and targeted matchmaking service that constitutes an exclusive and tailored orientation and briefing on specific sectors and on the broader Saudi market, a profile of prospective Saudi partners, interpretation services during meetings, the expertise of a Commercial Specialist assigned to accompany 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 for a fee to U.S. companies exclusively. https://www.export.gov.

Establishing an Office

The procedures to establish an office in Saudi Arabia differ according to the type of business undertaken. To open an office in Saudi Arabia, a foreign company must submit 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; the name of the city where the office will be established; and the name of the subsidiary's manager to the Ministry of Commerce and Investment . All the aforementioned documents must be attested by the Saudi Embassy in Washington, D.C. 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 and Investment. The Commercial Agency regulations govern the conduct of the agent/distributor.

Types of offices:

Technical and Scientific Service Office: This type of office requires a license from the Ministry of Commerce and Investment. This approach preserves the independence and identity of the foreign company and provides more leeway in managing and marketing the company's products and/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 permits international companies to own 100 percent 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. A 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 that branch office.

- **Liaison Office:** Establishing 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 activities in the Kingdom.

- **Joint Venture:** A company can establish a joint venture with a legally registered Saudi firm. Usually, the Saudi business community refers to limited liability partnerships as joint ventures. These partnerships must also be registered with the Ministry of Commerce and Investment 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. The SAGIA will license projects under the new Foreign Investment Act, which allows for 100 percent foreign ownership. In addition, foreign investors can open a sales/administration/marketing office to complement their industrial or non-industrial project. The SAGIA has a broad mandate on all matters relating to foreign investments in industry, services, agriculture, and contracting.

The Saudi Companies Law, which came into effect in 2016, is the principal body of legislation governing the conduct of companies in the Kingdom. The 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 several other types of companies but these cannot be used by foreign investors. Foreign companies usually establish LLCs, which are a popular corporate vehicle 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.

Partnerships and joint stock companies are established only in exceptional cases because of their complexities, the purposes for which they are suited, and associated costs. The costs of doing business in Saudi Arabia are substantially lower than those in the West. Commercial and industrial rents average 5.33-26.67 per square meter per year. The rate is much lower in industrial cities, where it ranges from $0.27-$1.33 per square meter per year. Rentals for residential accommodation can vary immensely depending on location and quality of housing. Utilities and electricity costs are at $0.048 per KwH for industrial use. Water costs range from $0.040-$ 2.40 per cubic meter.. Adding to these costs is the five percent value-added tax (VAT) imposed on January 1, 2018. Employee costs vary based on the employee's status, position, relevant skills, and experience.

Franchising

Commercial company law is used as a baseline for the franchise business model. Although there is no specific franchise legislation, a ministerial order was issued in March 22, 1992 allowing for the franchisee business to be treated under the Saudi commercial agency law and it is rumored that franchise legislation in coming soon to help regulate the sector.

The Saudi Arabia Government (SAG) liberalized the wholesale, retail, and franchise sectors in 2016 allowing full foreign ownership of retail and wholesale businesses by removing the former 25 percent local ownership requirement. An increasing number of companies, including U.S. firms, are taking advantage of the new regulation. All industrial enterprises are open to non-Saudis, and investors can also trade in the products they manufacture. We recommend that U.S. franchisors consult with an attorney familiar with Saudi law before establishing, changing, or terminating a franchise agreement.

Direct Marketing

Direct marketing is not widely practiced 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, though a new mail-delivery system called *Wasel* delivers mail and parcels to residences. 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. Direct marketing through instant messaging is also gaining in popularity among franchisees and others to promote their products and increase sales.

Joint Ventures/Licensing

Under the current Foreign Investment Law, a foreign investor may either set up its own project or do so in association with a local investor (at present, only registered entities, and not individual investors, are being approved.). If the registered entity option is chosen, foreign investors most commonly structure their enterprise as a limited liability company. The minimum capital of an LLC with foreign participation is SAR 100,000 for most projects, SAR 1,000,000 for industrial projects, and SAR 25,000,000 (`$6,666,875) for agricultural projects. SAGIA may require higher or lower capital levels depending on its assessment of project requirements. The current law allows single member LLCs. After issuance of a SAGIA license, the LLC must be registered with the Ministry of Commerce and Investment Commercial Registry.

The one-member LLC may become the investment vehicle of choice in the future, given the relative simplicity and ease of registration and administration. LLCs can be owned 100 percent by foreign investors or have a mixed Saudi/foreign ownership. Joint-stock companies require authorization from both SAGIA and the Ministry of Commerce and Investment. In general, the provisions applicable to the administration of joint-stock companies are more detailed than those applicable to limited liability companies. The law requires the authorization of the Council of Ministers for the formation of any joint-stock companies for undertaking public sector projects that receive assistance from the state or include public sector institutions. Joint-stock banking companies also require authorization from the Council of Ministers.

The Investors Service Center (ISC) at SAGIA oversees all matters related to foreign investor licensing and registration. The ISC was intended as a one-stop shop to assist foreign investors and minimize lengthy procedures, though its record in achieving this goal has been mixed. Foreign companies' profits are taxed at 20 percent of profits, and losses may generally be carried forward.

To manufacture products regulated by the Saudi Arabian Standards Organization (SASO), the Saudi authority for establishing product standards for imports and locally manufactured goods, SASO's approval may be required. The Communication Information Technology Commission (CITC) has authority over imported telecommunications and IT products and services and has taken an increasingly proactive regulatory role. Recently the CITC has published various specifications relating to IT products and services. The Saudi Industrial Development Fund (SIDF) may be engaged to provide up to 50 percent financing for approved industrial projects with payback periods up to 15 years. Market intelligence is available to prospective investors through the SIDF.

Other Saudi Arabian Government entities that may be involved in the process of establishing a business presence in Saudi Arabia include: the Ministry of Foreign Affairs (visas); the Ministry of Interior (residence permits and industrial safety and security approvals); the Ministry of Labor (Saudi labor regulations and hiring quotas); 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

Foreign companies interested in operating without a Saudi agent can open offices and appoint representatives to pursue business opportunities directly with various government agencies and departments. 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 project although this is not a particularly transparent process.

The Saudi Government Contracting and Procurement Law states that all qualified companies and individuals will be given equal opportunities and will be treated equally. The law also affirms that all government bids must be announced in the official gazette *Umm al-Qoura* (Arabic), in two local newspapers, as well as in electronic media. There is no central tender board and each government agency has its own full contracting authority. The Ministry of Finance operates a central government procurement portal where all government tenders are listed.

Foreign companies can provide services to the SAG directly without a service agent and can market their services to public entities through an office that has been granted temporary registration. Foreign suppliers to the SAG, if not already registered to do business in Saudi Arabia, are required to obtain a temporary registration from the Ministry of Commerce and Investment within 30 days of contract signing.

Most Saudi defense contracts are negotiated outside these regulations on a case-by-case basis. Contractors must subcontract 40 percent of the value of any government contract, including support services, to firms that are majority-owned by Saudi nationals. An exemption may be 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, establishments, and other majority Saudi-owned suppliers. The tender regulations also give preference to products of Saudi origin that satisfy the procurement's requirements. In addition, Saudi Arabia prioritizes GCC products in government procurement. These items receive up to a ten percent price preference over non-GCC products in all government procurements in which foreign suppliers participate. Several royal decrees strongly favor the GCC nationals in the award of government procurement contracts. Foreign suppliers that participate in government procurement are required to establish training programs for Saudi nationals.

The U.S. Commercial Service in Saudi Arabia has noticed an increase in the number of U.S. firms receiving unsolicited but seemingly attractive business proposals from entities masquerading as a Saudi government agency. In several instances, the scammers present themselves as working for a Saudi government or reputed business entity that is seeking a potential partner to participate in lucrative government procurement opportunities. These scammers use official-looking letterheads, websites, known names of government and business executives, routine tender/procurement language, and procedures to give the impression of legitimacy. U.S. companies are strongly advised to carefully scrutinize and vet such "offers" and "entities" before making any payments, shipping samples, or committing other resources. When unsure, we encourage U.S. firms to contact the nearest U.S. Export Assistance Center in the United States and to consider utilizing the Commercial Service's due diligence services to verify the identity of potential partners and legitimacy of contracts.

Advocacy

U.S. companies bidding on Government tenders may also qualify for U.S. Government advocacy. A unit of the U.S.

Commerce Department's International Trade Administration, the Advocacy Center coordinates U.S. Government interagency advocacy efforts on behalf of U.S. exporters bidding on public sector contracts with international governments and government agencies. The Advocacy Center works closely with our network of the U.S. Commercial Service worldwide and inter-agency partners to ensure that exporters of U.S. products and services have the best possible chance of winning government contracts. Advocacy assistance can take many forms but often involves the U.S. Embassy or other U.S. Government agencies expressing support for the U.S. bidders directly to the foreign government. Click here for more information.

Multilateral Development Banks and Financing Government Sales

Price, payment terms, and financing can be a significant factor in winning a government contract. Many governments finance public works projects through borrowing from the Multilateral Development Banks (MDB). Please refer to the Project Financing Section in Trade and Project Financing for more information. A helpful guide for working with the MDBs is the **Guide to Doing Business with the Multilateral Development Banks.**

The U.S. Department of Commerce's (USDOC) International Trade Administration (ITA) has a Foreign Commercial Service Officer stationed at each of the five different Multilateral Development Banks (MDBs): the African Development Bank; the Asian Development Bank; the European Bank for Reconstruction and Development; the Inter-American Development Bank; and the World Bank.

Distribution and Sales Channels

U.S. companies seeking sales of goods and services to the SAG are encouraged to appoint a reputable local agent or distributor with experience in the sector. U.S. companies may consider signing up for the Commercial Service's Gold Key Service to identify prescreened, trustworthy candidates. There are three major regions in Saudi Arabia: The Western Region, anchored by the commercial city of Jeddah; the Central Region, where the capital city of Riyadh is located; and the Eastern Province, where the oil and gas industry are 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 major 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. Multiple agencies and distributors may also be appointed to handle diverse product lines or services, although this may have its own drawbacks. U.S. firms, particularly in the franchise sector, often choose to appoint a master franchisor or distributor for countries 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 the policy of the Saudi Ministry of Commerce and Investment that all arrangements be exclusive with respect to either product line or geographic region.

Express Delivery

Federal Express, United Parcel Service (UPS), Deutsche Post's DHL, and Aramex all serve the major communities in the Kingdom.

Selling Factors and Techniques

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 recently. Saudi consumers are becoming more discerning and sophisticated. Although preliminary contact and exchanges may be handled electronically, no serious commitment is likely to be made without a face-to-face encounter and negotiation. Exchange of business cards, usually printed in English on one side and Arabic on the other, is customary in the first meetings. American business visitors should bring a large supply of business cards to share with contacts during their visits.

Saudis are gracious hosts and will try to put a visitor at ease, even during arduous business dealings. Many upper and middle-class Saudis were educated in the United States or in Europe, are comfortable in English, and receptive to doing business with foreigners.

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

The CML provided the basis 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 hears 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. The CML also created the Securities Deposit Center (SDC), which is operated by Tadawul. SDC oversees 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 and Inspection, the Corporate Finance, and Enforcement and Market Supervision Divisions.

The SAG liberalized the wholesale, retail, and franchise sectors in 2016, allowing full foreign ownership of retail and wholesale businesses by removing the former 25 percent local ownership requirement. An increasing number of companies, including U.S. firms, are taking advantage of the new regulation. All industrial enterprises are open to non-Saudis and investors can also trade in the products they manufacture.

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 dedicated sales staff (especially for high-tech or engineered products), setting up workshops, repair facilities, and funding local advertising. Foreign suppliers often appoint a sales person to the Saudi distributor to provide marketing, training, and technical support. In the absence of such arrangements, American firms should expect to make periodic visits each year to support their Saudi distributor and maintain their “share of mind” with that distributor.

There are licensing restrictions limiting who may or may not offer certain professional services, including law, medicine, accounting and financial services, architecture, engineering, and other similar professions. In this case, having a Saudi joint-venture partner *is* a requirement for any entity or individual to practice the above-mentioned professional services.

eCommerce

The Saudi Communications and Information Technology Commission’s (CITC) 2018annual report revealed a notable growth in the eCommerce market, reaching $7.63 billion. Around $8 million in purchases were made through electronic applications and websites in that same year with nearly 70 million website hits per month. User growth continues to expand at an estimated 9.3 percent per annum. The report also shows that the rate of female users of the e-commerce market is higher than for males, with fashion constituting the largest segment of the market volume at $1.7 billion. The apparel segment dominates Saudi Arabia's fashion market with many international brands present online. This is followed by personal care products and luxury goods with 44 percent of market share.

E-commerce faces several challenges. Consumers favor cash payments on delivery rather than credit card payments at the point of sale on the Internet. Saudi e-commerce business-to-consumer (b2c) websites must overcome this challenge in order to significantly increase their market share. Payment gateways that encourage electronic payment are being developed to address this issue. With Saudi Arabia being the second largest global market for spam e-mail, improved cyber security is necessary to create greater consumer trust in e-commerce transactions.

Almost half of all Saudi Internet users report purchasing products and services online. The SAG has passed several regulations to control and monitor electronic transactions to combat cybercrime. Additionally, the government has allocated close to $800 million to implement an e-Government Initiative. In order to drive the e-Government Initiative forward, the YESSER program (meaning "to facilitate" in Arabic) was launched by the government. The initiative is expected to develop the first National e-Government Strategy and Action Plan within the next five years. This program will enable the implementation of individual e-government services by ministries and agencies and provide best practices in implementing pilot services.

The SAG has undertaken several initiatives and strategies to further develop this market. The main objective is to diversify the economy and boost GDP as these strategies will create jobs, strengthen local industry, generate investment, foster entrepreneurship, and spur innovation. To achieve these objectives, the SAG needs to address the following challenges in the e-commerce system. These fall under two categories;

- Increase demand and adoption
    - Consumer awareness and confidence
    - Connectivity and broadband coverage
    - Card payments for online shopping
- Logistics ecosystem
    - Developing a supply side ecosystem
    - Retail industry transformation
    - E-payment ecosystem
    - Startup and funding ecosystem
    - Technology enablement

According to the CITC report, to make the most of this emerging opportunity, these aspects need to be advanced in order to encourage a paradigm shift in the retail sector,

Trade Promotion and Advertising

The U.S. Commercial Service in Saudi Arabia organizes a number of annual trade promotion events aligned with market needs and priorities, such as leading buyer delegations to participate in International Buyer Program (IBP) shows in the United States. Bringing U.S. trade missions to Saudi Arabia introduces U.S. firms to opportunities and decision makers in the Kingdom and promotes U.S. products and services at local and regional trade events. Trade promotion events take place from September through June, with most held in the modern exhibit centers in the 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 pro-active approach to promote trade and will organize shows and presentations for individual companies or groups and are eager to attract American and other western suppliers.

Companies seeking to develop advertising and/or promotional campaigns will find experienced advertising agencies in the Kingdom. These agencies can design and deploy locally-appropriate and effective campaigns using print media, radio, or television. Advertising, especially on satellite television, is rapidly expanding, but commercials must conform to religious and ethical codes and local customs. With some minor exceptions, it is not culturally or religiously acceptable to show the female human form 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. Arabic satellite channels that have also gained popularity 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. Newspaper advertising is carried in both the local English and Arabic press, but its effectiveness is somewhat limited by low readership rates. The two local English dailies, *Arab News* and the *Saudi Gazette*, have an average daily circulation rate in the range of 35,000 copies. The leading Arabic newspapers have a daily circulation rate in the range of 70,000 to 100,000. The economic daily *Al-Eqtisadiah* has rapidly earned a loyal readership of executives and government officials. Other newspapers with lower circulation and regional distribution include: *Al-Bilad, AlJazirah, Al-Madina, Al-Nadwa, Al- Yaum, Um Al-Qoura, Al-Watan, and Al-Riyadiya* (sports only).

Pricing

Since 1981, the Saudi Arabian Monetary Agency (SAMA, equivalent to a Central Bank), has pegged the Saudi riyal to the U.S. dollar to facilitate long-term planning and minimize the impact of exchange risks. As such, Saudi importers expect American producers to practice a more stable pricing policy than their foreign competitors. SAMA has consistently stated that it has no intention to adjust or abandon the peg; given SAMA's substantial stock of foreign reserve holding, it is currently well positioned to maintain the current peg.

Products are usually imported on a Cost-Insurance-Freight (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 for 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, pricing strategy is important to succeed in the market. Saudi buyers frequently compare prices before making a purchasing decision. For the American supplier, some give-and-take may be expected in preliminary negotiations.

Sales Service/Customer Support

Saudi Arabia is a relatively open and competitive market. Brand loyalty and established preferences are less developed than in some other countries. Consequently, sales service and customer support are indispensable to win and maintain 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 influence repeat business. Government agencies usually require equipment suppliers to commit to providing maintenance and spare parts for an average of three years.

Protecting Intellectual Property

Several general principles are important for effective management of intellectual property ("IP") rights in the Kingdom. First, it is important to have an overall strategy to protect your IP rights. Second, the availability of IP rights and their scope of protection may strongly differ than in the United States. Third, most rights must be registered in country, under local laws, in order to be enforced. For example, a U.S. trademark registration or U.S. patent will not protect you in Saudi Arabia. Protection against unauthorized use of copyrights depends on national laws, and the international IP treaties/ agreements that Saudi Arabia is a member. 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.

Most recently, Saudi Arabia adopted the unified Gulf Cooperation Council (GCC) Trademark Law (affective in September 2016), and is also a member of the GCC Patent Law and GCC Customs Law which helps to harmonize IP practices in Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and the United Arab Emirates. Patent registration is granted on a first-to-file basis in Saudi Arabia. Similarly, registering trademarks is based on first-to-file. Therefore, you should consider how to obtain patent and trademark protection before introducing your products or services to the market.

It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government cannot claim rights on behalf of 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 the Saudi Arabia Intellectual Property laws. American firms should work through their local law firm and/or IP agent to protect their rights as thoroughly as possible.

The U.S. Commercial Service, as well as the regional U.S. IP attaché office can provide a list of local lawyers upon request. While the U.S. government stands ready to assist, there is little that can be done if the rights holders have not taken the fundamental steps necessary to secure and enforce their IP in a prudent and timely manner. Moreover, in many countries, rights holders who delay enforcing their rights in 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 considered as a substitute for the responsibility of a rights holder to promptly pursue its case.

It is always advisable to conduct due diligence on potential partners. A competent and reputable partner is an important ally in protecting IP rights and even then your IP rights should be clearly covered with your partner. Consider very carefully 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. 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 several organizations, both Saudi Arabia- and U.S.-based that can be used as resources, these include but not limited to:

- 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)

Unfortunately, some challenges do exist for U.S. companies wishing to protect and enforce their intellectual property rights. In April 2019, Saudi Arabia was included on the Priority Watch List in the United States Trade Representative

Special 301 Report. The annual Special 301 Report identifies countries where concerns exist about providing adequate and effective protection and enforcement of U.S. IP rights. Saudi Arabia has stated a desire to enhance its IP regime but currently lacks the established infrastructure to do so. American firms are advised to use all precautions in this market.

In recent years, the issues of the fact that Saudi Arabia has granted marketing approvals to domestic companies to produce generic versions of pharmaceutical products in the GCC that are under patent protection in other countries. These approvals have been granted based on innovators' data that is still covered under Saudi Arabia's system for protecting against the unfair commercial use, as well as the unauthorized disclosure, of undisclosed test or other data generated to obtain marketing approval. These approvals, which may conflict with Saudi Arabia's domestic law, raise significant questions about the transparency of marketing approvals and the predictability of patent protection in Saudi Arabia. Concerns regarding IP enforcement are increasing, including difficulty in obtaining information on the status of enforcement actions and investigations, and the lack of seizure and destruction of counterfeit goods. The continued use of unlicensed software by the government, along with the limited number of, and training for, copyright inspectors are outstanding concerns.

Saudi Arabia has recently established the new "Saudi Authority for Intellectual Property" (SAIP), which will consolidate all the different IP departments under one umbrella. The intention of this newly established authority is to lead an IP national strategy, updating the rules and regulations, providing the IP products and services in a timely and high-quality manner, increasing IP awareness for all stakeholders -- including inventors, creators, entrepreneurs and consumers -- and coordinating IP enforcement efforts with the other Ministries and Departments.

IP Resources

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

For information about patent, trademark, or copyright issues -- including enforcement issues in the U.S. and other countries -- call the STOP! Hotline: 1-866-999-HALT or visit www.STOPfakes.gov.

For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199, or visit www.uspto.gov.

For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: 1-202-707-5959, or visit http://www.copyright.gov/.

For more information about how to evaluate, protect, 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. The toolkits contain detailed information on protecting and enforcing IP in specific markets and contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

The U.S. Department of Commerce has positioned IP Attachés in key markets around the world. The IP attaché for the Middle East region is based at the U.S. Embassy in Kuwait and can be contacted at the following address:

Mr. Peter Mehravari

Intellectual Property Attaché for the Middle East & North Africa

Embassy of the United States P. O. Box 77

Safat 13001, Kuwait

Office Phone: +965 2259 1455

Email: Peter.Mehravari@trade.gov

Due Diligence

The U.S. Commercial Service in Saudi Arabia offers a fee-based International Company Profile (ICP) report, which provides detailed information on a specific company and comments based on interviews with the local company representatives, site visits, confirmation of commercial registration with the Saudi licensing authority, and open-source information.

Local Professional Services

There are several business service providers (BSPs) in Saudi Arabia offering various services to foreign and domestic firms alike. The U.S. Commercial Service maintains a list of such BSPs on its website; these local "BSPs" pay a nominal fee for the annual listing. The websites of the U.S. Embassy in Riyadh as well as U.S. Consulates in Dhahran and Jeddah provide access to various business-support networks, including lawyers, translators, and other services that offer their professional services to U.S. exporters and investors interested in Saudi Arabia.

Principle Business Associations

Some important business entities:

- Council of Saudi Chambers of Commerce
- Riyadh Chamber of Commerce
- Eastern Province Chamber of Commerce
- Jeddah Chamber of Commerce
- American Business Group of Riyadh (ABGR)
- American Business Group of Jeddah (ABJ)
- U.S. Saudi Business Council
- Ministry of Finance Government Procurement Portal

Limitations on Selling U.S. Products and Services

The importation of certain articles requires special approval from competent authorities. Importing the following products requires special approval by Saudi authorities: agricultural seeds and live animals; books, periodicals, movies, and tapes; religious media; chemicals and harmful materials; pharmaceutical products; wireless equipment, radio-controlled model airplanes or drones; 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 imported from the United States, Saudi Arabia has agreed to recognize a two-certificate approach: (1) an official Food Safety Inspection Service (FSIS) export certificate issued for beef and poultry, 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. 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 and pork products, pornographic materials, distillery equipment, retreaded or used tires, used clothing, and certain art and sculptures. For additional information, please review requirements on the SASO and Saudi Customs web sites.

Web Resources

U.S. Embassy's and Consulates' websites in Saudi Arabia:

- U.S. Embassy – Riyadh https://sa.usembassy.gov
- U.S. Consulate General – Dhahran https://sa.usembassy.gov/embassy-consulates/dhahran/
- U.S. Consulate General – Jeddah https://sa.usembassy.gov/embassy-consulates/jeddah/

Leading Sectors for U.S. Exports & Investments

Set forth below are best prospect industry sectors for Saudi Arabia.

Oil, Gas and Petrochemicals

Overview

The Saudi Arabian government (SAG) 2020 budget projection released December 9 plans for total expenditures of about $272 billion before declining to $255 billion in 2022. Projected revenues for the year are $222 billion, resulting in a $50 billion deficit, or 6.4 percent of GDP. The government has budgeted for non-oil revenue to reach $85 billion in 2020, about 2 percent greater than 2019's actual total. The government is budgeting oil revenue to reach a total of $137 billion in 2020, down 14 percent year-on-year. If achieved, this will drop oil revenue as a percentage of overall budget revenue to 62 percent, a step toward reducing Saudi's dependence on oil revenue. The SAG does not release its oil-price budgeting assumptions but analysts' estimates calculate an oil-price benchmark ranging from $55-$65. The budget projects overall revenues to increase to $230 billion in 2022.

Saudi Arabia has the second-largest proven oil reserves in the world (about 266 billion barrels). The Kingdom possesses approximately 18 percent of the world's proven petroleum reserves and ranks as one the largest exporter of petroleum.

In 2018, Aramco produced 9.5 million barrels per day of crude oil and 12.4 billion standard cubic feet per day of natural gas. The company exported over 3.8 billion barrels of oil and 446.2 million barrels of natural gas liquids for year ended December 2018.

Saudi Arabia Crude Oil Production and Exports

	2016	2017	2018
Crude Oil Production b/d (million)	10.5	9.9	9.5
Crude Oil Exports b/d (million)	2799	N/A	7371
Exchange Rate: 1$	3.75 Saudi Riyal	3.75 Saudi Riyal	3.75 Saudi Riyal

Aramco plans to invest at least $140 billion in oil, gas and petrochemical projects over the next five to six years and went public this year According to Saudi Arabia's minster of Energy, Industry, and Natural Resources, Khalid Al-Falih, investment will be directed toward new gas and oil plants to meet the growing energy demand, as well as new facilities enabling the continued development of the petrochemical industry. To cope with rising demand, world oil production is likely to increase by a million barrels per day per annum between now and 2030, and former Minister Al-Falih forecasted in 2018 , daily worldwide production to rise from the current 85 million barrels per day to 105 million by 2030.

Aramco has completed several major projects in its capital improvement program that began in 2012. Presently, Aramco has twelve upstream and downstream investment projects valued at approximately $80 billion to meet increasing global oil demand. By 2020, Aramco's daily production capacity of 12.5 million b/d is projected to grow to 15 million b/d.

In 2013, Aramco put the finishing touches on major parts of its largest capital program, raising maximum sustainable oil production by 1.7 million bpd. Significant progress was made on the expansion to a production level of 900,000 bpd at Mainfa, an Arabian heavy-crude oil field.

Unassociated gas is also a priority for Aramco because it presently accounts for 44% of the Kingdom's primary energy consumption. Aramco is targeting a 30 percent increase in sales of gas output to 10 billion cubic feet per day (cf/d). The company 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. The field has reserves of more than 9 trillion cubic feet of gas. The company produces 2.1 billion cf/d beginning in 2016. Under the Wasit gas development program, Aramco discovered the Arabiyah and Hasbah fields in January 2009. The Wasit gas development program is expected to extract and process up to 2.5 billion cf/d of sour gas from the offshore Arabiyah and Hasbah.

Expanded offshore exploration is also under way. Aramco currently operates at least 16 offshore fields. In its capital investment program for 2012-18, Aramco allocated $8 billion for the development of six offshore facilities out of a total operating budget of $60 billion. With respect to oil and gas engineering, procurement and contracting (EPC) contracts, Aramco has the lead. To qualify to bid for Aramco's EPC contracts within Saudi Arabia, a company must be certified as an in-Kingdom contractor. This requires signing a joint-venture agreement with a local company and opening an office inside Saudi Arabia.

Leading Sub-Sectors

Armco is increasing its natural gas production to meet domestic needs and is shoring up its evolving chemical industry by providing the essential raw materials. The company also intends to reduce its practice of burning oil for domestic power, thus freeing up more barrels for exports.

Also, in June 2018, Aramco signed a shareholder agreement with National Oilwell Varco, Inc. (NOV) to form a joint venture partnership to establish an integrated, world-class on-shore rig and equipment manufacturing and aftermarket facility in Ras Al-Khair, Saudi Arabia. In May 2017, Aramco signed agreements with Rowan for the creation of offshore drilling company in-Kingdom and with Nabors for onshore drilling improvisation and optimization. In March 2018, Jacobs Engineering Group signed a deal with Aramco to provide engineering and project management services at the Zuluf field. The company will set up onshore processing facilities to process 500,000 b/d of crude oil produced from the offshore field.

In November 2017, Aramco awarded $4.5 billion in contracts to several oil and gas service contractors for megaprojects designed to enhance the company's energy sustainability, diversify the economy, expand gas production, and localize domestic content.

Unconventional

With the world's fifth-largest estimated shale gas reserves, there is great potential for Saudi Arabia to replicate North America's unconventional growth. Aramco's unconventional program became operational in 2013 and the company has been working with major service companies, including Halliburton and Schlumberger, to develop its reserves. The primary driver is the country's pressing need to find new supplies of gas to replace the domestically produced crude oil used to generate most of its electric needs, demand that can reach as high as 900,000 b/d in summer.

Another major aim is to use unconventional gas to bolster the country's growing petrochemical industry. To accelerate the effort, the national oil company has so far committed at least $10 billion to its unconventional exploration program and is actively recruiting experienced unconventional experts from North America to join its ranks.

The company's unconventional ambitions are focused on three different areas in Saudi Arabia. The first is in the northern part of the country. The target formation is called the Qusaibia Hot Shale and is found at a depth between 6,000 to 8,000 feet. The shale is relatively shallow and is the source rock for conventional gas fields in the area. The gas produced from this area will support a major mining project still under construction and a new power plant.

The other two plays are in the eastern province and located along the periphery of the Ghawar oil field, the largest conventional oil field in the world. These two areas will benefit from their proximity to existing infrastructure and the large amount of geological data already collected from the development of Ghawar.

In May 2018, Aramco awarded Halliburton a three-year contract for unconventional gas stimulation services as part of its efforts to unleash a natural gas revolution in Saudi Arabia. Per the deal, the oilfield services major will provide project management, hydraulic fracturing, and intervention services to meet Aramco's production targets and improve the economics of its unconventional resources program. The program mainly covers three regions: Northern Kingdom, South Ghawar and Jafurah Basin.

Petrochemicals

In November 2017, Aramco and Saudi Basic Industries Corporation (SABIC) signed a memorandum of understanding (MoU) to develop a fully-integrated crude-oil-to-chemicals (COTC) complex in the Kingdom. In a joint venture with state-led petchems firm Sabic, Aramco is developing a COTC plant at Yanbu on the Saudi Red Sea coast that will convert 400,000 b/d of Saudi crude into 9mn t/y of chemicals as well as base oils. The olefins, aromatics and other chemicals output could either be sold directly or upgraded further into higher-value products, while the base oils could be used to manufacture lubricants at Aramco's Luberef plant at Yanbu. This has output capacity of 550,000 t/y and is being expanded to 1.2mn t/y.

Figures given by Aramco when it launched the project indicated that it expected a conversion rate into chemicals of about 45% of the crude input volume, with the bulk of the rest coming out as base oils. Aramco has since indicated a conversion rate of 50% is intended. Aramco has estimated the project cost at $20 billion and announced a start-up target of 2025. Both seem ambitious: $20 billion was also the cost of Aramco's 3.22mn t/y Sadara JV with Dow Chemical, which did not require the development of revolutionary technology; and 2025 may be a push as Aramco's COTC technologies are so far not commercialized. Aramco and Sabic were developing crude-to-chemicals technologies separately before they signed a memorandum of understanding (MoU) in November 2017 to develop the COTC plant under a joint venture. Sabic filed a patent application in the US in October 2013 for a process to convert crude oil into ethylene, propylene and aromatics in a plant comprising currently available refinery process units with a cracker. Sabic's plan appears to have been shelved.

Aramco appears to be taking the lead on COTC, having signed technology deals without JV partner Sabic. This may have been because Sabic has only signed an MoU for COTC and the deal with the technology firms involves access to proprietary information. Of course, Aramco is also set to buy the 70% of Sabic currently held by sovereign wealth fund PIF. There has been no indication of whether Sabic scientists and engineers will transfer to the COTC project. Aramco and Sabic did sign one joint contract for COTC. In March 2018 the firms awarded a contract to UK's Wood to provide front-end engineering design (pre-FEED and FEED) and project-management services during the engineering, procurement and construction (EPC) phase. Wood said the contract is expected to continue through to the start of operations, forecast for **2025.**

Crude Oil to Chemicals (COTC) Concept

The COTC plant will incorporate two technologies developed by Aramco: the proprietary Thermal Crude to Chemicals (TC2C) process; and the Catalytic Crude to Chemicals (CC2C) process. Aramco has signed deals with technology firms to commercialize both processes. Aramco signed a joint development agreement in February 2018 with U.S. firms CB&I (now McDermott) and Chevron Lummus Global (CLG) to scale up and commercialize TC2C. The COTC plant will combine TC2C with CB&I ethylene cracker and CLG hydro processing technology. This suggests the COTC process will likely comprise three steps: atmospheric and vacuum distillation to separate out the liquid streams; new hydro processing technology to maximize the output of naphtha; and new cracking technology to maximize the output of chemicals. The residual oil from the distillation and residue hydrocracking stages could potentially be used as feedstock for a delayed coker, producing high value petroleum coke that is typically used to make anodes for aluminum production. This is a large and growing business in the GCC.

Aramco also signed joint development agreements in January with French firms Axens and TechnipFMC to “accelerate the development and commercialization” of its CC2C technology. Axens says CC2C has the potential to convert “more than 60%” of a volume of crude into chemicals and is intended to reach commercial readiness by 2021. While commercialization of the COTC technologies is under way, Aramco is continuing work at its Research & Development Center (R&DC) in Dhahran to improve the key technologies and in particular the crude-to-chemicals conversion factors. Aramco says its own proprietary COTC process “was successfully piloted in 2017 and delivered higher chemicals yields than previously achieved” . Aramco’s website says that the research to date has included “tweaking existing proven technologies and processes in an integrated refining complex to raise the chemical production level per barrel of oil from the regular 8-12%, up to 50%.”

While Aramco and Sabic are developing the world’s largest crude-to-chemicals plant it will not be the first. In 2014 ExxonMobil started up a 1mn t/y crude-to-olefins unit at its 592,000 b/d Singapore refinery which “can crack anything from light gases to heavy liquids, including crude oil.”

Opportunities

Aramco is forecast to spend approximately $414 billion over the next 10 years on projects in the areas of material and services to support service facilities, infrastructure, drilling and maintenance [oil], and unconventional resources (both in the exploration phase and development). (Source: MEED)

Aramco’s investment will be directed toward new gas and oil plants to meet growing energy demand and to increase petrochemical production. The National Transformation Program highlights the following initiatives it intends to carry out in this sector over the next five years:

- Increase refining capacity from 2.9 million to 3.3 million barrels of oil per day by 2020;
- Develop high efficiency clean fuel production; and
- Maintain peak oil production at 12.5 million barrels of oil per day.

In its drive to boost local industry and create jobs, Aramco plans to develop an energy industrial city between Al Ahsa and Dammam, which includes manufacturing oil-and-gas equipment and drilling centers for Aramco.

For bidding on Aramco procurement and contracting (EPC) contracts or becoming an Aramco supplier, companies must first go through Aramco’s extensive pre-qualification process. Bidders should be ready to meet Aramco’s In-

Kingdom Total Value Add (IKTV) targets. IKTV program aims to double Aramco's domestic spending, from 35 percent of expenditures to 70 percent by 2021. This program imposes localization requirements that differ by contract and sector.

Aramco's planned billions of dollars in expenditures for expansion projects throughout Saudi Arabia will generate continued demand over the next five years for high-quality oil and gas industry related products, supplies, services, and solutions. 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, and tower coolers; instruments and controls; anti-corrosion systems; laboratory equipment; marine equipment and services; offshore platforms; filtration systems and pressure vessels; storage systems and treatment systems; injection equipment and services; production equipment and services; well-control systems, packing, seals, gaskets, bearings, rope, and wire rope and chain; safety and environmental protection services; pollution- and spill-control services; tools, flexible pipe, valves and actuators; wellhead valves; and thousands of other items related to the oil and gas industry. Aramco and its various Saudi contractors are extremely receptive to U.S. products and services.

Web Resources

Aramco
www.saudiaramco.com
Aramco Services Company
Procurement and Logistics Department
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Power

Overview

Saudi Power Sector

The Saudi Arabian electricity generation, transmission, distribution and smart-grid power sector continues on a growth curve and is racing to keep up with growing electricity demand. Domestic consumption rose at rate of 2.5 percent through 2017 and declined slightly to 2 percent in 2018. Saudi Arabia currently relies on liquid petroleum for approximately 60 percent of its electricity generation feed stock requirements. To reduce consumption of oil in the generation of power, Saudi Arabia is eager to upgrade its entire power generation, distribution, and transmission sector. Apart from increasing its non-oil generation capacity, the Kingdom is looking to replace its outdated transmission and distribution infrastructure (D&T), implement smart-grid technology, and promote international grid connectivity.

Saudi Arabia faces an enormous task in expanding its power-generation capacity. It is estimated that the Kingdom needs to increase power-generation capacity from 82GW in 2018 to 160GW in 2040. This translates into installing 5GW in capacity and distribution infrastructure each year through 2020. To achieve this, the government is looking to make a yearly investment of approximately $5 billion in generation and $4 billion in distribution (D&T). Moreover, Saudi Arabia intends to privatize all electricity generation by 2025. The newly privatized power-generation companies are expected to need substantial investment to increase efficiency, meet environmental standards, and replace aging power plants.

The major power-sector actors in Saudi Arabia are:

- **Ministry of Energy, Industry, and Mineral Resources (MEIM)** is the government agency that handles policy and planning in the power sector.
- **Saudi Electricity Company (SEC)** is a government-owned Public Investment Fund (PIF) entity (over 80 percent of shares) that currently provides most of Saudi Arabia’s electricity, with a generation capacity of 78GW in 2018. It also carries out all transmission and distribution.
- **Saline Water Conversion Corporation (SWCC)** is the government agency that is responsible for desalination and power pants.
- **Saudi Water Partnership Company** is a government-owned company that acts as an off taker with a clear mandate to facilitate private sector participation in independent water and power projects (IWPP).
- **Aramco** is the government-owned company that manages Saudi Arabia’s oil and gas production. It is involved in power generation alongside SEC, as the primary supplier of feed stock.
- **Electricity and Co-Generation Regulatory Authority (ECRA)** is the Kingdom’s independent regulatory body for Saudi Arabia’s energy sector.
- **King Abdullah City for Atomic and Renewable Energy (KACARE)** was established by royal decree in 2010. It focuses mainly on nuclear energy and technology localization in the burgeoning renewable energy sector.
- **Power and Water Utility Company (MARAFIQ)** is a government-owned entity that currently provides most of the power to the two industrial cities of Jubail and Yanbu, found in the Eastern province and the Al-Madinah Province, respectively.
- **King Abdul Aziz City for Science and Technology (KACST)** is a scientific government institution that supports and enhances scientific applied research. It coordinates the activities of government institutions and scientific research centers in accordance with the requirements of the development of the Kingdom.

Power Distribution and Grid

Segments of Saudi Arabia's current grid are outdated and inefficient. There is a plan to replace old substations, transformers, and other infrastructure to reduce energy wastage. MEIM expects most of this improvement to take place between 2020 and 2025, with operations continuing to 2030. What's more, there is a plan to link the Central and Western regions with $4 billion to be invested in distribution projects annually.

The Kingdom of Saudi Arabia is the 12th largest consumer of generated electricity. The main feed stocks are crude oil and gas. The Kingdom, given significant increases in demand, must work toward greater efficiency and diversification of electricity generation, including alternative and renewable energy. At the same time, grid modernization and better connectivity should ensure that the Kingdom is always able to meet peak demand. Given the growth and diversification of Saudi Arabia's economy and the Kingdom's desire to diversify the power mix, the Kingdom continues to be the most important market for electricity generation technology and equipment in the Middle East. "Made in the USA" technologies are highly respected and sought after, offering promising opportunities for U.S. companies.

Sub-Sector Best Prospects

The following technologies offer continuing opportunities for US exporters: smart meter, smart grid, alternative energy sources following grid upgrades, energy-efficiency systems, geospatial information technology, and big-data management.

The National Transformation Program highlights the following initiatives it intends to carry out in this sector over the next five years:

- Expand fuel efficiency in power generation; and
- Increase percentage of power plant electricity generation through strategic partners from 27 percent to 100 percent by 2020;
- Increase power generation capacity to3.45 GW
- Eliminate subsidies on electricity and water.

Opportunities

Alternative Energy

In line with the Kingdom's Vision 2030 strategy, the Saudi government is planning to develop 30 solar and wind projects over the next nine years as part of a $50 billion program to boost power generation and cut oil consumption. It is seeking to use more natural gas and renewable energy for power generation so that the nearly 800,000 barrels of oil that are currently burnt each day for the purpose can be freed up for export.

In its 2015 strategic plan, MEIM announced its plan to move away from oil and instead add more natural gas and renewable sources to its energy mix. In 2017, the MEIM formed the Renewable Energy Development Office with the responsibility for tendering out 9.5 GW of mainly PV solar and wind by 2023, with the intermediate goal of 3.45 GW by 2020. As renewable energy comes online, there will be increased demand for integration technology into the national grid.

National Renewable Energy Program of Saudi Arabia

Saudi Arabia's National Renewable Energy Program (NREP) is a long-term, multifaceted renewable-energy strategy designed to balance the domestic power mix in order to deliver long-term economic stability and prosperity to the Kingdom, whilst working toward carbon reduction commitments. The NREP is led by MEIM directly supporting Saudi Arabia's National Transformation Program (NTP) and Vision 2030. The office responsible for the delivery of the

NREP is the Renewable Energy Project Development Office (REPDO), part of MEIM. The Program is being phased and rolled out in a systematic and transparent way to ensure that the Kingdom benefits from the cost-competitive nature of renewable energy. The National Renewable Energy Program aims to substantially increase the share of renewable energy in the total energy mix, targeting the generation of 3.45 gigawatts (GW) of renewable energy by 2020–approximately 4% of generation capacity–and 9.5GW by 2023. The initial target of 3.45GW of renewables by 2020 will involve three rounds of tendering that will procure a mix of wind, solar PV, concentrated solar power (CSP) and waste-to-energy technology. The NREP targets 700 MW, 1.02GW and 1.73GW respectively across the three rounds that started in 2017. The NREP will target a further 6.05GW by 2023. Round one consists of two projects: 300 MW solar PV and 400 MW wind. The 300 MW Sakaka solar PV project launched on February 20th, 2017. The second one for a 400 MW wind power project at Dumat Al-Jandal was awarded to EDF and Masdar. Sixty companies secured pre-qualifications to bid in round two of the Saudi Arabia National Renewable Energy Program for a Combined Capacity of 1.5 GW. Targets is 27.3 GW by 2024; and 58.7 GW by 2030.

Program Governance:

The NREP is a strategic initiative governed by MEIM that is led by Khalid A. Al-Falih, Minister of Energy, Industry and Mineral Resources in the Kingdom. MEIM's supreme control of the program consolidates the efforts of various stakeholders across the Kingdom, including the King Abdullah City for Atomic and Renewable Energy (KACARE), the Electricity and Co-Generation Regulatory Authority (ECRA), Aramco, and the Saudi Electricity Company (SEC). All projects that fall within the NREP will be procured in a fair, open and transparent manner via a purpose-built e-procurement portal. The selection of bidders, tendering procedures and the award of contracts will be open to public examination. An independent selection panel will evaluate all bids, and the names of bidders will be made public following selection. Tenders are awarded to the company or consortium that, while meeting the minimum localization content requirement for that tender, puts forward the lowest levelized cost of electricity. The NREP is a strategic initiative that serves NTP and in doing so serves to catalyze domestic job creation and drive growth in the Kingdom's non-oil economy. It is the vision of the NREP to serve the NTP goals related to domestic job creation, capacity building, and localization of the renewable energy value chain. Under the NTP, the NREP directly serves to:

- Incentivize the private sector to manufacture goods and provide services locally to encourage both the public and private sectors to rely on local products and services. (NTP 2020)
- Raise the local content in the total expenditure of the public and private sectors from 36% to 50%. (NTP 2020)

Smart Grid/Distribution & Transmission

To better equip its grid system for peak power demand, the Kingdom of Saudi Arabia recently led a Gulf Cooperation Council project to link grids of the member states. This has introduced the region to international power trading. Moreover, the Kingdom is looking to build a 3GW link with Egypt, estimated at $1.6 billion. Links with Turkey, Yemen, and the entire Arab region have also been discussed. Due to dissimilar peak load times, these links would be well-suited to trading electricity, improving the efficiency of each country's grid.

In further pursuit of efficiency, the Kingdom is investing billions to install smart meter technology. SEC has been funding various projects to install 12 million smart meters by 2025,replacing all old meters in the country. By communicating energy consumption instantly via the internet, smart meters will allow the Kingdom to better manage its usage. Installing such technology will facilitate the future integration of variable power sources like solar and wind, whose output is more erratic than that of traditional hydrocarbon plants.

Energy Efficiency

Energy subsidies cost the Saudi Arabian government more than $60 billion in 2018. The government aims to eliminate energy subsidies by 2022, entailing higher electricity costs for consumers. These higher costs are expected to result in a fast-growing demand for technologies, services, and products related to energy efficiency. The government is forming an energy service company (a “Super ESCO”) to implement projects in public facilities and support capacity building and project development activities of new private-sector ESCOs.

Kingdom's Atomic Energy Program

In October 2018, WorleyParsons was appointed by KACARE to a Project Management Office (PMO) consultancy role for the Kingdom's nuclear energy program. The company previously completed the massive nuclear power plant site selection study for KACARE. In August 2018, KACARE announced that it had awarded a contract to Assystem, a French-based engineering services company, to carry out site characterization studies, including geological, seismic analyses, and environmental impact of the project on the Kingdom's electricity grid. The Kingdom's first nuclear project is planned to be a two-reactors plant, with a capacity of about 1.2-1.6 GW, that aims to support baseload in the electrical grid throughout the year. In March 2019, the Saudi government approved the nuclear program proposed by KACARE.

Web Resources

Ministry of Energy, Industry, and Mineral Resources: www.meim.gov.sa

Renewable Energy Project Development Office (REPDO): www.meim.gov.sa

Saudi Electricity Company (SEC): www.se.com.sa

Aramco: www.aramco.com

Saline Water Conversion Corporation (SWCC): www.swcc.gov.sa

Saudi Water Partnership Company (SWPC): www.wec.com.sa

Electricity & Co-Generation Regulatory Authority (ECRA): www.ecra.gov.sa

Power and Water Utility Company (MARAFIQ): www.marafiq.com.sa

King Abdullah City for Atomic & Renewable Energy (KACARE): www. Kacare.gov.sa

King Abdul Aziz City for Science and Technology (KASCT): www.kacst.edu.sa

Architectural, Engineering and Construction

Overview

The government of the Kingdom of Saudi Arabia's priorities are shaping trends in architecture and design in the Kingdom. The government continues to invest heavily in infrastructure development as it moves to diversify its economy and respond to the needs of a young, growing population seeking employment opportunities in a diversifying economy. Despite budget deficits and lower oil prices, Saudi Arabia's construction sector remains strong as the country builds the infrastructure necessary for its "new economy" model based on knowledge industries, local manufacturing and capacity building of the Saudi labor force.

Economic cities are the foundation of the country's strategy plan to diversify into new-generation economic sectors like healthcare, life sciences, automotive, information technology, logistics, alternative energy and advanced manufacturing. These cities are massive construction projects that require urban planners, civil engineers and project management services. In addition to government initiatives, the market for architectural design is driven by regional competition and the status that bold and innovative designs confer status.

The Kingdom's goal to decrease dependence on petroleum is generating demand for more energy-efficient building designs. The Kingdom is becoming a regional leader in this area. It is estimated that 68% of electricity consumption in Saudi Arabia is utilized for air conditioning. The Saudi Green Building Forum (SGBF) was recently established as the country's official organization in charge of promoting sustainable construction. The U.S. Green Building Council's LEED rating system is recognized in projects in Saudi Arabia and SGBF is the sole authorized Education Delivery Partner for LEED. There are currently at least sixteen certified LEED projects in Saudi Arabia, including King Abdullah Financial District, the world's largest LEED-registered project, and King Abdullah University of Science and Technology, the world's largest LEED Platinum project. Standards are being developed for "green" construction as well as building materials, appliances, electronic systems and HVAC applications, with U.S. building codes increasingly being adopted by Saudi standards bodies.

Saudi Arabia is also investing in its domestic talent pool of architects, urban planners and construction project managers through academic programs in architecture, planning and design at King Saud University, King Fahd University, King Abdulaziz University and King Abdullah University of Science and Technology.

The construction sector in Saudi Arabia declined during 2015–2018 due to low oil prices, which led to the implementation of various austerity measures by the government. Reduced public expenditure coupled with weak investor confidence led to a decline in construction activity. The industry is expected to experience slow growth during 2019, as oil prices stabilize. The industry is expected to gain momentum from 2020, however, supported by a probable rise in oil prices and a gradual improvement in economic conditions. The government's effort to diversify the economy to reduce its dependence on the oil sector is also expected to bode well for the industry over the forecast period (2019–2022). In April 2016, the government launched the Vision 2030 program, under which it aims to increase the share of non-oil sector revenues.

In July 2019, The Red Sea Development Company (TRSDC) awarded Saudi Amana Contracting a public tender award to build accommdation and offices for staff and laborers working on on the project. It also awarded Netherlands-based Archirodon a contract to construct a 3.3-kilometer crossing to Shuraurah, the hub Island for the first phase of developmnet. TRSDC states that the project is on track for completion by the end of 2022. The plans include 14 luxury hotels offering 3,000 rooms across five islands and two inland resorts. It will also include a yachting marina, entertainment facilities, an airport, and the necessary supporting logistics and utility infrastructure.

The private sector has kept growth in the construction business steady as Saudi Arabia's overall economic growth slowed in 2016. In real terms, the Saudi Arabian sector output contracted by 1.6% in 2018, following average annual growth of 1.9% during the preceding four years 2014-2016. This decline was mainly due to low oil prices and the country's high fiscal deficits, which reduced the government's budget spending. The country's construction industry is expected to contract further in real terms in 2019 by 0.4%, before regaining growth momentum. Growth over the forecast period (2019–2023) is expected to be supported by government stimulus on developing transport infrastructure, educational, healthcare, energy and utilities facilities, and affordable housing across the country. Under the National Transformation Program (NTP) 2020 and the Saudi Arabia Vision 2030, the government plans to develop sea ports, railway lines, airports and manufacturing facilities, with an aim to reduce the country's dependency on the oil sector and reduce unemployment. Saudi Arabia's continued economic growth has keep the construction industry strong. The large budget indicates that Saudi Arabia is expecting significant revenue growth in the years to come. The Vision 2030, NTP 2020 and private-sector-investment boost, and ongoing reforms, are likely to aid growth for Saudi's construction market in 2018 and beyond. According to an official at the Ministry of Finance, Saudi Arabia's economy is entering a post-oil era in which the Kingdom's mega-cities, which are under construction, will provide the country's future growth.

Sub-Sector Best Prospects

Target sectors holding high potential for U.S exporters include: master planning, regional design and urban planning; project management, interior design; urban port re-development and related design of boardwalks, corniches, buildings, retail space and parks; hospitals and healthcare architecture; hospitality; transportation infrastructure facilities including airports and seaports; architecture and engineering services for mixed-use projects; sports and entertainment complexes; and educational facilities and college campuses.

Opportunities

Transportation Infrastructure

Upgrades to airports are in various stages of the tendering process, including expansions to the major airports in Riyadh and Jeddah. Several major rail projects are in the pipeline and contracts have yet to be awarded for the design of the Saudi Land Bridge that will connect ports on the Red Sea to ports in the Arabian (Persian) Gulf. Saudi Arabia is also part of a GCC regional rail initiative that is currently in the design phase and that will connect passenger and freight traffic in the six countries of the GCC through a 1,400-mile rail network.

Economic Cities

The $500-billion NEOM city project is a 26,500 square kilometers (km) (10,230 square mile) zone that will focus on industries including energy and water, biotechnology, food, advanced manufacturing and entertainment. The Saudi government, the PIF, and local and international investors are expected to invest more than half a trillion dollars into it in the coming years. The first phase of the project is expected to be completed by 2025. Also, there are six economic cities in various stages of development located across the Kingdom in urban areas surrounding Tabuk, Medina, Rabigh, Hail, Jazan and Eastern Province. King Abdullah Economic City (KAEC) is the flagship Economic City located north of Jeddah. Completion dates for some of these cities are as far out as 2035 and will thus generate long-term opportunities for urban planners, design engineers and project managers.

Housing/Residential Infrastructure

The government recently announced a national housing strategy to build more than 1.5 million new homes at a cost of almost $80 billion to address the shortage of affordable housing for Saudi citizens. Housing and small business are major beneficiaries of the Saudi government's $19-billion stimulus package. Among the measures announced in a decree by King Salman are a $6-billion initiative on subsidized loans to provide housing, a $4-billion injection into new building technologies, and a proposal valued at $3 billion to support the funding of infrastructure initiatives.

Entertainment

The government officially allowed public movie theaters to return to the Kingdom for the first time in more than 30 years in March 2018. Opening cinemas is anticipated to act as a catalyst for economic growth and diversification. By developing the broader cultural sector, it will create new employment and training opportunities, as well as enrich Saudi Arabia's entertainment options. By 2030, there are projected to be over 350 cinemas with more than 2,300 screens.

Al-Qiddiya Entertainment City: The City is 40km form the national capital city, Riyadh, with phase one of the project expected to be complete by 2022. Total investment in the project will be about $30 billion. The Public Investment Fund (PIF) will inject initial investments into the prject and start partnerships with international companies.

Red Sea Beach Tourism Project: Saudi Arabia wants to turn hundreds of kilometers of the Red sea coastline into a global tourism destination as part of its plan to transform the economy and reduce its reliance on oil. The project will cover more than 50 islands and 34,000 square kilometers between the cities of Umluj and Al Wajh. Total investment in the project is expected to be about $60 billion.

Souq Okaz City: Work has begun on a massive Saudi heritage tourism project in Taif, that will eventually cost more than $2.5 billion, nearly 90 percent of it invested by the private sector. The new city will have heritage centers, museums, recreational facilities, open markets, hotels, environmental camps, shopping malls, hospitals, medical centers, business centers, a social club, international schools, health clubs, sport facilities areas, tourist accommodation and a convention center.

Web Resources

Saudi Green Building Forum: www.saudigbf.org

Ministry of Housing. www.housing.gov.sa

The Saudi Council of Engineers: www.saudieng.sa

Saudi Railway Organization: www.saudirailexpansion.com; www.saudirailways.org

Ministry of Municipal and Rural Affairs (MOMRA): www.momra.gov.sa

Ministry of Defense www. mod.gov.sa

Ministry of Interior: www.moi.gov.sa

Ministry of Education: www.moe.gov.sa

Ministry of Energy, Industry & Mineral Resources www.meim.gov.sa

Aramco: www.aramco.com

Royal Commission for Jubail & Yanbu: www.rcjy.gov.sa

Saudi Arabian General Investment Authority: www.sagia.gov.sa

Public Investment Fund: www.pif.gov.sa

Mining and Minerals

Overview

Saudi Arabia's mining sector continues to expand and provides a growing opportunity for U.S. companies. The government plans to make mining the third pillar of the economy, alongside oil and downstream petrochemical production. In March 2018, former Saudi Energy Minister Khalid Al-Falih announced that the Kingdom has $1.3 trillion worth of mining resources and aims to quadruple the size of its mining, renewables and logistics sectors. The Ministry of Energy, Industry and Mineral Resources (MEIMR) seeks to increase mining's contribution to GDP from $3 billion (over the last five years) $64 billion by 2030 and generate more than 25,000 new jobs in the industry.

Recent changes in Saudi Arabia's mining laws have created conditions which allow greater access for foreign investment in the Kingdom's mining sector. The new laws allow for companies to work either with Saudi's parastatal Saudi Arabian Mining Company (Ma'aden) or through joint ventures with local companies. Furthermore, there are sizable domestic, regional and neighboring markets in the Middle East and Asia for high grade, industrial raw materials from Saudi Arabia.

Ma'aden continues to grow at brisk pace and has more than tripled its net income from 2017 to 2018. Furthermore, Ma'aden's first international acquisition of Mauritius-based Meridien is expected to close in the third quarter of 2019.

Saudi Arabia offers medium risks to investors with a quality transportation network, low utilities costs, low crime rates, and limited employment costs due to the lack of an official minimum wage. However, incoming businesses face significant labor market risks due to a small domestic labor force with basic numeracy and literacy skills, a lack of female workers and rising government focus on creating more jobs for Saudi citizens, which restricts the number of skilled foreign laborers.

Phosphate

Ma'aden's phosphate operations consist of Ma'aden Phosphate Company (MPC) and the newly-built Ma'aden Wa'ad Al Shamal Phosphate Company (MWSPC). MPC is a joint venture with Saudi Basic Industries Corporation and represents a $5.6 billion investment operating at two primary sites: Al Jalamid in northern Saudi Arabia, home to a phosphate mine and beneficiation plant; and the Eastern Province's Ras Al Khair, where their integrated chemical and fertilizer facility is based.

The mining and beneficiation facilities produce close to 11.6 million and 5 million tons of ore each year. At full capacity, MPC can produce 3 million tons of diammonium phosphate annually, most of which is sold internationally.

Ma'aden's second major project is the fully integrated MWSPC - a joint venture between Ma'aden (60%), SABIC (15%) and the US-headquartered Mosaic (25%), the world's largest producer of phosphate fertilizers. With some $8 billion of investment, the new complex includes seven large plants and associated facilities, making it one of the largest phosphate facilities in the world.

Total production capacity is close to 16 million tons per year including 3 million tons of finished products as well as 440,000 tons of downstream products. During the second quarter of 2019, 1.2 million tons of ammonium phosphate fertilizer were sold – an increase of 69% over the second quarter of 2018.

Ma'aden's third phosphate project is on a remote Saudi plateau just south of the border with Jordan. Bechtel is managing the creation of Waad Al Shamaal City and an associated mining complex. Valued at $7.5 billion, construction began in 2013, and is expected to be completed in 2022.

Aluminum

In 2009, Ma’aden established a joint venture with Alcoa, the world’s third-largest aluminum producer, to build an efficiently integrated aluminum project in Saudi Arabia. This $10.8 billion project includes a bauxite mine, a refinery, a smelter (production capacity of 740,000 tons per year) and one of the world’s most advanced rolling mills (production capacity of 380,000 tons per year).

The aluminum project involves the development, design, construction, and operation of two sites integrated in a mine-to-metal network: Al Ba’itha in the northern Qassim province, and an integrated aluminum complex in Ras Al Khair Industrial City. The mine’s estimated production is 4 million tons per year of bauxite and is transported via the North-South railway line to Ras Al Khair.

Gold and Base Metals

The most developed and lucrative sector of the Saudi mining industry continues to be gold. Ma’aden operates six gold mines in western Saudi Arabia, including the Ad Duwayhi mine which began commercial production in 2017, and produced 275,000 ounces in 2018. Ma’aden plans to spend $67 million on new exploration in 2019, marking a three-fold increase in its investment commitment on previous years. It also launched an Accelerated Exploration Program to shorten the time needed to move new discoveries into development.

Ma’aden’s Gold and Base Metals Company (MGBM), manages the production and sale of Ma’aden’s gold, copper, silver, and zinc, with gold accounting for the largest segment. MGBM produced 415,000 ounces of gold in 2018, and aims to increase this to 1 million ounces a year under Ma’aden’s 2025 strategy.

Copper

Ma’aden Barrick Copper Company is a 50-50 joint venture between Ma’aden and Barrick Middle East. In 2018, it produced 55 million pounds of copper. With 117 million pounds of measured and indicated copper resources, 13 million pounds of inferred copper resources, and 712 million pounds of proven and probable copper reserves, Ma’aden-Barrick expects to produce 45-60 million pounds of copper in 2019.

Leading Sub-Sectors

Ma’aden’s 2025 strategy spells out a clear growth path for phosphate fertilizers, taking into consideration Ma’aden’s potential to achieve its planned growth in line with global supply and demand.

Feasibility studies are underway to build a third large-scale phosphate fertilizer project, which will add three million tons of capacity, positioning Ma’aden among the top three producers and exporters in the world.

Feasibility studies are also ongoing for gold mining in three locations – Mansourah, Massarah, Al-Rajoum. Ma’aden is planning further investments in gold and base metal exploration as part of its 2025 strategy.

Opportunities

Saudi Arabia requires mineral processing technology, equipment, and proven expertise to develop mineral-based manufacturing. The mining industry needs consulting engineering companies, drilling and chemical testing, and related equipment manufacturers/suppliers. Industrial minerals targeted for mining include:

- Feldspar and feldspathic sand
- High purity quartz that has potential for further upgrades to produce fused quartz
- Cultured quartz, silicon and polysilicon
- White mineral fillers such as talc, silica, wollastonite, and magnesite

- Limestone, with upgrades to produce ground calcium carbonate (GCC) and products such as lime, hydrated lime, and dolime
- Basalt, with upgrades to products such as basalt fiber, composite materials, and tiles; and Bentonite

Web Resources

Business Monitor International: https://bmo.bmiresearch.com/home

Barrick: https://www.barrick.com/operations/jabal-sayid/default.aspx

Saudi Arabian Mining Company: http://www.maaden.com.sa/en

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Defense and Security

Saudi Arabia's defense and security expenditures reached $63.2 billion in 2019 and are expected to reach $83 billion in 2020. Defense and homeland security spending (Defense, Interior, National Guard and Royal Guard) accounts for approximately 35% of the national budget.

U.S. defense companies have a significant role in the Kingdom's defense sector. U.S. firms with a presence in the Kingdom – such as Raytheon, Lockheed Martin, and Boeing -- consistently rank among the top defense companies. Other top defense companies including Northrop Grumman, and General Dynamics, and are also active in this market.

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

Vision 2030 encompasses two key goals that are central to the defense sector. First, to establish a holding company for the military industry that is 100 percent owned by the Saudi government. The Saudi Arabian Military Industries (SAMI) was created in 2017 for the fulfillment of this goal and will be instrumental in advancing the Kingdom's defense industry capabilities and leading to new defense investments. The company will head consolidation of local companies and assets. The business units of the company will align with Saudi Arabia's current capabilities and the country's future requirements.

The Government established the General Authority of Military Industries (GAMI) in late 2017, that will oversee regulation of the military industry and will support the Kingdom in achieving its sector-related objectives of Vision 2030. GAMI proposes new policies, strategies, and regulations that are relevant to the military industry and complementary sectors. GAMI also manages the military procurement operations of arms, ammunition, equipment, supplies, maintenance, and the operation contracts for arming the security and military. It should be noted that the Saudi Technology Development and Investment Company (TAQNIA) has been key to securing defense-sector knowledge transfers in Saudi Arabia. The holding company TAQNIA was formed in 2011 under a royal decree and is funded by the Public Investment Fund (PIF). In 2016, TAQNIA Defense and Security Technologies and the Turkish military electronics company ASELSAN entered into a joint venture, forming the Saudi Arabian Defense Electronics Company (SADEC). SADEC will construct a factory in the Kingdom to manufacture electronic military equipment, radar systems, and electro-optical equipment. Ultimately, this venture is supposed to fulfill Saudi Arabia's promise to create high-skilled jobs by creating opportunities for Saudi engineers to gain training in Turkish electronics factories. SADEC is an example of Saudi Arabia's goal of becoming self-sufficient in production of military equipment.

Saudi Arabia also aims to develop a defense-related manufacturing base of production by 2030. Development of this supply chain will require a large sum of capital for research and development, the training of Saudis in high-skill jobs to develop and engineer equipment and technology, and a framework to assist small businesses to enter the supply chain.

Currently, the Government is negotiating with foreign firms to develop this local defense sector through joint ventures. Potential agreements would provide the Kingdom with technology transfer, licensed production assistance, and joint training programs. U.S. firms may increase their likelihood of procuring government contracts by first establishing a strong presence in the Kingdom. Currently SAMI is handling contract negotiations for both defense purchases and joint ventures.

Opportunities have emerged in the market for personal and perimeter security products. A need for expertise in cybersecurity also increases with the growing sophistication of threats. Forecasts indicate that the market for cybersecurity will be a growing segment and reach a market value of $5.1 billion by 2022.

Other areas of potential growth are: additional contracts through technology transfer, growth and sustainment of local spare parts manufacturing, defense and security training programs, intelligence, surveillance, reconnaissance (ISR), and unmanned aerial vehicles (UAV).

In terms of growth, opportunities for U.S. companies exist in military aircrafts and parts, ground combat technologies, intelligence, surveillance and reconnaissance (ISR), and the naval platforms segment.

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

Events:

The Armed Forces Exhibition for Diversity of Requirements and Capabilities (AFED) (www.afed.com.sa)

Intersec Saudi Arabia (www.intersec.com),

IDEX Abu Dhabi (www.idexuae.ae),

Dubai Air Show (www.dubaiairshow.aero),

Sofex Jordan (www.sofexjordan.com)

DSEI in London (www.dsei.co.uk) .

Web Sources:

The Saudi Ministry of Defense (www.mod.gov.sa)

The Saudi Arabian National Guard (www.sang.gov.sa)

The Royal Saudi Air Force (www.rsaf.gov.sa)

The Saudi Ministry of Interior (www.moi.gov.sa)

Saudi Arabian Military Industries (www.sami.com.sa)

Alsalam Aircraft Company (www.alsalam.aero)

Taqnia Company (www.taqnia.com)

Transport and Logistics

Overview

The Vision 2030 transformation program is based upon growing inward investment to stimulate and diversify the economy and transform the Kingdom into a global hub connecting Asia, Europe and Africa. Its geographical competitive advantage based on accessibility to major emerging markets and important marine passages will play a key role in this transformation. The transportation and logistics sector is large and strongly supported by state-led investment in rail, maritime, road, airport and logistics infrastructure. Economic growth, population maturation and rapid urbanization are all factors driving Saudi Arabia to invest in the expansion of its transportation networks. This includes the introduction of urban transport systems such as metros and buses, as well as inter-urban networks such as freight and high-speed railways, by working closely with leading global logistics companies via public-private partnerships (PPP). One aspect of the new approach is the increased promotion of special economic zones in parts of the country, creating industrial clusters with multi-modal freight links to a range of international destinations.

The Saudi Arabian government (SAG) is committed to developing the sector and has set aside considerable capital for expansion plans. The SAG 2019 budget includes a 28 percent increase in planned government expenditure on infrastructure and transportation, an increase from $14.6 billion to $18.6 billion.

Saudi Arabia's goal is to strengthen the private sector's role in transportation as it pushes to diversify its economy. Vision 2030 aims to make the Ministry of Transport projects 20% self-financed, creating a significant scope for private participation in ports, airports, rail, and road infrastructure.

Private entities are being encouraged to collaborate with the government as it develops the Kingdom's transportation infrastructure. Partnerships for operating seaports, airports, and their related supply chains are in demand. Public-private partnerships (PPP) are being pursued to fund several key schemes, while several of the country's publicly operated transportation facilities are preparing for full privatization. Under the Saudi Foreign Investment Law, foreign investors can now own 100% of businesses after obtaining a license from the Saudi Arabian General Investment Authority (SAGIA) and can then bid in PPP projects directly or through a local consortium. A draft law covering partnership between the government and the private sector is under discussion to attract fresh foreign investments. By 2020, the target is for private sector companies to be involved in the development and operation of at least 5 percent of roads, 50 percent of railroads and 70 percent of ports.

Leading Sub-Sectors

Aviation

The aviation industry is playing a key role in Vison 2030, accounting for 4.6 percent ($34 billion) of total GDP in 2018.

Over the last two decades, the aviation market has grown noticeably. Following a growth acceleration over the past five years, the Kingdom's airports in 2018 handled more than 99 million passengers. The top four airports are Jeddah, Riyadh, Dammam, and Madinah. These four presently account for more than 80% of the passenger traffic. Approximately 90% of the Saudi population lives within a two-hour drive an airport, making air travel a popular option.

Several favorable factors have contributed to the growth of the market, including a Domestic Fare Cap. The General Authority of Civil Aviation of Saudi Arabia (GACA) took positive steps toward reforming the domestic fare cap in 2015, when it allowed domestic carriers to lift ticket prices within ten days of departure. More recently, consensus rests on less regulatory intervention and phasing out price controls so airlines have far more flexibility and freedom in how they set prices.

There are currently 46 airports in the Kingdom: 10 are international, four are regional and 15 are domestic. Aramco has 11 airports and the remaining six are owned by the Saudi Air Force. The KSA connects to 81 airports in 45 countries, allowing for more than 1.2 million tons of cargo to be transported around the globe

To improve the infrastructure of airport facilities, the SAG has approved an expansion plan for both upgrading existing airports and constructing new ones. The planned expansion includes the redevelopment of the airports in Abha, Al Ahsa, Al Qassim, Arar, Hail, and Jizan. There are also plans to develop new airports in Al-Qunfudah, Farasan Island, Taif, and in the north and south of the capital city of Riyadh.

The GACA would like to privatize all airports by 2020 to raise revenue, encourage best-in-class international operators, and manage passenger travel chains. GACA is seeking private sector investments to fund capital expansion plans. This will include transferring GACA's air navigation and IT functions to the private sector. Each airport will be transformed into an operating company with its own board responsible for all operational and financial performance. GACA's privatization strategy aims to transfer all Saudi airports to companies wholly owned by the Saudi Civil Aviation Holding Co., then transfer ownership of the holding company to the Public Investment Fund (PIF).

The process is underway with GACA imagining three different models as exemplified by the airport developments in Riyadh, Dammam, Jeddah, and Medina. The first model transfers airport ownership to a company. At King Khaled International Airport in Riyadh, the Riyadh Airport Company (RAC) sold to private investors, forming an airport board of directors to manage the company. The second method privatizes operation and maintenance. King Abdul Aziz International Airport in Jeddah had used this method when it subcontracted operations and management to the Changi company, before cancelling its contract last year. In this arrangement, GACA bears the capital cost of establishing the project and shares profits with investors. The third method is the build, transfer, and operate (BTO) system. This system was used at Prince Mohammed bin Abdul Aziz Airport in Madinah, as well as airports in Taif, Hail, Qassim, and Yanbu. After privatization is complete, GACA will be the regulator and controller of the aviation sector in the next phase.

To achieve this strategy, GACA has created several state-owned companies to foster the aviation business. Examples include RAC, Saudi Aviation Information Technology Company (SAVIT), Saudi Air Navigation Services (SANS), and Dammam Airport Company (DACO).

The King Khalid International Airport in Riyadh opened its new, multi-billion-dollar Terminal 5 two years ago. The expansion is the first privately run terminal in Saudi Arabia, managed and operated by the Dublin Airports Corporation. King Khalid International Airport was the first asset to be privatized based on a master plan developed by the Kingdom. In 2016, Swissport won the second license to offer ground services across the Kingdom's airports. Similarly, SATS, Singapore's biggest ground handler, will develop and operate a new cargo terminal at King Fahd International Airport (KFIA) in Dammam.

Work is also underway to open to global competition commercial real estate investment in airport properties based on the "airport city" model. There are also plans to privatize the Saudia Private Aviation Company, Prince Sultan Academy for Aviation Sciences, Saudia Real Estate Development Co. Ltd., and Saudia Medical Services Co. Ltd.

Saudi Arabian Airlines (also known as Saudia) is the national carrier and main commercial airline in the country. It has a fleet of 119 aircraft operating on 89 routes, including 62 international destinations across four continents. The airline has been renovating its fleet in recent years and has announced plans to increase the number of aircraft to 200 and add more routes by 2020. The second largest airline is Flynas, a low-cost carrier founded in 2007. The airline has a fleet of 31 aircraft. Nesma Airlines has a total fleet of ten aircraft. Gulf has a fleet of four aircraft and has announced plans to expand internationally. Flyadeal, the low-cost subsidiary of Saudia which started operations in September 2017, has already announced that it expects plans for ordering 50 new aircraft soon.

Events:

Saudi Air Show, February 15-18, 2021

Logistics

A key pillar of Vision 2030 is transforming the Kingdom into the go-to logistics hub for the region, capable of efficiently linking trade across Asia, Europe, and Africa. A strategic location provides the Kingdom with a unique advantage over other nations, which could enable it to become a leading regional logistics hub.

Saudi Arabia's logistics market is valued at $18 billion, making it the largest among the GCC nations. It accounts for 55 percent of the total GCC logistics market and is ranked third-most attractive within emerging markets. It is also one of the fastest growing logistics sectors globally and was predicted to reach almost $25 billion by 2020.

The government aims to raise Saudi's global ranking in the Logistics Performance Index from 49 to 25 and increase its capacity to welcome Umrah and Hajj visitors from eight million to 30 million a year. Import and export processes are being streamlined and governance structures and regulations are being reformed to open a path toward market liberalization and private-sector participation. In addition, there are hopes that public-private partnerships will help finance the infrastructure and bring capabilities from the top logistics markets. By 2030, Saudi Arabia plans to be among the foremost logistics hubs in the region.

KSA has managed to reduce the time, cost, and variability of importing goods through process re-engineering and automation. Average declaration clearance time at seaports has been cut in half to 2.2 days and at airports to 1.2 days, and the amount of import-export paperwork has been reduced by 75 percent.

The predictability and reliability of the clearance process has also improved, with 40 percent of customs declarations in seaports now cleared within 24 hours and 70 percent within 48 hours. These results have been achieved by enabling declaration submission prior to arrival, digitizing declaration processing, making customs operate 24/7, reducing the level of manual inspection through enhanced risk management, and enhancing the collaboration and integration among all government institutions involved in the import/export process.

KSA is modernizing its airports and expanding its air cargo facilities to eliminate infrastructure bottlenecks. The objective is to increase total air cargo capacity in the Kingdom from 0.8 million tons/year today to 6 million tons/year in 2030.

Technology is improving security and control over the import-export process in the Kingdom. Today, importers can track the status and progress of their shipments in real time. Customs brokers receive automated notifications on their mobiles about the status of their shipments and are prompted to create their declarations as soon as the shipping manifest is available online, i.e., prior to ship arrival. The Kingdom recently launched a port system to guarantee secure and efficient exchange of information among all parties involved in the import/export process, covering vessel and terminal operations, digital payment, and truck management.

The logistics market is expected to grow at 22 percent Compound Annual Growth Rate (CAGR) until 2020 to reach a value of $2.2 billion. Consequently, the warehousing market is expected to further grow at 9 percent CAGR to reach a market size of $4.2 billion by 2020. Growth in this segment is expected to materialize because of planned increases in manufacturing activity, international trade, rising domestic consumer consumption and the easing of government regulations.

The cold chain segment of the logistics market has also seen growth in recent years. Growth is expected to reach $1.64 billion by 2020 because of active participation by the pharmaceutical industry and the increasing demand for fresh/processed fruits, vegetables, meat and dairy.

The Saudi government has announced the establishment of a special economic zone (SEZ) in Riyadh, which is the first of its kind and will provide some degree of support for growth in the road freight sector in the coming years. The SEZ will focus on integrated logistics, with those situated in the zone enjoying special rules and regulations aimed at attracting more multinational companies.

The new zone is set to be opened at the King Khalid International Airport in Riyadh, as a part of Vision 2030 plans to attract foreign investment and develop manufacturing by creating special zones that receive financial, trade and visa derogations. The focus will be on integrated logistics at the new SEZ (called Integrated Logistics Bonded Zone - ILBZ), which has been assigned to the GACA and Saudi Arabian General Investment Authority (SAGIA). All goods at the zones with a pending status or those that are moved temporarily for maintenance or repair will be exempt from VAT.

Event:

Saudi Supply Chain Conference, October 13-15, 2019, Riyadh

Railways and Metros

Railway sector governance is composed of multiple stakeholders. Among the main stakeholders are the Ministry of Transport (MoT), the Public Investment Fund (PIF), the Public Transport Authority (PTA), the Saudi Railways Organization (SRO,) and the Saudi Railway Company (SAR).

The MoT is mainly responsible for transport sector strategy, infrastructure and overall sector development while the PTA is responsible for coordinating the development of public transport services within and between cities.

SRO is a state-owned public railway entity under the MoT and currently operates a 1,400-km railway network between the city of Dammam in the Eastern Province and the capital in Riyadh.

SAR is a private-sector entity and is owned by the Public Investment Fund (PIF). It was created to develop and operate the 2,750-km North-South Railway (NSR) network, which includes freight and passenger services.

The SAG is currently investing $25 billion in three mega projects as part of a combined 3,900-kilometer rail expansion plan. The North-South Rail Project is the largest railway in the region spanning 2,750 km between Riyadh and Al Haditha, near the border with Jordan. The project is costing $3.5 billion and is projected to transport four million tons of commodities and two million passengers annually once it is up and running.

The third major rail program is the planned Saudi Landbridge Project which would provide the first direct link between the Red Sea and the Arabian Gulf. This proposal includes plans to construct 950 kilometers of new rail line between Riyadh and Jeddah and another 115 kilometers of track between Dammam and Jubail, costing roughly $7 billion. The project will be implemented using the build-operate-and-transfer system for 50 years. In addition to the above mega-projects, the Saudi government envisions a further 10,000 kilometers of rail and metro tracks to be added to the network by 2030.

The SAG has invested $22 billion into a state-of-the-art metro network in Riyadh consisting of six main lines with total track length of 176 kilometers and 85 stations that will connect the city to commercial and retail areas, the financial center, and the airport, when completed.

Four metros are planned for Mecca, Jeddah, Madinah and Dammam. All four metro projects will have a new procurement strategy under a plan to turn them into PPP/BOT projects. The National Centre for Privatization (NCP) is currently working out the framework for the privatization process and is expected to be ready with the guidelines by the second quarter of 2019. The total cost of the four metro projects is expected to be about $55 billion (Mecca Metro about $16 billion, Jeddah Metro about $12 billion, Dammam Metro about $16 billion and Madinah Metro about $11 billion). Prequalification is expected to start by 2020. Each project is governed by a different entity that will be responsible for tender announcements. Jeddah's metro is managed by Metro Jeddah Project Company, Madinah Metro is governed by Madinah Development Authority, Mecca Metro is under Mecca Development Authority and Dammam metro is under Dammam municipality.

Maritime transport

Saudi Arabia's maritime network can handle a capacity of approximately 13 million 20-foot equivalent containers (TEUs) per year and receive 15,000 ships annually. The network consists of 10 primary harbors for non-oil trade, 200 piers, 216 berths and six leading container ports located along a critical intersection of the East-West shipping routes. Saudi ports dominate the regional transit market, handling more than 90 percent of Red Sea trade transits and 30 percent of the East African trade transits.

Saudi Arabia is investing in its seaports to modernize their infrastructure and increase their capacity. Several projects worth $1.6 billion are already underway and are designed to boost the maritime transport sector by transforming it into a technologically advanced and functional system. $8 billion has been allocated by the Saudi Ports Authority to modernize and properly equip each port.

The commercial and industrial ports include Jeddah Islamic Port, King Abdulaziz General Port, King Fahd Industrial Port in Jubail, King Fahd Industrial Port in Yanbu, Jubail Commercial Port, Yanbu Commercial Port, and the ports of Jazan, Dhiba, and Ras Al-Khair. King Abdullah Port, Saudi Arabia's first port to be fully developed and operated by the private sector, is currently the most advanced port in the region. To further take advantage of its location in the region and better serve its local oil-producing industry, Saudi plans to build a maritime and shipbuilding complex on its east coast to increase its capacity to export oil and build a shipping fleet to match its oil capabilities.

Efforts are underway to improve seaport efficiency and service quality through increased port specialization, governance reforms, and updated concession frameworks. The recently established port regulator Mawani is leading the efforts for corporatizing and privatizing the port sector.

Events:

Saudi Maritime Congress, March 22-23, 2020, Dammam

Land transport

Saudi Arabia has large road networks covering more than 200,000 kilometers, including 66,000 kilometers of roadways connecting major cities and providing access to railways, ports and airports. This growing ground network benefits from 5,000 kilometers of highways and bridges, providing extensive means to transport passengers and goods.

Under the current development plan, Saudi Arabia has allocated a substantial sum to the creation and renovation of the Kingdom’s roadways, particularly its heavily used inner-city roads, intersections and bridges. Plans are scheduled to build more than 3,500 kilometers of new roads, including 284 highways set to link the country’s main urban centers. Ambitious plans include the design and construction of Obhur Creek Bridge, located 20 kilometers from Jeddah, which would incorporate eight lanes of road traffic, footpaths and two lanes of rail transit. KSA road projects are beginning and include an additional 2,200 kilometers of road construction planned for the next development phase beginning in 2020. Land freight transportation is forecast to rise due to increasing industrial activity and the expansion of e-commerce throughout the region.

Saudi Arabia's economy emerged from recession in 2018, boosting consumer market outlook during 2019. This will continue to support the road freight sphere as deeper pockets among consumers will translate into increased spending on goods transported across the country via the road network. It is forecast that Saudi Arabia’s road freight sector will register growth of 1.7% in 2019 (slightly up on 2018’s estimated annual growth of 1.5%), with tonnage reaching just more than 133.9 million tons. Growth predictions for 2020, remain at 1.7% to reach 136.2 million tons. Several factors will support higher road freight growth over the short term, including rising oil prices and a planned $261 billion budget that will support various public infrastructure development projects.

The Transport Ministry is planning to implement 23 road safety projects, with investments totaling around $586.67 million. Fifteen plans will be carried out over the next three years to upgrade intersections and junctions, improve street lighting around dangerous intersections, enhance safety facilities at animal crossings, and install protective barriers for lampposts on some roads.

The Saudi Government is currently examining the logistics of implementing tolls and may introduce them in the future. The findings of the study will be made available in early 2020 and will then be put before the supreme authority for a final decision.

Events:

Saudi Transport & Logistics Services, November 4-6, 2019, Riyadh

Opportunities

- Jeddah Corniche Tram PPP Project: the total length of the tram will be 15.6 kilometers and it will consist of 11 single cars and 15 stations.
- Obhur Creek Bridge PPP Project: it is two kilometers long (360 meters creek crossing), 74 meters wide and 51 meters high. The Bridge will have eight lanes for cars (four in each direction) and will contain Jeddah metro Orange line.
- Waterbuses & Ferries: MJC is looking to procure 26 waterbuses and planning to build four Ferry terminals.
- Jeddah Bus Contract: 1000 buses to be acquired in two phases
- Saudi Landbridge Railway
- Riyadh-Dammam Electrification
- Yanbu-Jeddah Railway

Web Resources

Ministry of Transport, www.mot.gov.sa

Invest Saudi, http://investsaudi.sa/en/

Saudi Ports Authority, www.mawani.gov.sa

General Authority for Civil Aviation, www.gaca.gov.sa

Saudi Railways Organization, www.saudirailways.org

Metro Jeddah Company, www.metrojedda.com.sa

For more information contact U.S. Commercial Service: Ahmed Khayyat (Riyadh) at Ahmed.Khayyat@trade.gov and Haisum Shah (Jeddah), Commercial Specialist at Haisum Shah@trade.gov

Information and Communications Technology

Overview

With over 27 million consumers and a sizable number of global enterprises, Saudi Arabia is the largest Information and Communications Technology (ICT) market in the Middle East. The Saudi Arabian telecommunications and information technology industries represent more than 55 percent and 51 percent, respectively, of the total Middle East market.

The ICT strategy of the Ministry of Communications and Information Technology 2019-23 is targeting a goal of 50 percent growth of the IT sector and raising the Saudi IT workforce to 50 percent by 2023. It also aims to attract foreign investments and support empowerment and more participation of women in the sector. The strategy is part of the Government's efforts to establish a robust and cutting-edge digital architecture so digital transformation accelerates and supports the Vision 2030 goal of promoting the sector's role to build a digital society, a digital government, a thriving digital economy, and innovation.

E-commerce, digital education, digital health, industry for smart cities, national data, and e-government are the major beneficiary sectors of the ICT Strategy.

The Kingdom is said to be investing $1 billion to support the artificial intelligence sector while focusing on startups, research and development, and the development of higher skills.

Saudi Arabia's digital transformation continues to grow with reports showing that the Kingdom's ICT spending grew six percent in 2018 to $36 billion and is predicted to finish in 2019 at the value of $40 billion. This growth is led by Government, Telecom, Finance and Oil/Gas sectors. Aggressive IT projects to modernize the Saudi Arabian Government's (SAG) IT infrastructure, including an e-government initiative and the liberalization of the telecom industry, are increasing competition, service levels, and usage.

Because the Saudi society is young and growing rapidly, its consumer market is weighted heavily toward technologically literate early adopters. Arabization (digital content, software) activities show growth prospects due to this emerging market and the increasing supply of qualified software engineers coming available in the public and private sectors.

Rising personal wealth and the growing number of experts with commitment to achieving leadership in connectivity and information technology are the drivers of Saudi ICT growth. Saudi Arabia has embarked on a 20-year ICT plan that will support widespread technology and telecommunications adoption across its households and enterprises. A combination of deregulation and substantial public investments should create investment opportunities for the private sector.

Leading Sub-Sectors

Cyber Security:

Cyber threats in KSA continue to be a major challenge. Demand for cybersecurity services is expected to grow as companies move further into the digital space. Global ransomware threat incidences stood at 1.6 billion and 8,800,000 of these threats were seen in the Kingdom. The education sector was most affected by malware, followed by government, then telecommunications. Other sectors were healthcare, manufacturing, and oil & gas. Increasing cyber-attacks have spurred the government to launch significant initiatives to fight cyber crimes. These efforts are led by the Saudi Information Technology Company (SITCO), a government-owned firm, the Communications and Information Technology Commission (CITC), the Ministry of Interior (MOI), and the King Abdul Aziz City for Science and Technology (KACST). In October 2017, the SAG established the Saudi Cyber Security Authority and Saudi Federation for Cyber Security, Programming, and Drones. SAG spending on these initiatives is expected to reach $500 million by 2020.

Aramco and the local subsidiary of U.S.-based Raytheon Company have established a joint venture company to develop, market, and provide cybersecurity services in Saudi Arabia and the Middle East. The JV entails the development and provision of integrated defensive cybersecurity software and hardware capabilities and the performance of research and development activities. It should be noted that the Saudi Federation for Cyber Security, Programming, and Drones has signed a memorandum of understanding with the U.S. consultancy Booz Allen Hamilton for a program that covers knowledge exchange, technology transfer, and localization. The program entails the provision of cybersecurity professional certifications, advanced courses, and the organization of competitions in order to strengthen the cybersecurity stance.

IT Services Sector:

The Saudi IT services market is growing rapidly due to the large-scale, infrastructure-driven projects across the government, healthcare, education, and transportation verticals. Spending will be focused on infrastructure development, e-government initiatives, digitization, and modernization. The current transformation of telcos into integrated ICT providers will also drive market maturity and facilitate investments in managed and data center-delivered services.

Cloud Computing:

While Saudi Arabia is still in the early stages of adopting cloud computing, an increasing number of IT decision makers are seeking a deeper understanding of how the cloud will fit within their organizations. However, according to a recent report by IDC, while the cloud continues to generate a tremendous amount of attention, primarily due to the benefits it offers, only a handful of providers in the Kingdom currently offer cloud services. It is projected that in 2020, cloud spending in Saudi Arabia will reach $140 million.

As per IDC's projections, there should be a higher acceptance of cloud technologies despite an inherent desire among Saudi organizations to retain full control over their IT functions. According to a United Nations survey, Saudi Arabia is ranked 52 of 193 in the e-government development index.

Smartphones:

Saudi Arabia retained its position as the GCC.'s largest mobile market, accounting for 54 percent of the total units shipped in 2018. However, annual shipments to the kingdom declined by 8.2 per cent. Samsung and Apple still retained the top two overall spots, accounting for 32.3 per cent and 23.7 percent shares, respectively.

IDC stated that Samsung's share was down four percentage points year-on-year while Huawei's share increased by eight points over the same period. It is noted that the arrival of 5G and foldable devices may bring some movement to the market.

Opportunities

Saudi Arabia is the region's largest ICT market with growth in consumer and enterprise end markets, which are driven by the following:

•Deregulation, privatization, and WTO accession promoting private-sector opportunities.

•Public-private funding partnerships such as KACST's (King Abdul Aziz City for Science and Technology) R&D co-funding initiatives and Technia's cluster of companies like Technia Defense, Technia Energy, Technia Aviation, Technia Space, and the Elm Company.

•Public-private partnerships (PPP) supporting venture capital funding such as recent collaboration between the Saudi General Investment Authority (SAGIA) and Intel. Cisco participated in the launch of Riyadh Smart City in 2018, after a nine-month trial period as part of the Country Digital Acceleration (CDA) program. There are smart-city technologies that have been tested in Riyadh's Al-Olaya district that include parking, smart lighting, and water management.

•Strong commitment to e-commerce and e-governance initiatives (including IP protection.)

•Significant yet unmet demands for web-based and mobile services. Increased enterprise and government usage of web-based services could provide large-scale opportunities for contractors and service providers.

•Public investment in connectivity for Economic Cities to provide unique opportunities for green-field projects.

•Public investment in IT knowledge and Internet-based services literacy programs.

•5G - given the growing taste consumers have for enriched connectivity, the demand for premium offerings based on 5G capabilities is growing. With speeds up to 100 times faster than existing networks, customers in 5G-connected homes will have access to features such as gigabit fixed wireless and high-bandwidth uploads. These uploads can enable applications such as cloud-based security cameras and result in smoother virtual and augmented reality experiences to allow for myriad other internet usages.

• The Kingdom's investment of $1 billion to support the artificial intelligence sector while focusing on startups, research and development, and development of skills.

• Software and other content providers secure environment for commercialization, thanks to significant progress on intellectual property rights (IPR) laws by the Ministry of Commerce and the CITC and the Saudi Authority for Intellectual Property (SAIP).

Web Resources:

Saudi Information Technology Company
www.sit.com.sa

Ministry of Communications and Information Technology
www.mcit.gov.sa

Communications and information technology Commission
www.citc.gov.sa

Ministry of Commerce and Investment
www.mci.gov.sa

Saudi federation for Cybersecurity, Programming and Drones
https://safcsp.org.sa/en.html

Trade shows:

Saudi Mobile Show, Riyadh, 19-21 Nov. 2019

GITEX Technology Week, Dubai, 6-10 Oct. 2020

Consumer Electronics Show (CES) Las Vegas, NV – 7-10 Jan. 2020

National Association of Broadcasters (NAB) Las Vegas, NV 18-22 April 2020

Agricultural Sector

The Office of Agricultural Affairs (OAA) of the USDA at the U.S. Embassy publishes an agricultural export guide and reports that are updated throughout the year. These reports and guidance can be accessed through the USDA website.

Healthcare

Overview

Healthcare remains a top priority for the SAG. In 2018 the government allocated $39.2 billion for the Healthcare and Social Development sector, more than 10 percent over the 2017 figure. More than 22 percent of that budget will be spent on the initiatives of Saudi Vision 2030. The healthcare budget also stipulates the construction of 36 new hospitals (8,950 beds) two medical cities (2,350 beds) were expected to be completed by the end of 2018 but are still not completed. The Ministry is also expected to build an additional 18 hospitals with a bed capacity of 9,904 over the next two years.

In line with the government Vision 2030 and the 2020 National Transformation Plan (NTP), the Ministry of Health was expected to spend close to $71 billion over a five-year period ending in 2020. Among the objectives of the NTP for the healthcare sector in 2020 are:

- To expand the role of the private sector from 25 to 35 percent of total healthcare expenditures;
- To increase the number of licensed medical facilities from 40 to 100;
- To increase the number of internationally accredited hospitals;
- To double the number of primary healthcare visits per capita from two to four;
- To decrease the percentage of smoking and obesity by two percent and one percent from baseline respectively;
- To double the percentage of patients receiving healthcare after critical care or long-term hospitalization within four weeks from relaease from the hosptial from 25 to 50 percent
- To focus on improving the quality of preventive and therapeutic healthcare services; and,
- To increase the focus on digital healthcare innovations.

According to U.S.-based consultancy Aon Hewitt, the healthcare sector is expected to grow to a value of $71.2 billion by 2020. This growth is fueled by urban expansion, especially in Makkah, Riyadh and the Eastern province. Saudi Arabia, like other countries in the Arabian Gulf, continues to exhibit negative lifestyle trends that affect morbidity statistics. Non-communicable diseases such as diabetes, cardiovascular disease and cancer have become the main causes of death among Saudis; their incidence is rising due to a sedentary lifestyle, obesity, high tobacco use, and poor dietary choices.

According to the International Diabetes Federation, Saudi Arabia has an 18.5 percent prevalence rate of diabetes with 3.85 million cases of diabetic adults in 2017. The British medical journal the Lancet has placed Saudi Arabia in third position worldwide in terms of obesity, and the latest figures from the medical community indicated that Saudi Arabia has one of the highest percentage of bariatric procedures including sleeve gastrectomy, gastric bypass, and the placement of gastric band.

Best Prospects include:

- Education and training services for physicians, nurses and technical staff;
- Information technology and data management services related to the digitization of patient records and billing information;
- Hospital management and joint ventures with Saudi partners;
- Investment in pharmaceutical manufacturing facilities for vaccines, sterile injectables, plasma, generics and other pharmaceuticals;

- Provision of support services and investments to establish local capabilities in bioequivalence centers, cold chain logistics, outpatient imaging and contract research organization (CROs);
- Provision of health insurance;
- Home healthcare, rehabilitation, and long-term care;
- Laboratories; and
- Primary healthcare and medical cities.

The Health Ministers' of the Gulf Cooperation Council States release an annual tender worth billions of dollars for the following products and services: renal dialysis supplies; oral and dental care; laboratory supplies; orthopedic and spinal surgery supplies; rehabilitation equipment; cardiovascular devices; linens and medical uniforms; ophthalmology supplies; ENT supplies; medicines; vaccines; chemicals; insecticides; and radio-pharmaceuticals.

Leading Sub-Sectors

- Healthcare Services
- Medical Devices
- Pharma and biosciences
- Dental Services

Opportunities

The Saudi population is relatively young and will still be considered young over the next 12-15 years despite a demographic change in the age structure. Based on a study by Oxford Economics, Saudi Arabia will have a large segment of its population between the ages of 40 and 59, expected to increase by 50 percent by 2035, which, in turn, will dictate a shift in the provision of healthcare services. That shift will be felt more in providing care for non-communicable diseases, including cardiovascular disease, diabetes, and obesity. Because more of the population will also have reached the age of 60, the demand for geriatric care and home healthcare is also expected to expand. Those demographic changes also complement a rising demand for insurance coverage, which will be mandatory across the board under a unified health insurance policy being planned by the Cooperative Council of Health Insurance (CCHI).

On another note, privatization is expected to be a key focus area for the Saudi government. Among the immediate strategic objectives set forth in the NTP are:

- Privatize a medical city through a PPP scheme;
- Increase the private sector share of spending in healthcare through alternative financing methods and service providers;
- Update and expand primary care;
- Provide additional rehabilitation and long-term care beds;
- Establish additional medical cities;
- Privatize King Faisal Specialist Hospital & Research Center; and
- Update and expand laboratory and radiology services.

The Ministry of Health has released a tender for the development of Health Clusters responsible for the provision of healthcare services in the Eastern Region. This pilot project covers approximately 2.9 million citizens in the Eastern Province of the Kingdom of Saudi Arabia—an area currently served by 35 hospitals and 250 primary health care (PHC) centers, in addition to specialty providers.

Medical Devices Sector

The Saudi market for medical equipment is estimated at just under $2 billion and is growing annually at roughly 10 percent. Greater awareness of health issues and a growing consumption of healthcare services sustain a strong market for medical equipment. Saudi Arabia is encouraging and offering a number of incentives for domestic manufacturing for these devices and instruments but currently manufactures low-value commodities such as bandages, gloves, syringes and furniture. Imports represent approximately 98 percent of the market, with American products accounting for 21 percent of total imports.

Opportunities

- Emergency Room Equipment
- Rehabilitation Equipment
- Diagnostic Equipment
- Electro-Medical Equipment
- Orthopedic, Dental Appliances, and Prosthesis
- Glucometers
- Implants

The public sector dominates the supply of healthcare services in Saudi Arabia and accounts for the majority of healthcare expenditures. When a project becomes available, the National Unified Company for Medical Supplies (NUPCO) is responsible for centralized procurement, warehousing, distribution, and re-exporting of pharmaceuticals, medical equipment and supplies for the benefit of all public hospitals and healthcare facilities. NUPCO selects bidders from a list of prequalified/known companies and invites them to bid for that particular project.

Although American exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, it is strongly recommended that all new-to-market U.S. companies consider partnering with a local company for the purposes of monitoring business opportunities, navigating import and standard testing regulations, and identifying public sector sales and contract opportunities.

Medical Equipment and Supply Trade with Saudi Arabia ($ Billion)

NAICS	FLOW	2015	2016	2017	2018 JAN-MAY
3391--MEDICAL EQUIPMENT & SUPPLIES	EXPORTS	248,341,015	166,464,249	162,465,676	78,719,200
339112--SURGICAL & MEDICAL INSTRUMENTS	EXPORTS	117,801,687	74,183,721	80,841,229	42,182,660
339113--SURGICAL APPLIANCES & SUPPLIES	EXPORTS	92,700,258	69,156,244	61,924,680	27,631,100
339115--OPHTHALMIC GOODS	EXPORTS	18,343,731	9,120,651	9,303,545	3,783,480
3391--MEDICAL EQUIPMENT & SUPPLIES	IMPORTS	13,976	189,990	136,819	0
339115--OPHTHALMIC GOODS	IMPORTS	8,480	3,500	7,891	0
339113--SURGICAL APPLIANCES & SUPPLIES	IMPORTS	3,000	130,381	0	0
339112--SURGICAL & MEDICAL INSTRUMENTS	IMPORTS	2,496	3,060	128,928	0

Source: United States Department of Commerce, Bureau of the Census, Foreign Trade Division

Web Resources

Saudi government Web links:

Ministry of Health

Saudi Food and Drug Administration

General Investment Authority

Saudi Commission for Health Specialties

Saudi Health Council

Council of Cooperative Health Council

Events:

Global Health Exhibition, September 10-12, 2019, Riyadh, Saudi Arabia

Arab Health, January 27 – 30, 2020, Dubai, UAE

Pharma and Biosciences

Overview

The Kingdom of Saudi Arabia accounts for 59.4 percent of the purchases of pharmaceutical products in the Gulf region. The market was estimated at $5.75 billion in 2017 and poised to grow at CAGR 6.7 percent, expected to reach $8.46 billion by 2023, according to a report published by Precision Business Insights.

Saudi Arabia's Vision 2030 and the NTP's priorities for job creation and economic diversification provided a strong incentive for both the private and public sector to develop the life sciences industry in general, and pharmaceuticals in particular. Currently, only 30 percent of pharmaceutical products are manufactured locally. Major factors affecting the pharmaceutical market are the Kingdom's growing population, the increase in per capita spending on healthcare services, and the propensity to prefer research-based products as opposed to purchase more expensive patented products. However, in recent years, the SAG's efforts to curb pharmaceutical expenditures and promote local manufacturing resulted in a fast and growing generics market. European, U.S., and Indian companies already have established production facilities -— especially, at the King Abdullah Economic Industrial Valley -- producing a full range of products including antibiotics, diabetic treatments, cardiovascular drugs, and anticoagulants. Opportunities abound for additional manufacturers to establish a presence in the Kingdom, especially in vaccines, APIs, injectables, and biologics.

Pharmaceuticals and Medical Trade with Saudi Arabia ($ Billion)

NAICS	FLOW	2015	2016	2017	2018 JAN-MAY
3254--PHARMACEUTICALS & MEDICINES	EXPORTS	348,287	276,289	236,872	123,708
325412--PHARMACEUTICAL PREPARATIONS	EXPORTS	235,537	149,327	102,706	54,197
325414--BIOLOGICAL PRODUCTS (EXC DIAGNOSTIC)	EXPORTS	44,890	60,170	74,394	41,848
325411--MEDICINAL & BOTANICAL DRUGS & VITAMINS	EXPORTS	32,336	40,893	25,523	14,450
325413--IN-VITRO DIAGNOSTIC SUBSTANCE	EXPORTS	35,524	25,899	34,248	13,213
3254--PHARMACEUTICALS & MEDICINES	IMPORTS	722	667	834	92

325412--PHARMACEUTICAL PREPARATIONS	IMPORTS	715	661	711	89
325413--IN-VITRO DIAGNOSTIC SUBSTANCE	IMPORTS	6	0	13	2
325414--BIOLOGICAL PRODUCTS (EXC DIAGNOSTIC)	IMPORTS	0	0	25	0
325411--MEDICINAL & BOTANICAL DRUGS & VITAMINS	IMPORTS	0	6	86	0

Source: United States Department of Commerce, Bureau of the Census, Foreign Trade Division

In a recent move to demonstrate Saudi Arabia's commitment to intellectual property protection, the Saudi Arabian Government (SAG) announced the establishment of the Saudi Authority for Intellectual Property (SAIP) under the umbrella of Ministry of Commerce and Investment (MCI) in April 2018. Prior to that, Saudi Arabia 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). However, due to concerns regarding recent deteriorations in IP protection for pharmaceutical products, in addition to outstanding concerns regarding multiple IP enforcement issues, Saudi Arabia was placed in the Special 301 Watch List in April 2018.

Opportunities

Pharmaceuticals for diabetic, cardiovascular, antibiotics, and cancer treatment offer the best prospects.

With the change in the Saudi Arabia trade paradigm that is focusing more on job creation and economic diversification, the export and shipping of pharmaceutical products into the Saudi market no longer translates into commercial success. Local production, technology transfer, conducting clinical trials locally, and the training/education of the Saudi labor force are becoming the new normal in the life sciences/pharmaceutical products industry. The 2030Vision and NTP have placed the Industrial Clusters (IC) as the lead government entities to develop five industrial sectors including the pharmaceutical and biotech industry.

Accordingly, the IC has identified the following opportunities in the pharmaceuticals industry:

- Biologics and Biosimilars
- Vaccine Formulation Fill and Finish (FFF)
- Sterile Injectables (SI)
- Solid Oral Dosage
- Active Pharmaceuticals Ingredients (API)
- Plasma Production
- Bioequivalence Testing Center

Web Resources

Ministry of Health

Saudi Arabia Food and Drug Administration

Industrial Clusters

General Investment Authority

Dental Services

Overview

The dental-care service sector is anticipated to represent a strong growth in the coming years owing to overall increase in dental care spending, growing penetration by insurance coverage, and increase in the per capita income. Projections show the Saudi Arabia dental-care service market will increase during 2017-2021, according to the December 2017 Research and Markets reports.

The leading dental-care services in Saudi Arabia are:

Endodontic

- Prosthodontics
- Implantlogy
- Orthodontics
- Dental cosmetics along with restoration services
- Periodontics

Dental Equipment & Supplies Trade with Saudi Arabia ($ Billion)

NAICS	FLOW	NAICS_CODE	2015	2016	2017	2018
339114--DENTAL EQUIPMENT & SUPPLIES	EXPORTS	339114	13,717,564	9,610,099	7,025,019	2,602,897
339116--DENTAL LABORATORIES PRODUCTS	EXPORTS	339116	5,777,775	4,393,534	3,371,203	2,519,063
339114--DENTAL EQUIPMENT & SUPPLIES	IMPORTS	339114	0	53,049	0	0

Source: United States Department of Commerce, Bureau of the Census, Foreign Trade Division

Web Resources

Ministry of Health

Saudi Arabia Food and Drug Administration

Events:

The Saudi International Dental Conference, January 23-25, 2020, Riyadh, Saudi Arabia

For more information contact: in Riyadh, Saudi Arabia, Khalid Khan at Khalid.Khan@Trade.Gov

Franchising

Overview

Saudi Arabia is about one-fifth the size of the United States by geographic area and has a total population of about 33.8 million. The Saudi economy is expected to grow in 2019 at an average rate of 1.9 percent according to the IMF.

Saudi Arabia is the largest retail market in the Gulf with an estimated 83 percent of the population living in urban areas where most of franchise outlets are located. The franchise market in Saudi Arabia has witnessed remarkable growth in the past decade with many successful American, European and local franchise concepts taking root. Catching on the trend, many local Saudi franchise developers have managed to promote Saudi concepts with some of them having gone international. Franchising is perceived to be an ideal business model for small and medium-sized enterprises (SMEs) in Saudi Arabia.

Many of the American and European brand names are already well entrenched in the market. Most of those franchises are held by several local and regional companies, including Al Hokair Fashion Retail, Olayan, Saudi Catering & Contracting Co., Shahia Food Ltd. Co., Kuwait Food Company (Americana), Naghi Group, Al Safwa Food Group, Arabian Entertainment Co. Ltd., M.H. Alshaya Co., Landmark Group, and Al Sawani, among others. Likewise, many Saudi entrepreneurs already established their local concepts in this sector, including, Herfy, Kudu, Shawarmer, Coffee Day, Dr. Café, Munch Bakery, Burgerizzr, Aani & Dani, and Maestro Pizza, among others.

The latest trade data indicate that U.S. exports of services to Saudi Arabia amounted to over $9.0 billion in 2018 (https://www.census.gov/foreign-trade/Press-Release/current_press_release/exh20b.pdf). From U.S. statistical figures, nearly a third is accounted for by charges for the use of Intellectual Property and Other Business Services, which include franchise fees and royalties.

Commercial company law is used as a baseline for the franchise business model.Although there is no specific franchise legislation, a ministerial order was issued in March 22, 1992 allowing for the franchisee business to be treated under the Saudi commercial agency law and it is rumored that franchise legislation in coming soon to help regulate the sector.

The Saudi Arabia Government (SAG) liberalized the wholesale, retail, and franchise sectors in 2016 allowing full foreign ownership of retail and wholesale businesses by removing the former 25 percent local ownership requirement. An increasing number of companies, including U.S. firms, are taking advantage of the new regulation. All industrial enterprises are open to non-Saudis, and investors can also trade in the products they manufacture. We recommend that U.S. franchisors consult with an attorney familiar with Saudi law before establishing, changing, or terminating a franchise agreement.

Leading Sub-Sectors

Retail

Saudi Arabia is the largest retail market in the Arabian Gulf with a significant domestic market, and the retail franchising sector will continue to draw more international companies and pave the way for more Saudi entrepreneurs to create local concepts, especially in the food sector.

Research by BMI indicates that total household spending in the retail sector is estimated to reach $ 293 billion in 2019. Expanding population and a substantial spending power dovetail for a positive impact on the Saudi retail sector, which is expected to grow to $350 billion in 2022. From a franchise perspective, food is estimated to continue to top the list of spending accounting for more than 17 percent in 2017, at about $44.6 billion, while clothing and footwear spending reached $14.8 billion in the same year.

Shopping tops the list of pastimes in Saudi Arabia. Saudis will usually visit a mall at least once a week, and growth in the construction of shopping malls is boosting the franchising sector, though many of the franchises repeat themselves in almost every mall.

According to BMI, per capita GDP is forecasted to reach $24,360 in 2020. Many Saudis travel overseas and gain experience with new concepts and brands. Saudi Arabia's expanding population, with nearly 58.5 percent under the age of 30, provides a solid base for continued growth in this sector. The influx of more than 17 million religious tourists annually and internet penetration also have supported continued growth in the retail sector; the advent of online ordering and home delivery for both food and non-food items created a channel for local companies to promote their services over the Internet.

Opportunities

Franchising is a popular and successful approach to establish consumer-oriented businesses in Saudi Arabia. Franchising opportunities 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 no verified figures for the number of franchise outlets and brands in Saudi Arabia, however, industry sources project that there are more than 300 foreign companies that have franchisees in Saudi Arabia.

Events

The following trade events in Saudi Arabia offer excellent opportunities for U.S. franchises:

Saudi Franchise Expo
Location: Riyadh
Date: February 4-6, 2020
Website: www.saudifranchiseexpo.com/

Web Resources

Saudi Ministry of Commerce & Industry: https://mci.gov.sa/en

Saudi Arabian General Investment Authority (SAGIA): https://sagia.gov.sa

Eastern Province (Asharqia) Chamber of Commerce & Industry: https://chamber.org.sa

For More Information contact the U.S. Commercial Service in Dhahran, Saudi Arabia at: Tareq.Ghazal@trade.gov; Phone: 966 13 330 3200 X 3065; Fax: 966 13 330 2190; or visit our website: https://www.export.gov/saudiarabia.

Water Resources Equipment (WRE) and Technologies Market

Overview

Saudi Arabia lies in an arid area of the world with severe climatic conditions and an absence of permanent natural water resources such as lakes and rivers. With the rapid development of cities, massive urbanization and industrialization coupled with a growing population, the Saudi Arabian Government (SAG) is taking drastic measures in revamping its water policies. This in turn offers significant opportunities to U.S. companies with the expertise, experience and technologies needed to address Saudi's critical water challenges.

Demand for water in Saudi Arabia is high and growing due to continued industrialization, demographic trends and energy (oil) subsidies that keep desalinization costs artificially low. Energy subsidy gets passed on as a subsidy for water, resulting in Saudis paying only a fraction of the real cost of desalinated water, discouraging efficient use of a scarce resource.

Saudi Arabia is also known to be the world's largest consumer of water next to the U.S. and Canada, with daily water consumption of 250 liters per capita. To meet demand, Saudi Arabia has become the largest producer of desalinated water in the world, accounting for 25 percent of global supply, and is home to the world's largest desalination plants. Per industry reports, 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 SAG's Vision 2030 and National Transformation Program (NTP) aim to triple the percentage of desalinated water to 52 percent through strategic partners by 2020 and increase the percentage of cities and citizens receiving water and sewerage services dramatically. To solve its impending water crisis issues, Saudi Arabia has taken significant steps as part of its Vision 2030 plans. In 2017, the SAG earmarked $24.5 billion for the environment, water and agricultural sectors with the purpose of reducing water consumption and increasing the use of treated and renewable water. Furthermore, in an effort to streamline the sector and promote efficient water use, there has been a dramatic shift in government policy as Saudi Arabia removes subsidies by revamping the age-old water tariffs structure for consumers in Saudi Arabia. The new system will have consumers pay considerably higher charges for water use.

Saudi Arabia's aging and inefficient water infrastructure further contributes to relatively high-water inefficiencies. It is estimated that the country loses 15-20 percent of water (600,000-800,000 cubic meters/day) before it reaches customers due to leakages in dilapidated distribution systems. Precious water is also wasted due to lack of recycling, particularly the reuse of treated sewage water. Neighboring Bahrain and Qatar have successfully harnessed this type of water for agriculture and industrial purposes, and Saudi Arabia is increasingly adopting similar practices. In recent years, the Saudi government has taken proactive measures to reduce national water consumption and promote more efficient use of water. Projects are underway to replace municipal water distribution systems and improve drainage and wastewater networks in major cities. The government is also promoting the adoption of new technologies like solar and nuclear power to operate desalination plants.

The State is the main actor in the water sector, but partial privatizations are underway in the form of Independent Water and Power Projects (IWPP). The regulatory system for the power and water sectors has been overhauled to make it more investor-friendly by enabling private sector investment of up to 60 percent in those sectors, allowing for the development of projects on a build-own-operate basis and providing credit support. The overhaul also created the Water and Electricity Company (WEC) as a limited liability company to manage the IWPPs. Public Private Partnerships (PPPs) have been established between a number of cities and international companies for water distribution and wastewater collection. The National Water Company (NWC) was created in 2008 to manage PPP agreements in the four major cities of Riyadh, Jeddah, Makkah and Taif, while such agreements are managed by the Ministry of Water and Electricity (MOWE) in the rest of the country. The Saudi government has commissioned new projects to meet rising industrial demand for water. The government-owned Saline Water Conversion Company (SWCC) is investing billions of dollars in desalination facilities, transmission systems and power plants. SWCC aims to boost its current desalination capacity from 5.1 million cm/d to 7.3 million cm/d by 2020. Among those projects is a desalinization plant in Rabigh, in the western coast of Saudi Arabia, that is expected to supply 600,000 cubic meters of water per day by 2018.

Leading Sub-Sectors

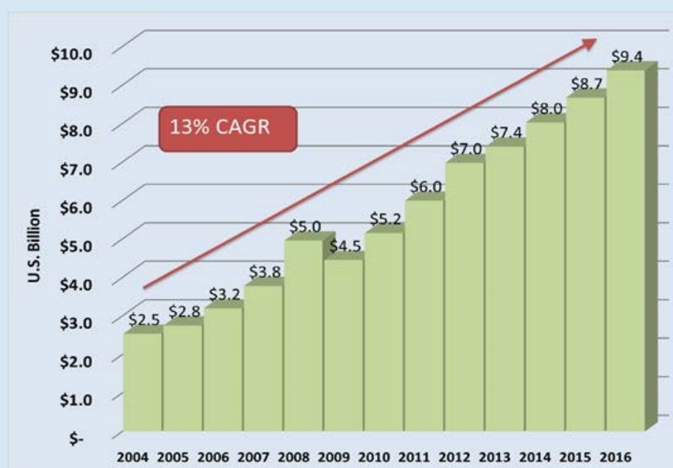
There are good opportunities for U.S. companies in the following sub-sectors: water network and main lines; wastewater network and trunk lines; water and wastewater house connections; wastewater treatment plants; brackish water treatment plants; lift stations; large water reservoirs; groundwater deep wells; rehabilitation of plants and networks; and related consultancy and supervision services. Industrial equipment is also needed for desalination plants and wastewater treatment systems: reverse osmosis membranes; pressure and gravity media filters; pumps; clarification equipment; odor treatment and control; aeration systems; anti-scaling chemicals; steam and gas turbines; boilers; water leakage screening equipment; potable and process water treatment systems; sludge digesters and advanced water filtration systems.

Opportunities

Saudi Arabia's overall environmental technologies market, including goods and services, was valued at $9.4 billion in 2016. Saudi Arabia has a limited domestic environmental technologies industry and therefore imports the balance of the goods and services required to meet its environmental goals. Its preference for imported goods, pronounced water scarcity issues and vast oil and gas industry make it a top market for U.S. environmental technologies.

The country has a relatively high level of regulatory stringency and enforcement from the perspective of international businesses operating there. This is evidenced both by the government's recent allocation of $300 million for environmental protection and pollution control and its 2009 announcement of the formation of a Green Police unit to improve monitoring and enforcement of environmental rules. Saudi Arabia also named several environmental protection goals in its 10th Development Plan (2015-2019), including improvement of waste management and mobile and stationary source emissions reduction and protection of coastal and territorial waters.

Figure 1: Saudi Arabia' Environmental Technologies Market



Source: Environmental Business International with OEEI Analysis, 2016

Saudi Arabia's efforts to monitor air quality have increased alongside efforts to develop and enforce environmental standards and regulations, creating demand for ambient air quality surveys and emission source monitoring. The Saudi government allocated $300 million for environmental protection and pollution controls in 2010 and had ordered all major industrial projects to conform to international air standards. Major emitting industries in Saudi Arabia include oil refineries, power generation, petrochemical development, cement plants and metals foundries. Saudi's annual imports of air pollution control and monitoring equipment are estimated at $50 million, with U.S. companies meeting almost 75 percent of demand. The industrial cities of Jubail and Yanbu are prime examples of adoption of advanced monitoring and control technologies within a finite industrial zone for existing and new facilities, presenting continued opportunities to U.S. technology providers.

Technologies and Services in Demand:

- Continuous Emissions Monitoring Systems
- Fenceline Monitoring Equipment
- Ambient Air Monitoring Equipment
- Source Emissions Measurement Technologies
- Environmental Testing and Laboratory Instrumentation And Services
- Dry Sorbent Injection Technologies
- Flue Gas Desulfurization Equipment
- Activated Carbon Injection Technologies
- Inspection, Adjustment, Maintenance and Repair Services
- Selective Catalytic Reduction Technologies
- Selective Non-Catalytic Reduction Controls

The SAG has commissioned new projects to meet rising industrial demand for water. The Power and Water Utility Company for Jubail and Yanbu is building a $230 million desalination plant to serve 26 petrochemical factories. In addition, Aramco's efforts to explore shale gas resources, which are highly water intensive, will bolster demand for water for industrial applications. The National Water Company (NWC) has announced investment plans over the coming five years totaling billions of dollars. Taif already has 30 water projects under construction, including supply networks, sewage systems, treatment plants and a reservoir.

The Saline Water Conversion Company (SWCC) is investing billions of dollars in desalination facilities, transmission systems and power plants. SWCC will be boosting desalination production to 7.3 million cm/d by 2020 in projects worth almost $90 billion.. In early in 2017, Saudi Arabia completed the $7.2 billion construction of the Ras Al Khair Desalination Plant, the world's largest solar-powered desalination plant. The plant serves approximately 3.5 million people in the capital city of Riyadh by producing 1.025 million cubic meters (m3) of drinking water daily while keeping costs and emissions low via renewable energy. Some major projects in the planning stage include the Jubail 3 Thermal and Reverse Osmosis Project estimated to be worth $3 billion. Other major SWCC projects include conversion plants utilizing reverse osmosis: Haradh BWRO ($1.6 billion), Rabigh Phase 4 ($1.2 billion), Yanbu 4 ($900 million) Jeddah 4 ($800 million), and Al Khafji solar-powered SWRO Phase 2 ($600 million).

The SWCCs expansion plans highlight vast opportunities for Desalination Technology and Engineering, Procurement, and Construction (EPC) firms. The SWCC has traditionally granted large EPC contracts for the development of facilities and continues to do so; however, it has also recently included Build Own Operate (BOO) models in its portfolio that will expand the desalination market further into services. This trend may accelerate as budgetary shortfalls as a result of falling oil prices create demand for alternative financing models. In summary, the future of desalination in Saudi Arabia is bright with additional investments being made to ensure the region will continue to be a worldwide leader.

Additionally, although desalination is a proven technology, the high costs of construction and operations further drive research into alternative technologies to investigate better and less-costly technologies for future use. Also, as water scarcity in the Middle East will continue to be a problem as rainfall remains low and limited groundwater sources are not being recharged at rates fast enough to support the water demands of growing populations. Saudi Arabia is looking to take the right steps by way of its Saudi Vision 2030 initiatives, to make water efficiency a high priority and to achieve water security in the region.

U.S. companies interested to pursue opportunities in Saudi Arabia may write to the U.S. Commercial Service team members listed below. In addition, details on projects, tender announcements are made available on the Saudi Arabian authorities websites mentioned below.

Trade Shows and Exhibitions

WEFTEC, September 29 – Oct 3, 2018, New Orleans, LA: www.weftec.org

Water Arabia 2018, Al-Khobar, Saudi Arabia: www.sawea.org

WETEX, October 23-25, 2018, Dubai, UAE: www.wetex.ae

Web Resources

Saline Water Conversion Corporation: www.swcc.gov.sa

Ministry of Municipal and Rural Affairs (MOMRA): www.momra.gov.sa

Power and Water Utility Company-Jubail and Yanbu: www.marafiq.com.sa

Ministry of Water and Electricity: www.mowe.gov.sa

Water and Electricity Company: www.wec.com.sa

National Water Company: www.nwc.com.sa

Aramco: www.saudiaramco.com

Royal Commission for Jubail and Yanbu: www.rcjy.gov.sa

For more information on opportunities in this sector, please contact Haisum Shah (Jeddah) at haisum.shah@trade.gov

Education & Training Services

Overview

The Saudi Arabian government (SAG) allocated more than $51 billion dollars in its 2019 budget for education and human resource development, the second-largest allocation (22.5 percent) of budgeted expenditures after military and security services/regional administration. This allocation supports SAG efforts to increase the labor participation rate of Saudi nationals in the local economy and reduce unemployment. Focus areas include: youth and female employment assistance, SME development, and enhancing productivity and technical skills necessary for a diversified economy. Components of the Ministry of Education's budget include: public education, higher education and training, new projects, and expansion of existing projects such as:

- King Abdullah Bin Abdulaziz Public Education Development Project
- 1,376 educational facilities and schools (411 new schools completed in 2016)
- Renovation of female colleges across different universities
- Scholarship programs
- National Transformation Program (NTP) initiatives related to the sector

Saudi Arabia remains a promising market for U.S. colleges and universities seeking to recruit and attract international students. Over the last decade, Saudi Arabia has become the fourth-largest source of international students studying at the post-secondary level in the United States. Recently, however, due to sustained low oil prices and increased government drive to create opportunities for Saudi's growing youth population (Saudization), there is enhanced interest in the provision of vocational and technical training in-country. The government's efforts to build several new technical and vocational institutions reflects this desire.

Saudi Arabia launched an ambitious socio-economic transformation agenda under "Vision 2030" and the National Transformation Program (NTP) on April 25, 2016. Vision 2030 and the NTP are aimed at diversifying the economy and reducing Saudi's dependence on oil. All parts of the economy and society are expected to play a role in realizing the objectives of the program, including through public-private partnerships (PPP). Spending on NTP initiatives largely fall under the budgeted allocations of Education, Municipality Services and Public Administration. A key pillar of the transformation program involves developing Saudi's human competency through improved education and training and by creating well-paying jobs in the private sector. Towards this end, the government plans to create 450,000 jobs in the non-government sector by 2020.

The Ministry of Education aims to close the gap between the output of higher education (graduates) and Saudi job market requirements. By 2030, Saudi Arabia hopes that five of its universities will rank amongst the top 200 universities worldwide. In addition, by 2030, Saudi students are expected to achieve results that exceed international education averages.

Saudis are gradually replacing foreign workers. "Saudization" is a SAG-mandated program to replace foreign workers with trained Saudi workers gradually. The program is expected to create increased opportunities for institutions and organizations engaged in workforce training, particularly vocational training. Saudi job seekers previously sought mainly mid- or high-level positions within the private and public sectors, especially managerial positions. However, Saudis are increasingly willing to accept jobs at all levels, given economic challenges associated with sustained low oil prices, high population growth and increased unemployment.

One of the challenges of understanding the Saudi education and training system is the varying degrees of conservative attitudes expressed in different parts of the country. Each part may have its own school of thought and a sizable portion gives preference to religious education over all other forms of education. Saudi Arabia is also a large country, with many scattered villages and uneven resources. The Saudi government is trying to tackle some of the challenges by giving each part a fair share of the budget intended for education.

Although it is possible for foreign companies to set up in Saudi Arabia without a partner, it is recommended that any U.S. company wishing to enter the Saudi market appoint a local agent, or do so in agreement with a Saudi partnership or joint venture. New-to-market organizations are strongly advised to visit the country. Contact can initially be made with one or more training institutions. A joint venture with an institution would be a good entry method into the Saudi market. Also, offering short courses or seminars through an institution could be a good way to get a glimpse of the market.

The Saudi market can be very sensitive to course material content. U.S. companies are encouraged to familiarize themselves with Saudi traditions, customs, and strict observances of the Islamic faith to ensure that course materials do not unintentionally offend local norms and practices.

Leading Sub-Sectors

Vocational and Technical Training

There is a dynamic market for technical and administrative training in Saudi Arabia. Graduates of training programs in healthcare, agriculture and teaching are steadily filling professional positions throughout the country.

Most of Saudi Arabia's vocational training centers are operated by the Ministry of Labor (MoL) and the Ministry of Education and follow the PPP model such as the case with the National Power Academy (NPA), National Maritime Academy (NMA), and National Aviation Academy (NAA), with several of the major Saudi companies such as Aramco, SABIC and Saudi Airlines being key stakeholders in these institutes.

The Institute for Public Administration, established in 1961 as a semi-independent public agency, provides basic training for civil servants through branches in Dammam and Jeddah, and a special branch in Riyadh for training women. It offers courses in administration, law, accounting, computer science, maintenance, personnel management, secretarial skills and management planning.

A number of organizations, both government and private, are enhancing existing employee training courses with an emphasis on business, management, technical and language training. These efforts, however, are not fully addressing the demand and need assistance to fulfil their government mandate.

Opportunities

Opportunities in the Saudi market can be found in English language programs for professional development with focus on "Technical English" curricula as well as hands-on training in specializations such as machine tooling, metalworking, electro-mechanics and auto mechanics. The government's priority is to provide young Saudis with skills that are in high demand and courses that are specifically tailored to meet the needs of industry and the unemployed. The most popular courses include computer technology, computer programming, technical and vocational training, office management, accounting and financial management, and marketing and sales. Opportunities in the Saudi market also include short and long-term training in pilot training and aviation maintenance. In addition, training in the medical field, such as in nursing, x-ray technology, emergency aviation, medical assistance, pharmacy and medical sciences (at both undergraduate and postgraduate levels) are in high demand.

In April 2018, Saudi authorities have ordered the handover of 25 state-run schools to the private sector as part of the government's economic reforms to ease the pressure on the state's finances. The government approved a strategy to privatize 14 vital sectors and generate 35-40 billion riyals ($9 billion to $11 billion). A Saudi official overseeing the process said school buildings would be handed over in some of the first deals. The Ministry of Education announced a tender for long-term concessions to design, build, finance, and maintain facilities for 60 schools around the Kingdom which is still in the process.

With the official removal of the driving ban on women in the Kingdom, which was enforced on June 24, 2018, the need for specialized driving schools for females has become an emerging opportunity. Several carmakers and other training companies in Saudi have already established driving schools for women, and several others are being planned for the next few years. According to the Financial Times, there had been more than 165,000 female applicants to the Kingdom's first female driving school in January 2018, with the demand outnumbering supply for the time being.

Distance learning is also becoming a very popular option in Saudi Arabia. Students are now increasingly interested in taking distance courses with reputable educational institutions in the United States. In addition, existing Saudi colleges see it as an opportunity to form a connection with U.S. institutions, which could result in accredited Saudi/U.S. qualifications. Frequently, government and private-sector employers also require technical courses tailored to their specific needs.

U.S. training and educational institutions can successfully compete in the provision of English language courses, particularly "Technical English," vocational and technical training, business management, accounting, and computer operation and management courses. Training can be provided by visiting professionals, consultants, and/or through the development of training materials and curricula in collaboration with local educational, technical and vocational training institutions. Many Saudi organizations also value the quality and recognition of short-term courses provided by United States institutions.

There is tough competition for companies from the U.S., UK, Australia, New Zealand and Japan. Saudi training experts are sometimes invited to visit the UK and to provide presentations to groups of educational organizations interested in entering the Saudi market. The British, Australian and Japanese governments offer scholarships to Saudi government officials to attend courses specializing in management, business skills development, and other suitable courses. However, because the American education system is widely considered to be superior, U.S. training institutions and organizations have an advantage entering and operating in the Saudi market. A number of U.S. training programs, franchises and U.S. universities have already entered the Saudi market. Other training joint ventures and partnerships are under discussion between American and Saudi organizations.

Prospective Partners

The Technical and Vocational Training Corporation (TVTC), which falls under the jurisdiction of the Ministry of Labor (MoL), oversees the Saudi national technical and vocational training programs, and carries out workforce development through technical colleges, industrial institutes and Colleges of Excellence. These industrial training organizations provide vocational education to high school students to meet the needs of the labor market in technical specialties and are a growing alternative to traditional university programs and degrees.

The government-owned and newly-established Colleges of Excellence program provides courses designed in consultation with the private sector to develop skills needed for the local job market. Courses encompass: business administration, hospitality and tourism, fashion and beauty, IT, and electrical technology.

MoL and the Human Resources Development Fund (HRDF) are also key players in this sector. The MoL is driving the expansion of technical education outside the university system through several subsidiaries including the HRDF and Takamol, which is the MoL's vehicle for public-private partnerships. HRDF provides qualified manpower to the private sector by funding training programs that fit the needs of the labor market and by publishing studies that address barriers to employment. These programs include job placement centers, job fairs, online training platforms, and job preparation programs.

Quasi-government organizations such as Aramco, SABIC, the regional offices of the Saudi Electric Company (SEC), Saudi Arabian Airlines, the Saline Water Conversion Company (SWCC), the Royal Commission for Jubail and Yanbu, several branches of the military, and large organizations such as banks have been providing training to their employees. These organizations have their own training centers. They also constitute the largest users of U.S. and European training packages. In addition, some of these organizations contract out some of the training needs that cannot be handled in-house.

Private sector companies also provide training for their employees. Those companies usually set a limited budget for training purposes. When training is essential, they typically train in-house or use the services of local training facilities that can provide training as needed.

Trade Events

The following trade events in Saudi Arabia offer excellent opportunities for U.S. vocational and technical training and educational institutions:

International Conference on Science Engineering & Technology (ICSET)
Location: Medina
Date: August 15-16, 2018

International Conference On Social Science And Humanities (ICSSH)
Location: Riyadh
Date: September 13-14, 2018

Higher Education & Career Fair (HECF)
Location: Riyadh
Date: September 28-29, 2018
Website: http://www.hecfsaudi.com/

Linden Educational Services Fair
Location: Riyadh
Date: October 17, 2018

Access MBA One-to-One Event
Location: Riyadh
Date: November 20, 2018

International Exhibition & Conference on Higher Education (IECHE)
Location: Riyadh
Date: April 2019 (TBD)
Website: www.ieche.com.sa/en/home

Web Resources

Technical and Vocational Training Corporation: www.tvtc.gov.sa

Saudi Ministry of Education: http://he.moe.gov.sa/en

Saudi Ministry of Interior: www.moi.gov.sa

Saudi Ministry of Labor: www.mol.gov.sa

Gulf International Bank: https://www.gib.com

Education USA: https://educationusa.state.gov

For More Information: The U.S. Commercial Service in Dhahran, Saudi Arabia can be contacted via e-mail at: Tareq.Ghazal@trade.gov; Phone: 966 13 330 3200 X 3065; Fax: 966 13 330 2190;

In Jeddah, Saudi Arabia contact: Haisum Shah at haisum.shah@trade.gov, or visit our website at https://www.export.gov/saudiarabia

Travel, Tourism, and Entertainment

Overview

The Tourism sector is a priority industry identified in Saudi Arabia's Vision 2030 economic diversification plan. Saudi Arabia already has a competitive advantage over its GCC peers in religious tourism. The SAG began issuing tourist visas in September 2019. Saudi Arabia's diverse terrain offers a wide variety of scenery, while its captivating history, rich culture and significance for Islam make it one of the most visited countries in the world. There are more than 4,000 registered archaeological sites across the Kingdom, as well as the UNESCO World Heritage sites.

($ billion)

	2015	2016	2017
Market size/ Total contribution to GDP	63.4	61.4	64.2
Total inbound tourism expenditure	26.8	28.3	30.3
Total Outbound spending	17.5	16.4	16.8
Exchange Rate: 1USD		n/a	3.75 SAR

The tourism sector (including indirect effects) already accounted for 9.4 percent of GDP in 2017 according to the World Travel and Tourism Council, above the Middle East's average of 8.9 percent. With its varied geography and young population, Saudi Arabia shows huge potential for non-Hajj related tourism and entertainment in the region. Nearly 60 percent of Saudi Arabia's 32 million-plus population is under the age of 30 with a considerable appetite for entertainment, culture and sports. Saudis make approximately 9.6 million leisure trips abroad each year, spending around 80 percent of their entertainment budget whilst they are away. This amounts to around $5.6 billion per year, a sizeable sum reflecting the recreational needs of the modern society.

With Saudi Arabia holding jurisdiction over the two holy mosques in Islam, in Mecca and Medina, religious tourism is already well developed in the country, accounting for roughly 40 percent of tourist arrivals to the country. The Ministry of Hajj has been renamed as the Ministry of Hajj and Umrah, an indication of a new focus on religious tourism. Umrah, also known as the lesser pilgrimage, is seen as a potentially lucrative opportunity for the Kingdom, which hosted around eight million Umrah pilgrims from around the world last year. Saudi Arabia wants to increase that number to 15 million by 2020.

The United States Department of Commerce's National Travel and Tourism Office, in its last statistical reporting (June 2015) noted that in 2014, 275,770 citizens traveled to the United States on holiday. The Travel and Tourism Office also confirms in its 2014 Middle East report, that the majority of travelers from the Kingdom and the Middle East region visit the Mid-Atlantic States with New York being the number one destination in the United States. A full statistical analysis is available at the following link:
http://tinet.ita.doc.gov/outreachpages/download_data_table/2015_Middle_East_Market_Profile.pdf

Leading Sub-Sectors

Tourism

The Saudi Commission for Tourism and National Heritage (SCTH) is the government arm entrusted with developing and strengthening the country's tourism sector and preserving its antiquities. The SCTH has been tasked with developing touristic destinations and events with an increased investment targets, raise awareness of national heritage sites, and develop tourism services. As part of its ambitious socio-economic reform agenda and to expand entertainment options for its citizens and visitors, the SAG established the General Entertainment Authority (GEA) in 2016 and made it responsible for entertainment-related activities in the Kingdom and for laying out plans and programs for the development of the entertainment industry.

Saudi Arabia's tourism sector has witnessed massive growth marked by a boom in inbound international visitors and a significant increase in domestic tourism. In 2017, Saudi Arabia received more than 18.6 million inbound visitors from around the world while domestic trips reached to 47.4 million in 2017.

Saudi Arabia currently ranks among the top 20 countries in the world in terms of total GDP contribution, with tourism contributing $64.2 billion to the economy in 2017. This is expected to further rise by 4.8 percent per annum, to $110 billion constituting 11.1 percent of GDP by 2027.

Saudi Arabia is investing in developing Saudi tourism infrastructure starting with the opening a new international airport in Jeddah that will be able to handle 100 million passengers.

Saudi Arabia is also promoting private investments in the country through the Kafalah program and land-lease extensions. The Kafalah program will guarantee tourism projects receive loans of up to $400 million for all tourism related projects such as hotels, resorts, amusement parks, and cinemas whilst the land-lease extension initiative will grant ventures with expected investment of more than $5.33 million an extension of the land lease period to 50 years, instead of the original 15 or 20.

The government has identified several projects aimed at expanding and establishing the tourism sector. Neom is a $500 billion mega city planned for Tabuk province that is set to be world's first private zone spanning 26,500 square kilometers. The UNESCO World Heritage site of Al Ula located in Madinah province is to undergo transformative development so visitors can have access to the ancient ruins at Mada'in Saleh, a UNESCO world heritage site and a relic of the same ancient civilization that built the better-known city of Petra in Jordan. In July 2017, the SAG revealed plans to develop resorts on some 50 islands off the Kingdom's Red Sea coast as the Public Investment Fund (PIF) will make initial investments around $4 billion and seek partnerships with international investors and hoteliers. Moreover, the PIF created the Red Sea Development Company (TRSDC) as a closed joint-stock wholly owned company. The company will create a special economic zone with its own regulatory framework, visas on entry, relaxed social norms, and improved business regulations. It was planned for completion by the end of 2022.

In 2017, the PIF announced it will lead the redevelopment of Jeddah's waterfront corniche, creating a unique tourist, residential and commercial destination, to become the "New Jeddah Downtown". The project, which will contribute $4.8 billion of investment over 10 years as well as 36,000 new jobs, aims to create a distinctive and attractive environment to support Jeddah's ambition of becoming one of the world's top 100 cities. The project will include spaces for entertainment, shopping, and commercial activities, which are accessible for both residents and visitors. In July 2018, the SAG started issuing a number of tenders to deliver more than 12,000 housing units to accommodate 58,000 new residents, entertainment and retail projects, offices and hospitality properties.

Construction work has begun on a $2 billion heritage tourism project at Souq Okaz City in Taif, Saudi Arabia. The scheme includes heritage centers, museums, recreational areas and a convention center. In the first phase, a new suburb with housing facilities for about 750,000 people, and an international airport able to handle five million passengers a year, will be constructed. The plan also includes setting up the King Abdul Aziz City for Science and

Technology as well as Taif University and an industrial city. In total 18 main projects have been reserved for the private sector and five for the public sector

The Farasan Islands in Jazan province, an archipelago of 84 coral islands in the Red Sea, are being developed into a marine sanctuary eco-tourism destination. Jabal Sawda near Abha in the Asir Region is also being geared to receive tourists. The site is situated on a high plateau that receives more rainfall than the rest of the country and contains the country's highest peaks, which rise to almost 3,000 meters. Finally, Al Uqair, on the Saudi eastern coast, is being developed to offer waterfront activities that target domestic tourists. These projects will no doubt be the first of many unprecedented initiatives that are to transform Saudi Arabia into a global touristic hub of the highest caliber and offer significant business opportunities for small and medium enterprises and foreign investments.

Entertainment

There are a number of stakeholders working on the entertainment sector in Saudi Arabia. These include GEA, SCTH, the General Culture Authority, and the General Commission for Audiovisual Media (GCAM), which is tasked with licensing the newly reinstated cinemas. In December 2017, the Kingdom decided to lift the 35-year ban on cinemas which has opened up opportunities for international and regional companies to help develop the domestic entertainment industry.

The Development and Investment Entertainment Company (DIEC), a subsidiary company of GEA, was launched by the PIF in January 2018 with an initial capital of $2.6 billion. The company signed an agreement with U.S.-based AMC Theaters in April 2018 to operate AMC cinemas in the Kingdom. DIEC jointly with AMC expects to open a total of 50-100 cinemas in approximately 25 Saudi Arabian cities by the year 2030.

GEA has indicated that this sector needs $71.2 billion to build the suitable infrastructure for entertainment across the Kingdom. In addition to AMC Theaters, GEA has signed contracts with Six Flags, National Geographic, Cirque Du Soleil, and IMG Artists, to operate entertainment venues throughout the Kingdom.

GEA has also expressed interest in exploring relationships with U.S. companies and individuals who have expertise in conceptualizing, planning, developing and managing entertainment, cultural and tourism destinations. It is particularly interested in city planning and development strategies that integrate tourism and entertainment and in training for its staff.

In April 2018, the Kingdom laid the foundation stone of Al-Qiddiya project, the new entertainment, sports and cultural destination in Saudi Arabia west of Riyadh with a total area of 334 square kilometers. By 2030, the number of annual visitors to Qiddiya is expected to reach 17 million in the entertainment sector, 12 million in the shopping sector, and two million in the hospitality sector.

Private sector participation in the industry is key within the areas of infrastructure development, event operations, content building and capabilities building. The expansion of this sector will also open up opportunities for the private sector through ancillary services such as food and beverages, retail, logistics, tourism and accommodation.

More than 2,200 event titles were held by the GEA in 2017, attracting 7 million attendees in over 50 towns and cities. The first all-female performer concert took place in Riyadh in 2017, selling out immediately due to large demand. The GEA has set even higher targets for 2018 and 2019, with plans to produce approximately 5,500 events during those years and is ongoing and continuing to KSA continues to raise the number of events. Fore example the Dakar Race was held in Saudi Arabia this year. Religious Tourism

In 2017, religious tourism attracted more than 8 million Muslim visitors, 1.8 million of whom came for the Hajj. The Ministry of Hajj is tasked with implementing the objective of providing an opportunity for the largest number of Muslims possible to perform Hajj and Umrah. This includes raising the number of Umrah pilgrims from abroad to 15 million by 2020 up from 6.8 million in 2017. According to Vision 2030, this number will be doubled to 30 million by 2030. Despite the growth in religious tourists by more than 70 percent between 2007-2017, the total number of pilgrims in 2017 represented only one percent of Muslim population around the world.

Strong infrastructure projects are under implementation to increase the holy sites' capacity to welcome pilgrims, including additional accommodation, a high-speed railway connecting Mecca, Medina and Jeddah (the Haramine Railways), a metro network in Mecca and the new expansion of the King Abdulaziz International Airport in Jeddah.

Moreover, the PIF announced a number of projects in Mecca and Madinah as part of its plan between 2018-2020. In Mecca, the PIF is investing in two projects: the Roua’a Alharam project and Umm Al-Qura development project. In Madinah there are two additional projects: the Roua’a Al Madinah project and Dar Al-Hijrah Development project. These projects include building hotels, residential units, commercial spaces in order to increase the capacity of the two holy cities to receive visitors.

Opportunities

There are good opportunities for U.S. companies in the following sub-sectors:

- Consulting in tourism development and management
- Consulting in entertainment development and management
- Consulting in concession development and operations
- Planning, development, and operation of public entertainment, historical, cultural, and traditional attractions
- Events planning, promotion and management
- Cinema design, engineering and construction
- Hotel management
- Building and managing amusement parks
- Training and human resource development
- Preservation and conservation of artifacts and heritages
- Conducting cultural exchanges

Web Resources

The Saudi Commission for Tourism and National Heritage (SCTH) https://www.scth.gov.sa

The General Authority for Entertainment (GAE): https://www.saudi.gov.sa

Ministry of Culture and Information: http://www.mofa.gov.sa

Saudi Arabian Cultural Mission (SACM): http://www.sacm.org/

Public Investment Fund (PIF) www.pif.gov.sa

Invest Saudi: www.investsaudi.sa

Sources: Jadwa Research; BMI Research; World Travel and Tourism Council: www.wttc.org

For more information on opportunities in this sector, please contact the following Commercial Specialists:

Anwar Shaqhan (Jeddah): Anwar.shaqhan@trade.gov; Khalid Khan (Riyadh): Khalid.Khan@trade.gov; and Tareq Ghazal (Dhahran): Tareq.Ghazal@trade.gov

Customs, Regulations & Standards

Trade Barriers

As a member of the World Trade Organization (WTO), the Saudi Arabian government (SAG) has taken positive steps to become a more open, transparent, and predictable market; however, it has regressed in several key areas as well.

In January 2018, the SAG implemented a VAT at a rate of five percent, in addition to the excise taxes implemented in June 2017 on cigarettes (at a rate of 100 percent), carbonated drinks (at a rate of 50 percent), and energy drinks (at a rate of 100 percent). Over the past year, certain U.S. pharmaceutical companies have alleged that the SAG violated their intellectual property rights and the confidentiality of their trade data in licensing local firms to produce competing pharmaceuticals. The use of unlicensed U.S. software, including on SAG computer systems, has continued unabated.

U.S. firms report experiencing market barriers in the following areas: Technical Standards and Regulations, Performance and Localization Requirements, Intellectual Property Rights Protection, Delayed Payments, Dispute Resolution, and the Arab League Boycott.

Technical Standards and Regulations

Saudi Arabia uses technical regulations developed both by the Saudi Arabian Standards Organization (SASO) and by the Gulf Standards Organization (GSO). Saudi Arabia notifies all draft technical regulations to the WTO Committee on Technical Barriers to Trade.

Saudi Arabia continues to move toward adherence to a single standard, which is often based on International Organization for Standardization (ISO) or International Electrotechnical Commission (IEC) standards, in technical regulations to the exclusion of other international standards, such as those developed by U.S.-domiciled standards development organizations (SDOs). Saudi Arabia's exclusion of these other international standards, which are often used by U.S. manufacturers, can create significant market access restrictions for industrial and consumer products exported from the United States.

The United States government has engaged Saudi authorities on the principles for international standards per the WTO Technical Barriers to Trade Committee Decision and encouraged Saudi Arabia to adopt standards developed according to such principles in their technical regulations, allowing all products that meet those standards to enter the Saudi market. Several U.S.-based standards organizations, including SDOs, and individual companies have also engaged SASO, with mixed success, on these issues to preserve market access for U.S. products, ranging from electrical equipment to footwear.

Performance and Localization Requirements

Government-controlled enterprises in Saudi Arabia are increasingly introducing local content requirements for foreign firms. Aramco's "In-Kingdom Total Value Added" program, for example, strongly encourages the purchase of goods and services from a local supplier base and aims to double Aramco's percentage of locally-manufactured energy-related goods and services to 70 percent by 2021. Saudi Arabia's military is reforming its procurement processes and policies to incorporate new goals for Saudi employment and localized production. The SAG's Vision 2030 program calls for 50 percent of defense materials to be produced and procured locally by 2030 and simultaneously seeks comparable increases in the number of Saudis employed in this sector.

Intellectual Property Rights Protection

In 2019, Saudi Arabia was downgraded to the Priority Watch List in the annual Special 301 Report in light of intellectual property (IP) issues that represent barriers to U.S. exports and investment. While the Saudi Authority for Intellectual Property (SAIP) continues to work closely with the U.S. government and industry on a range of issues, serious concerns remain. As noted in the 2019 Special 301 Report, the Saudi Arabia Food and Drug Authority (SFDA) has repeatedly granted marketing approvals to domestic companies to produce generic versions of innovative pharmaceutical products. The approvals reportedly relied on regulatory data created by the innovative product that is subject to Saudi Arabia's system for protecting against the unfair commercial use, as well as the unauthorized disclosure of, undisclosed test or other data that innovators generated to obtain marketing approval. The SFDA's actions have created significant concern among U.S. industry stakeholders. Additionally, in 2017, the SFDA granted a license to a local generic manufacturer for a pharmaceutical product that was under patent protection in Saudi Arabia. The 2019 Special 301 Report also highlighted rampant satellite and online piracy in Saudi Arabia by the illicit service "beoutQ." Although beoutQ's activities in the Kingdom appear to have ceased starting in August 2019, the widespread availability of beoutQ's services in Saudi Arabia during 2018-2019 has created serious concern among U.S. owners of sports and entertainment content. IPTV boxes that provide access to pirated content are also rampant throughout the kingdom. Positive momentum continues to develop in Saudi Arabia's IP enforcement efforts, especially at Saudi Customs, but effective long-term solutions are needed to create a more transparent and responsive system that issues deterrent level sentencing for IP crime.

Delayed Payments

Companies who hold government contracts here continue to experience payment delays. While the Finance Ministry is honoring its pledge to pay the dues on time, many government departments are taking months to process the paperwork and send it to the Ministry, according to reports. Apparently, the delays are less severe than in the aftermath of the 2014 oil slump; however, it has been widely reported they are impacting sectors from construction to education and they're particularly acute for companies dealing with the Health Ministry.

To allay contractor concerns, the Finance Ministry launched an electronic platform in January 2018 that allows it to check on the status of payments. In February, a royal order set up a committee headed by the Commerce and Investment Minister to determine government arrears and find a quick solution.

U.S. companies should contact the U.S. Commercial Service at the Embassy in Riyadh or Consulates in Dhahran or Jeddah if payment problems persist.

Dispute Resolution

Traditionally dispute settlement and enforcement of foreign arbitral awards in Saudi Arabia have proven time-consuming and uncertain, carrying the risk that sharia principles can potentially trump any foreign judgments or legal precedents. Even after a decision is reached in a dispute, effective enforcement of the judgment can take a long period of time.

In recent years, the SAG has demonstrated a commitment to improving the quality of commercial legal proceedings and access to alternative dispute resolution mechanisms. Local attorneys indicate that the quality of final judgments in the court system has improved, but that cases still take too long to litigate.

In 2012, the SAG updated certain provisions in Saudi Arabia's domestic arbitration law, paving the way for the establishment of the Saudi Center for Commercial Arbitration (SCCA) in 2016. Developed in accordance with international arbitration rules and standards, including those set by the American Arbitration Association's International Centre for Dispute Resolution and the International Chamber of Commerce's International Court of Arbitration, the SCCA offers comprehensive arbitration services to firms both domestic and international. The SCCA reports that both domestic and foreign law firms have begun to include referrals to the SCCA in the arbitration clauses of their contracts. However, it is currently too early to assess the quality and effectiveness of SCCA proceedings, as the SCCA is still in the early stages of operation. Awards rendered by the SCCA can be enforced in local courts, though judges remain empowered to reject enforcement of provisions they deem non-compliant with sharia law.

In December 2017, the United Nations Commission on International Trade Law (UNCITRAL) recognized Saudi Arabia as a jurisdiction that has adopted an arbitration law based on the 2006 UNCITRAL Model Arbitration Law. While Saudi Arabia adopted this law in 2012, UNCITRAL did not consider it as a model law jurisdiction due to the SAG's reference to sharia's supremacy over UNCITRAL-adopted provisions. After discussions between UNCITRAL representatives and Saudi judges, during which the Saudi judges clarified that sharia would not affect the enforcement of foreign arbitral awards, UNCITRAL added Saudi Arabia to the list of model law jurisdictions. The potential impact of the decision is that foreign investors and companies in Saudi Arabia have slightly more certainty that their arbitration agreements and awards will be enforced, as in other UNCITRAL countries. Whether (and how) Saudi courts will apply this latest interpretation of the relationship between foreign arbitral awards and sharia law remains to be seen.

Arab League Boycott

The GCC 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 Tariff

Saudi Arabia uses the Harmonized Commodity Description and Coding System for tariff classification purposes. As a member of the Gulf Cooperation Council (GCC), it applies the GCC common external tariff of 5 percent to be levied on most goods imported from countries outside the GCC.

Goods that compete with those produced domestically are dutiable at rates of 12 percent or 20 percent, depending on the industry. Certain textile imports are among the products on which the 12 percent rate applies. Dates are dutiable at 40 percent. Cigarettes and other tobacco products are dutiable at 100 percent.

Certain goods are exempt from the common external tariff. For instance, goods manufactured within the GCC states are exempt from any duties as they are transported within the union. There are also 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.

In January 2018, the SAG implemented a VAT at a rate of five percent, in addition to the excise taxes implemented in June 2017 on cigarettes (at a rate of 100 percent), carbonated drinks (at a rate of 50 percent), and energy drinks (at a rate of 100 percent).

Ad valorem duties are levied on the CIF value. Saudi Arabia adheres to the WTO Customs Valuation Agreement (Article VII of the GATT), which stipulates the methods for the determination of customs valuation. Imports are subject to a customs surcharge, port fees, cargo service fees, and an import inspection tax.

Import Tariffs on Food/Agricultural Products

The clear majority of food products are subject to a 5 percent 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 percent ad-valorem is applied when local production of a food or agricultural product exceeds a self-sufficiency level.

Currently, a 40 percent import duty rate applies to fresh, dried/processed dates and 25 percent on wheat flour. Poultry imports face a mixed tariff; 20 percent or SAR 1.00 ($0.267) per kilogram, whichever is higher.

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.

In April 2017, the country began levying a 50 percent excise tax on soft drinks and a 100 percent tax on cigarettes, tobacco products, and energy drinks.

Import Requirements & Documentation

Under its World Trade Organization (WTO) obligations, Saudi Arabia has committed to implement a transparent and predictable import licensing system. The Government of Saudi Arabia requires that local chambers of commerce around the United States perform the authentication of shipping documents. The following documents are required for exporting goods to Saudi Arabia:

- Original certificate of origin legalized by the chamber of commerce of the exporting country;
- Original commercial invoice (in triplicate) invoice attested by the agency responsible for trade in the exporting country and which must state the country of origin, name of the carrier, brand and quantity of goods, and description of the goods including weight and value;
- Irremovable label showing the country of origin affixed on the commodity;
- 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 must 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 Investment).

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.

Foodstuff validity period together with ingredients should be labeled in Arabic in accordance with the Saudi or GCC specifications.

Register medical preparations at the Ministry of Health (especially medicaments and herbs).

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.

For updated information, visit: https://www.customs.gov.sa/sites/sc/en/sUnitedRulesDetails.

Labeling/Marking Requirements

Generally, if the product has an applicable Saudi-specific (SASO) standard or SASO-adopted standard, the marking requirements should be as per the SASO standard. If the product has no applicable SASO standard but has an applicable Regional/International Standard (e.g., IEC/ISO/GSO/EN/ASTM), the marking requirements should be as per the applicable Regional/International Standard. In other cases where the product has no applicable specific standard or the language of the marking is not specified in the product's applicable standard, then the marking language can be either in Arabic or English.

All markings pertaining to warnings and safety instructions must be in Arabic or in Arabic and English. Instruction manuals or pamphlets must be in Arabic language or in both Arabic and English.

All containers should be marked with the gross weight and with either the initials or the name of the consignee. If the consignment includes two or more containers, they should be numbered consecutively. All containers reportedly should be marked showing the country of manufacture (e.g., Made in U.S.A.).

All goods consigned to Saudi Arabia should be packed to withstand rough handling, extreme heat, and high humidity and to afford full protection against pilferage. These precautions are particularly necessary because many shipments from the United States to Saudi Arabia are transshipped enroute. Boxes should be waterproofed on the inside and outside and double strapped with metal bands. Simple crating of merchandise does not provide sufficient protection from the weather and from possible careless stevedoring at the ports.

Saudi Arabia is currently restructuring its Halal certification system. According to an announcement by the royal court, SASO will be responsible for accrediting Halal certifiers, and SFDA will be responsible for domestic certification. The text of the regulation has, however, not been published and there are many important details that need to be worked out. At this point port inspectors are accepting Halal certificates issued by certifiers accredited by SFDA and the World Muslim League. SFDA has established a Halal Center, but its eventual role for imported products is not clear at this point. As for drugs, the center may develop Halal and quality requirements for other products such as cosmetics, drugs, and medical devices.

Country of Origin

The country of origin (CoO) must be indicated on all imported goods in either Arabic or English unless it is not feasible to do so because of the size or the nature of the goods; in such cases, items may have the country of origin indicated on the package or box. The CoO must be indicated in such a way as to be unremovable, whether by printing, engraving, embossing, sewing, or other permanent method. A sticker is acceptable provided it cannot be removed. Shipments that do not comply with CoO requirements may be re-exported or destroyed at the importer's expense. Under certain circumstances, shipments that do not comply with CoO requirements may be corrected by the importer inside a customs zone or warehouse within two weeks, subject to the payment of a fine. Exporters are urged to consult with their customers in Saudi Arabia.

CoO Format: "Made in xxx" or "Manufactured in xxx"

Other formats/text for marking the country of origin are not acceptable. Dual CoO marking such as:

"Designed in xxx, Made in yyy" or "Assembled in xxx, Made in yyy" or "Engineered in xxx, Made in yyy" where xxx and yyy denote different countries of origin will not be accepted. It will only be accepted if the name of the manufacturer is clearly indicated in the dual CoO marking text, e.g., “Designed by [Insert Manufacturer's Name]in xxx, Made in yyy” and likewise for the other two dual CoO variations.

Units of Measure

Generally, goods for sale in Saudi Arabia must be in containers labeled in metric measurements. However, goods imported from countries that do not use the metric system may be marked in units of the exporting country provided they are sold locally on the basis of the metric system. Articles not manufactured on the basis of length, weight, volume, or area need not be marked.

Prohibited Items

Goods bearing immodest or nude pictures or bearing a cross and pictures not consistent with Islamic morals are prohibited. There should be no Koranic or Islamic sayings written on packages, other than straight translations of product contents, when necessary. If human figures are shown on packages, they should be in good taste. Photographs or illustrations of pigs or wrappings simulating pigskin should be avoided. Permission must be obtained for goods to bear the Saudi Arabian emblem, which consists of crossed swords and a palm.

Animals and Animal Products

All fresh meat and poultry products must be labeled with the production and expiration dates, metric weight, the necessary storage temperature or range of temperatures, and attestation that the product meets Halal slaughtering requirements. Processed meat and poultry products labels must include net weight, a list of ingredients in descending order of weight, and name and address of the manufacturer and packer, and must identify any pork components, including lard. Animal feeds must be labeled “Unfit for human consumption” or “Special for animal feeding only.”

Food and animal products require “halal certificates for both food products and animals—imported meat and poultry in particular require “ halal slaughter certificates”.

For food and agricultural import regulations and standards and certification consult USDA report

Chemicals

The Ministry of Agriculture requires all importers of chemicals to mark the following information in Arabic on all insecticide cans and packages: (a) the phrase “agricultural insecticides”; (b) the trade name and mark of the insecticides, if any; (c) the ratio of the active agents in the insecticides; (d) the purpose for which the insecticide is used and the ratios and methods of its uses; (e) precautions necessary for the protection of public health, stating the period that should elapse after its application to crops before harvest; (f) date of manufacture and expiration date for effectiveness of the insecticide, if any; and (g) net weight of contents.

Cosmetics

Cosmetic products must be labeled in Arabic on the outer packaging with the name and brand name; name and address of the manufacturer or importer; expiration date given as month and year for products that expire in less than 30 months or the phrase “Period After Opening” with the number of months the product expires if more than 30 months; list of ingredients, which must conform to the international nomenclature for cosmetic ingredients; function of product; storage conditions; production date or batch number; usage instructions and precautions; country of manufacture; and volume. Medical claims are prohibited unless they conform to Gulf Standard GSO 1943/2009. English language labeling is permitted alongside the Arabic.

The Saudi authorities are expected to issue regulations for halal certifications and labeling on certain non-food items such as cosmetics. As of the latest update on by SFDA, no such Halal certificates and labeling are require for cosmetics.

The news on “Halal Center” is published on SFDA’s website (In Arabic). This initiative is still in the development phase.(https://www.sfda.gov.sa/ar/food/news/Pages/f22-7-2018a1.aspx)

Food Products and Beverages

Prepackaged foods are subject to the Gulf Cooperation Council standard GSO 9/2013, “Labeling of Prepackaged Food Stuff.” See labeling information for Food Products and Beverages in the GCC profile in Trade Blocs. Food containers: Plastic containers used to package food products must be labeled with the type of plastic material used; the weight, capacity, number, or dimensions of the container; statement of food grade; purpose; directions for use; and applicable warning statements.

Genetically Modified Organisms

The Gulf Cooperation Council has established labeling requirements for foods that contain genetically modified organisms. See labeling information for Genetically Modified Organisms in the GCC profile in Trade Blocs.

Medical Devices

Medical devices are subject to specific labeling guidelines. The device or the packaging, as appropriate, must be labeled with the name of the device, name and address of the manufacturer, special storage conditions, warnings and contra-indications, and batch code or lot number, along with many other requirements specific to the type of device. Complete labeling guidelines are available from the Medical Device department at the Saudi Food and Drug Authority.

Pharmaceuticals

Specific labeling requirements apply to pharmaceutical products. Exporters should consult with their customers in Saudi Arabia or with the Drug Department of the Saudi Food and Drug Authority for specific guidelines.

Plants and Plant Products

Packages of barley, sorghum, or wheat seed must state in Arabic the type of seed, name of exporter, country of production, the phrase “Poisonous for both humans and animals,” date of production, and expiration date.

Textiles

Carpets: The following information must be repeated every five meters on carpet rolls and also must be shown on the sales invoice: thickness or weight per square meter, pile height, country of origin, and carpet quality (nylon, wool, acrylic, polypropylene, etc.). Carpet shipments without this information will not clear customs, and deviations from the requirements will be subject to legal penalty.

Other Products

Cigarettes: The following health warning, in Arabic, should be on all cigarette packs: “Government Warning: Smoking is a major cause of cancer and diseases of the lungs, heart, and arteries.” This warning can be printed by the agent. Certain types of cigarettes are banned.

For updated information, visit: https://www.customs.gov.sa/sites/sc/en/sRules.

U.S. Export Controls

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. The 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 in a variety of areas, including the management of the Kingdom's Foreign Military Sales (FMS).

In addition to confirming the ultimate destination of exports to the KSA, U.S. exporters should ensure transactions do not involve any proscribed parties by consulting the U.S. Government's consolidated export screening list at: http://apps.export.gov/csl-search#/csl-search. The Bureau of Industry and Security's (BIS) Export Control Officer at the Consulate General in Dubai is available to assist U.S. and local firms with compliance in U.S. export controls.

All U.S. origin items with an ECCN other than EAR99 require a license for re-export to Sudan. Most U.S. origin goods require a specific license to Iran however some items are eligible for shipment to Iran under an existing OFAC general license. These include mobile phones and accessories (for non-governmental entities), personal computers and accessories (for non-governmental entities), and most food and medicinal products.

Specific details can be found on OFAC's website and these are subject to change.

Shipments of U.S. origin goods are even more restrictive to Syria and nearly all items will require a specific license. U.S. exporters may contact the nearest Office of Export Enforcement for guidance prior to export. https://www.bis.doc.gov/index.php/enforcement/oee/investigations

https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx

https://www.treasury.gov/resource-center/sanctions/Programs/pages/syria.aspx

Temporary Entry

Goods may be entered temporarily for promotional purposes provided they include both an invoice with the value of the goods endorsed by the local chamber of commerce and a certificate of origin. Prior permission to import samples must be obtained from the director of customs in Riyadh. The request for permission to import must be accompanied by samples, prices, and catalogs.

Commercial samples are subject to the payment of customs duty and surcharge either by a deposit equal to the duty at the time of import or by a bank guarantee. The invoice should state that the goods are being imported for exhibition purposes only and that they will be re-exported when the exhibition is concluded. This deposit is refundable when the trade show is over and upon showing a document that the owner of the equipment officially participated in a trade show. A refund is made if the goods are re-exported within 12 months. If the samples are sold, neither the deposit nor the guarantee will be refunded.

A nonrefundable duty is levied on imports of samples of jewelry and watches. Factory advertising materials, excluding printed and illustrated calendars, imported for display may be imported duty-free if the applicable duty is minimal. All catalogs and brochures for which no charge is made may be entered duty-free.

Prohibited & Restricted Imports

The importation of certain articles is either prohibited or requires special approval from the competent authorities.

Importing the following products requires special approval by Saudi authorities: agricultural 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.

Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork and pork products, pornographic materials, distillery equipment, retreaded or used tires, used clothing and certain sculptures. Saudi Customs also does not allow importation of cars older than five years, salvaged cars, used police cars, taxies and rental cars. For additional information, please review requirements on the SASO and Saudi Customs web sites.

Only Saudi nationals may import goods for resale and conduct direct marketing activities; however, foreign industrial entities may conduct trade in the products they manufacture, and nationals of GCC member states may engage in certain retail and trading activities.

In June 2017, Saudi Arabia, the UAE, Oman, and Bahrain prohibited the importation of products from Qatar and severed their land, sea, and air connections with Qatar. The action has disrupted GCC trade patterns and complicated doing business in the Gulf region for some U.S. companies.

Standards for Trade

Overview

Saudi Arabia adheres to standards developed both domestically by SASO and by the GSO, an umbrella group serving the six countries of the Gulf Cooperation Council. While the GSO continues to push for standards harmonization across the Gulf, SASO maintains significant authority in developing, elaborating on, and enforcing standards for Saudi Arabia specifically.

Over the course of 2016, Saudi Arabia continued to revise technical regulations for a variety of products based solely on standards developed by the International Organization for Standardization (ISO) and International Electrotechnical Commission (IEC), marking a shift from the Kingdom's longstanding reliance on standards developed by U.S.-domiciled standards development organizations (SDOs). Saudi Arabia's exclusion of these U.S. SDO international standards, which are often used by U.S. manufacturers, have created significant market access restrictions for industrial and consumer products manufactured to these standards and exported from the United States.

While standards are set by SASO, the Saudi Ministry of Commerce and Investment laboratories carry out 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. Although SASO has an advisory, rather than enforcement role, it coordinates its activities among different enforcement agencies in the country to control product quality and standards.

Saudi Arabia is the most influential member of the GCC, which includes five other countries in the Arabian Peninsula: United Arab Emirates, Kuwait, Bahrain, Oman, and Qatar. As a group, the GCC strives to create a common set of standards. 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 requirements approved by the organization's Board of Directors.

Standards

SASO has published over 20,500 standards and is actively pursuing the promulgation of hundreds of new standards currently in various stages of development. SASO has shown increasing reluctance in recognizing standards developed by U.S. SDOs, which are international standards. It would be prudent for U.S. companies 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 from firms whose manufacturing processes are in compliance with ISO 9000 or an equivalent quality management system. We advise reaching a clear understanding with the Saudi purchaser before proceeding with shipment.

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 SAG is moving to make 220 volts the only accepted standard.

The Communications and Information Technology Commission (CITC) has authority over 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) is responsible for regulating, overseeing, and controlling food, drug, medical devices, as well as setting mandatory standard specifications thereof, whether they are imported or locally manufactured. The control and/or testing activities can be conducted at any of the SFDA's approved laboratories. The SFDA is also in charge of consumers' awareness on all matters related to food, drug and medical devices and associated products and supplies.

The SFDA was established by the Council of Ministers in January 2003, as an independent body that directly reports to the King. The SFDA's objectives are to ensure the safety of food for human and animal consumption and the safety, efficacy, and security of drugs, biologics, medical devices, dietary supplements, etc. Saudi food standards are based mainly on Codex Alimentarius standards and to some extent on European and U.S. standards but modified to reflect local conditions.

Testing, Inspection and Certification

In January 2018 SASO rolled out SALEEM SABER, an electronic certification and conformity assessment system, replacing CoC, that became mandatory for all imported goods entering Saudi Arabia as of July 2018. Saber (https://saber.sa) is an electronic service provider for obtaining Certificates of Conformity for products destined to the Saudi Arabian market under applicable Saudi standards and specifications rules. The service is provided under the supervision of Saudi Standards, Metrology and Quality Organization (SASO) in collaboration with Thiqah For Business Services.

Referred to simply as Saber, the system is an online verification tool which connects importers, SASO-approved certification bodies, and Saudi customs and related trade authorities in one online system. Saudi Arabia's purpose for initiating this program is to accelerate the clearance of the upcoming shipments, reduce counterfeit consumer products, more easily track products, and raise the number of SASO-standard-conforming products in the Saudi market.

Saber works like an online portal and covers both regulated and unregulated products. To submit a regulated product for importation, the importer will have to initiate the certification request by first, registering their product into the Saber system by entering the product details; then, selecting the product's classification; next, have a SASO-approved certification body assigned to the product for conformity assessment; and finally, await an approval certificate. If the product receives its approval certificate, the importer is then issued a shipment certificate, and is sent to Saudi customs before the product can enter the market. The entire process is done online through the Saber system.

For unregulated products, the importer can simply self-declare the product or products meets a voluntary standard and the good can be imported into the Saudi market. To self-declare a product, the importer must enter the product details into Saber, attach technical files and documents, and then be issued a Requester Declaration (S-DoC). The importer is then allowed to receive a shipment certificate, their product is sent to customs and then may enter the market.

SASO is responsible for establishing labeling and other marketing guidelines for goods in the Saudi market. The Ministry of Commerce and Investment implements SASO guidelines through its inspection and test laboratories at ports of entry into the Kingdom. Companies must pay special attention to labeling requirements, particularly for food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items.

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 statutory information such as product name, country of origin, ingredients, producer's name and address, production and expiry/use by dates, instructions for use, in the 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.

Quality control laboratories at ports of entry may reject products that are in violation of existing standards and laws. Products that do not meet established SASO standards are either re-exported to the country of origin or destroyed at the importer's expense. 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.

Since 2005, Saudi Arabia has had in place a 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) no longer bans imports of food products with less than half of shelf life remaining. 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. American manufacturers are urged to discuss labeling requirements with their designated representative or distributor before shipping products to Saudi Arabia.

Saudi Arabia is introducing energy efficiency labeling requirements for household appliances. In addition, energy efficiency standards and labeling requirements are being developed through the Saudi Energy Efficiency Center (SEEC) in cooperation with SASO. The SEEC is a national program and public-private partnership, to curb energy consumption in three sectors which are responsible for 90% of Saudi energy consumption: construction, land transportation, and industry sectors.

For construction, the SEEC is identifying best practices for energy efficiency in building and developing a new standard for a system to monitor air conditioning and insulation materials imported to or manufactured in Saudi Arabia.

For land transportation, energy efficiency standards work will require new cars to be more fuel efficient, making vehicle suppliers provide additional labeling information on their products hitting the market. In the industry sector, the intent is to increase energy efficiency in the steel, cement, and chemicals industries in the first phase. The SEEC website and further information can be found here.

In general, U.S. agricultural and food exports to Saudi Arabia enjoy market access with a few exceptions, including stringent requirements for poultry and meat exports. The import ban imposed by the SFDA on U.S. beef and beef products in May 2012, following the discovery of an atypical BSE case in California, has been lifted through an agreement between the SFDA and USDA/USTR to open the Saudi market for U.S. beef exports. Practical obstacles remain before U.S. beef and beef products can enter the Saudi market, however, including the establishment of USDA's Agricultural Marketing Service (AMS) program for Export Verification (EV) for animals targeting Saudi Arabia's market. The EV program certifies that the slaughtered cattle for export to Saudi Arabia have not been fed with animal protein, with the exception of fishmeal and milk replacers, at any stage of the cattle's life.

In addition, the SFDA has not yet lifted temporary import bans that it imposed in 2015 on U.S. poultry and egg products from U.S. states that initially confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms, despite the World Organization for Animal Health, (OIE)'s, declaration that the states are free of the influenza.

The states affected by the ban include: Montana, North Dakota, South Dakota, Wisconsin, Iowa, Oregon, California, Washington, Idaho, Minnesota, Missouri, Kansas, Arkansas, Nebraska and Indiana. The temporary ban imposed on the individual state is effective until these states are officially declared free from HPAI. The SFDA's temporary bans exclude poultry and products that are thermally treated and certified by a competent authority (USDA's Food Safety Inspection Service -- FSIS) to be free from HPAI. The FSIS Export Library for Saudi Arabia lists the names of U.S. states that are ineligible for exporting uncooked poultry and their products to Saudi Arabia because of the outbreak of HPAI.

SFDA requests that all U.S. poultry and meat exports to Saudi Arabia be accompanied by a health certificate issued by FSIS attesting that the poultry slaughtered for export to Saudi Arabia was not fed with products containing animal protein, fat or remnants of animal origin. This condition has drastically reduced the number of U.S. poultry meat suppliers that can fulfill the SFDA's poultry feed requirements. The SAG has also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards.

Publication of Technical Regulations

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

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National Institute of Standards and Technology (NIST) Notify U.S. Service

Members of the World Trade Organization (WTO) are required under the Agreement on Technical Barriers to Trade (TBT Agreement) to notify to the WTO proposed technical regulations and conformity assessment procedures that could affect trade. **Notify U.S**. (www.nist.gov/notifyus) is a free, web-based e-mail registration service that captures and makes available for review and comment key information on draft regulations and conformity assessment procedures. Users receive customized e-mail alerts when new notifications are added by selected country(ies) and industry sector(s) of interest, and can also request full texts of regulations. This service and its associated web site are managed and operated by the USA WTO TBT Inquiry Point housed within the National Institute of Standards and Technology, part of the U.S. Department of Commerce.

Trade Agreements

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 among member states. 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. The League has agreed to negotiate an Arab Free Trade Zone.

In 2003, the United States signed a Trade and Investment Framework Agreement (TIFA) with Saudi Arabia. A TIFA is typically an umbrella agreement for ongoing structured 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 every one to two years.

As of this writing, the last TIFA meeting was held in Washington, DC in May 2018.

Licensing Requirements for Professional Services

In Saudi Arabia, the Ministry of Commerce and Investment (MOCI) has the authority to regulate and license professional services. Professionals including accountants, auditors, lawyers and legal consultants, architects, engineers and engineering consultants, translators and translation bureaus must be licensed by MOCI. Individuals wishing to obtain a license should possess the prerequisite qualifications and experience and seek the appropriate licensing from the MOCI. A recent legal challenge to the Ministry of Commerce and Investment's right to license joint venture law offices based on the contention that jurisdiction should properly rest with the Ministry of Justice has resulted in suspension of the issuance of new licenses pending resolution of the jurisdictional issue.

Web Resources

https://www.customs.gov.sa/sites/sc/en

http://www.customs.gov.sa/sites/sc/en/SCTariffs/Pages/Pages/SectionsPage.aspx

https://www.customs.gov.sa/sites/sc/en/sUnitedRulesDetails

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

https://www.gccpo.org/DefaultEn.aspx

http://www.citc.gov.sa/en/Pages/default.aspx

https://www.mci.gov.sa/en/Pages/Default.aspx

http://www.gcc-sg.org/en-us/Pages/default.aspx

https://www.bis.doc.gov/

https://www.bis.doc.gov/index.php/regulations/commerce-control-list-ccl

https://www.bis.doc.gov/index.php/component/content/article/23-compliance-a-training/51-red-flag-indicators

https://www.bis.doc.gov/index.php/component/content/article/23-compliance-a-training/47-know-your-customer-guidance

http://apps.export.gov/csl-search#/csl-search

https://www.nist.gov/standardsgov

www.nist.gov/notifyus

https://www.treasury.gov/resource-center/faqs/Sanctions/Pages/faq_iran.aspx

https://www.treasury.gov/resource-center/sanctions/Programs/pages/syria.aspx

https://pe.usps.com/text/imm/welcome.htm

https://www.ansi.org/

Investment Climate Statement

Executive Summary

The Saudi Arabian government announced its 2020 budget on December 9 with the King, Crown Prince, and Finance Minister highlighting that Vision 2030 reforms will continue and that spending is geared toward empowering the private sector. For 2020, Saudi Arabia plans to spend $272 billion with a deficit of about $50 billion, amounting to 6.4 percent of GDP, greater than the 4.7 percent deficit projected for 2019. Expenditures will be reduced from 2019 levels, including for the military and infrastructure, but Saudi Arabia will still run a deficit for the sixth consecutive year. The Saudi Arabian government estimates that GDP growth for 2020 will be 2.3 percent, a rebound from its 2019 forecast of 0.4 percent. Saudi Arabia's non-oil economy boosted growth for 2019, partially offsetting a sharp drop in the oil sector, and Saudi Arabia forecasts that the non-oil economy will continue to grow in the coming years.

The Saudi Arabian government (SAG) has embarked upon an ambitious series of socio-economic reforms, collectively known as "Vision 2030." Aimed at diversifying the Saudi economy, creating more private sector jobs for a growing population, improving government finances and services, and creating entertainment and tourism opportunities for the Saudi populace, Vision 2030 contemplates the development of entirely new economic sectors and a significant transformation of the economy in general. Spearheaded by Crown Prince Mohammed bin Salman, the reform program seeks to transition from Saudi Arabia's traditional, government-led economic growth model to one driven by the private-sector. In connection with these ambitious plans, the SAG seeks to expand and sharpen the country's knowledge base, technical expertise, and commercial competitiveness. To help accomplish these goals, Saudi Arabia seeks increased foreign investment.

SAG has taken a number of positive steps to improve the investment climate in the Kingdom. The SAG moved forward with plans to privatize many state-owned entities across a range of sectors, including transportation, education, energy, and healthcare, albeit at a gradual pace. The SAG also continued to ease requirements for foreign investors trading on Saudi Arabia's stock exchange, the *Tadawul* (though foreign investment still comprises a small percentage of the local stock market). Aramco's initial public offering of 1.5 percent of its shares on the *Tadawul* is in process. Further, the SAG has sought to attract foreign investment in entirely new sectors, including renewable energy, entertainment, and waste management. The SAG also seeks to increase the participation of women in the workforce; a royal decree to permit women to drive starting in 2018 is expected to ease some transportation challenges previously cited as barriers for women's entry into the labor market.

At the same time, the SAG has regressed in several key areas affecting the investment climate in the Kingdom. Certain U.S. pharmaceutical companies have alleged that the SAG violated their intellectual property rights and the confidentiality of their trade data in licensing local firms to produce competing pharmaceuticals. The use of unlicensed U.S. software, including on SAG computer systems, has continued unabated. The detention of prominent Saudi businessmen during an anti-corruption campaign launched in November 2017 introduced uncertainties into the business climate. Furthermore, economic pressures to generate non-oil revenue and provide more jobs for Saudi citizens have prompted the SAG to implement measures that may prove harmful to the country's investment climate, including significant fee hikes for business visas, new taxes, higher prices for fuel and utilities, increased fees for expatriate workers, tighter labor quotas, and more stringent localization polices. Recent examples include: doubling residential electricity rates; increasing the price of gasoline by more than 80 percent; collecting an across-the-board value-added tax (VAT) of five percent; and charging employers a monthly fee for each expatriate worker they employ. Additionally, the SAG has signaled its intent to introduce new local content requirements for foreign firms in a bid to stimulate domestic manufacturing, create jobs for Saudi nationals, and transfer technology and know-how.

Foreigners are permitted to invest in all sectors of the economy, except for specific activities contained in a “negative list” that currently precludes foreign investment in three industrial sectors and 13 service sectors, among them upstream petroleum and real estate investment in Mecca and Medina.

Table 1

Measure	Year	Index/Rank	Website Address
TI Corruption Perceptions Index	2017	57 of 180	http://www.transparency.org/research/cpi/overview
World Bank's Doing Business Report "Ease of Doing Business"	2018	92 of 190	doingbusiness.org/rankings
Global Innovation Index	2017	55 of 127	https://www.globalinnovationindex.org/analysis-indicator
U.S. FDI in Partner Country ($M $, stock positions)	2016	$9,825	http://www.bea.gov/international/factsheet/
World Bank GNI per capita	2016	$21,720	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

Attracting foreign direct investment remains a critical component of the SAG's broader program to diversify an economy overly dependent on oil exports and to create employment opportunities for a growing youth population. As such, the SAG seeks foreign investment that explicitly promotes economic development, transfers foreign expertise and technology to Saudi Arabia, creates jobs for Saudi nationals, and/or expands Saudi's non-oil exports. The government encourages investment in nearly all economic sectors, with priority given to transportation, health/biotech, information and communications technology (ICT), media/entertainment, industry (mining and manufacturing), and energy.

Saudi Arabia's economic reform programs are opening up new areas for potential investment. For example, in a country where most public entertainment was once forbidden, the SAG recently began introducing entertainment programming, including live concerts, dance exhibitions, monster truck shows, and other public performances. Significantly, the audiences for some of those events are now gender-mixed, representing a larger consumer base. The SAG began licensing cinemas in April 2018; that same month, a cinema, opened in partnership between a SAG agency and U.S. cinema company, held the first public screening of a commercial film ("Black Panther") in 35 years.

The SAG is proceeding with “economic cities” and new “giga-projects” that are at various stages of development. The government welcomes foreign investment in them. These projects are large-scale and self-contained developments in different regions focusing on particular industries, e.g., high-technology, energy, tourism, and entertainment. In October 2017, Saudi Arabia hosted a Future Investments Initiative Forum at which the Public Investment Fund (PIF), the SAG’s primary investment vehicle, launched its new strategy focused on strategic domestic investments, returns-driven international investments, and several domestic “giga-projects,” including: “NEOM,” a new $500 billion project to build a high-technology city in northwest Saudi Arabia; “Qiddiya,” a new, large-scale entertainment, sports, and cultural complex near Riyadh; and “the Red Sea Project,” a massive tourism development on the western Saudi coast.

In early 2017, the SAG initiated a bidding process to develop a renewable energy sector, offering foreign investors valuable opportunities to participate in the market and ultimately sign power purchase agreements. The PIF has also announced a $200 billion solar energy project in cooperation with SoftBank. Further, the SAG has announced plans to develop a civil nuclear power sector and an evaluation process for potential bidders is underway.

The Saudi Arabian General Investment Authority (SAGIA) governs and regulates foreign investment in the Kingdom, issues licenses to prospective investors, and works to foster and promote investment opportunities across the economy. Established originally as a regulatory agency, SAGIA has increasingly shifted its focus to investment promotion and assistance, offering potential investors detailed guides and a catalogue of current investment opportunities on its website (www.sagia.gov.sa).

Despite Saudi Arabia’s overall welcoming approach to foreign investment, some structural impediments remain. As noted earlier, foreign investment is banned in three industrial sectors and 13 service sectors, among them real estate in Mecca and Medina, some subsectors in printing and publishing, audiovisual services, and upstream petroleum. However, SAGIA has recently showed some flexibility in approving exceptions to these exclusions. The complete “negative list” can be found at www.sagia.gov.sa. Additionally, older laws remaining on the books prohibit or otherwise restrict foreign investment in some economic subsectors not on the “negative list” above, including some areas of healthcare.

Foreign investors must also contend with increasingly strict local content requirements in bidding for certain government contracts, labor policy requirements to hire more Saudi nationals at higher wages than expatriate workers, an increasingly restrictive visa policy for foreign workers, and enforced segregation of the sexes in business and social settings (though gender segregation is becoming more relaxed as the SAG introduces socio-economic reforms). Additionally, in a bid to bolster non-oil income, the government implemented new taxes and fees in 2017 and early 2018, including significant visa fee increases, new levies on expatriates, higher fines for traffic violations, new fees for certain billboard advertisements, and related measures. The government implemented a VAT in January 2018 at a rate of five percent, in addition to excise taxes implemented in June 2017 on cigarettes (at a rate of 100 percent), carbonated drinks (at a rate of 50 percent), and energy drinks (at a rate of 100 percent). In January 2018, the government also implemented new fees for expatriate employers ranging between $80 and $107 per employee per month, as well as increasing levies on expatriates with dependents amounting to a $54 monthly fee for each dependent. These original expatriate fees increase over time, though some sectors have seen waivers..

Limits on Foreign Control and Right to Private Ownership and Establishment

Saudi Arabia fully recognizes rights to private ownership and establishment of private business. As outlined above, the SAG does exclude foreign investors from some economic sectors and places some limits on foreign control. With respect to energy, Saudi Arabia’s largest economic sector, foreign firms are barred from investing in the upstream petroleum sector, but the SAG permits foreign investment in the downstream energy sector, including refining and petrochemicals. There is significant foreign investment in these sectors. ExxonMobil, Shell, China's Sinopec, and Japan's Sumitomo Chemical are partners with Aramco in domestic refineries. ExxonMobil, Chevron, Shell, and other international investors have joint ventures with Aramco and/or SABIC in large-scale petrochemical plants that utilize natural-gas feedstock from Aramco's operations. In Saudi Arabia's Eastern Province, the Dow Chemical Company and Aramco are partners in a $20 billion joint venture to construct, own, and operate what will be, upon completion, the world's largest integrated petrochemical production complex.

With respect to other non-oil natural resources, the national mining company, Ma'aden, has a $12 billion joint venture with Alcoa for bauxite mining and aluminum production and a $7 billion joint venture with the leading American fertilizer firm Mosaic and SABIC to produce 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 in setting up such a partnership.

Professionals, including architects, consultants, and consulting engineers, are required to register with, and be certified by, the Ministry of Commerce and Investment (MCI), 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 a local office without a Saudi partner. The requirement that law practices and engineering consulting firms must have a Saudi partner was rescinded in 2017. Foreign engineering consulting companies must have been incorporated for at least 10 years and have operations in at least four different countries to qualify. However, offices practicing accounting and auditing, architecture, or civil planning, or providing healthcare, dental, or veterinary services must still have a Saudi partner, and the foreign partner's equity cannot exceed 75 percent of the total investment.

In recent years, Saudi Arabia has opened additional service markets to foreign investment, including financial and banking services; aircraft maintenance and repair and computer reservation systems; wholesale, retail, and franchise distribution services (traditionally subject to minimum 25 percent local ownership and minimum 20 million Saudi riyal ($5.3 million) foreign investment); both basic and value-added telecom services; and investment in the computer and related services sectors. In 2016, for example, Saudi Arabia formally approved full foreign ownership of retail and wholesale businesses in the Kingdom, thereby removing the former 25 percent local ownership requirement. While some companies have already received licenses under the new rules, the restrictions attached to obtaining full ownership – including a requirement to invest over $50 million over the first five years and ensure that 30 percent of all products sold are manufactured locally – have proven difficult to meet and precluded many investors from taking full advantage of the reform.

Other Investment Policy Reviews

Saudi Arabia completed its second WTO trade policy review in late 2015, which included investment policy (https://www.wto.org/english/tratop_e/tpr_e/tp433_e.htm).

Business Facilitation

In addition to applying for a license from SAGIA as described above, foreign and local investors must register a new business via the MCI, which has begun offering online registration services for limited liability companies at: http://www.mci.gov.sa/en. Though users may submit articles of association and apply for a business name within minutes on MCI's website, final approval from the ministry can often take a week or longer. Applicants must also complete a number of other steps in order to start a business, including obtaining a municipality (*baladia*) license for their office premises and registering separately with the Ministry of Labor and Social Development, Chamber of Commerce, Passport Office, Tax Department and the General Organization for Social Insurance. From start to finish, registering a business in Saudi Arabia takes a foreign investor on average three to five months from the time an initial SAGIA application is complete, placing the country at 135 of 190 countries in terms of ease of starting a business, according to the World Bank (2017 rankings). With respect to foreign direct investment, the investment approval by SAGIA is a necessary, but not sufficient, step in establishing an investment in the Kingdom. There are a number of other government ministries, agencies, and departments regulating business operations and ventures.

Saudi officials have stated their intention to attract foreign small- and medium-sized enterprises (SMEs) to the Kingdom. The SAG established the Small and Medium Enterprises General Authority in 2015 to facilitate the growth of the SME sector. In 2016, the SAG released a new Companies Law designed in part to promote the development of the SME sector. The law allows one person, rather than the previous minimum of two, to form a corporation, though in very limited cases. It also substantially cuts the minimum capital and number of shareholders required to form a joint stock company (from five previously to two).

Outward Investment

Saudi Arabia does not restrict domestic investors from investing abroad. Private Saudi citizens, Saudi companies, and SAG entities hold extensive overseas investments. The SAG is attempting to transform its Public Investment Fund, traditionally a holding company for government shares in state-controlled enterprises, into a major international investor. In 2016, the PIF made its first high-profile international investment by taking a $3.5 billion stake in Uber. The PIF subsequently concluded an agreement with Japanese Softbank Group Corp. to jointly create a $100 billion technology investment fund and an agreement with Blackstone to form a $40 billion infrastructure fund, focused largely on projects in the United States. The PIF has also announced a $400 million investment in Magic Leap, a U.S.- based company that is developing “mixed reality” technology. Aramco and SABIC are also major investors in the United States. Aramco acquired full ownership of the largest refinery in the United States, at Port Arthur, Texas, in 2017. SABIC has announced a major joint venture with ExxonMobil in a petrochemical facility in Texas.

Bilateral Investment and Trade Agreements, and Taxation Treaties

Saudi Arabia has signed bilateral trade and investment agreements with over 20 countries. The United States and Saudi Arabia signed a Trade and Investment Framework Agreement (TIFA) in 2003, building upon an agreement on secured private investment with the United States that has been in place since February 1975. The United States and Saudi Arabia last held TIFA consultations in May 2018 in Washington, D.C.

Saudi Arabia is a founding member of the Gulf Cooperation Council (GCC), which also includes Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates. While still under development, the GCC Customs Union formally ensures the free movement of labor and capital within the bloc. The GCC currently maintains free trade agreements (FTA) with Lebanon, Singapore, the European Free Trade Association (Norway, Switzerland, Iceland, and Liechtenstein), and the Greater Arab Free Trade Area of 18 Arab countries. The CGG is in the process of negotiating additional FTAs with China, the European Union, New Zealand, and several other trade partners.

On June 5, 2017, Saudi Arabia, the United Arab Emirates, Bahrain, and Egypt announced they were severing diplomatic relations with Qatar (other governments subsequently followed suit). The land border between the Kingdom and Qatar remains closed and there are no direct flights between the two countries.

Saudi Arabia does not have a bilateral taxation treaty with the United States, though the country maintained double taxation agreements with more than 40 countries as of March 2018.

The corporate tax treatment of foreign and domestic companies is imbalanced and favors Saudi companies and joint ventures with Saudi participation. The SAG imposes a flat 20 percent corporate tax rate on foreign investors. Saudi investors do not pay corporate income tax but are subject to a 2.5 percent tax, or "zakat," on net current assets. In January 2018, the SAG implemented a VAT at a rate of 5 percent; in June 2017 the SAG introduced excise taxes on cigarettes (at a rate of 100 percent), carbonated drinks (at a rate of 50 percent), and energy drinks (at a rate of 100 percent).

Legal Regime

Transparency of the Regulatory System

Few aspects of the SAG's regulatory system are entirely transparent, although Saudi investment policy is less opaque than many other areas. Bureaucratic procedures are cumbersome, but red tape can generally be overcome with persistence. Foreign portfolio investment in the Saudi stock exchange is well-regulated by the Capital Markets Authority (CMA), with clear standards for interested foreign investors to qualify to trade on the local market. The CMA is progressively liberalizing requirements for "qualified foreign investors" to trade in Saudi securities. Insurance companies and banks whose shares are listed on the Saudi stock exchange are required to publish financial statements according to International Financial Reporting Standards (IFRS) account standards. All other companies are required to follow accounting standards issued by the Saudi Organization for Certified Public Accountants.

Stakeholder consultation is inconsistent. Some Saudi organizations are scrupulous about consulting businesses affected by the regulatory process, while others tend to issue regulations with no consultation at all. Proposed laws and regulations are not always published in draft form for public comment. An increasing number of government agencies, however, solicit public comments through their websites. The processes and procedures for stakeholder consultation are not generally transparent or codified in law or regulations. There are no private-sector or government efforts to restrict foreign participation in the industry standards-setting consortia or organizations that are available. There are no informal regulatory processes managed by NGOs or private-sector associations.

International Regulatory Considerations

Saudi Arabia uses technical regulations developed both by the Saudi Arabian Standards Organization (SASO) and by the Gulf Standards Organization (GSO). Although the GCC member states continue to work toward common requirements and standards, each individual member state, and Saudi Arabia through SASO, continues to maintain significant autonomy in developing, implementing and enforcing technical regulations and conformity assessment procedures in their territory. More recently, Saudi Arabia has moved toward adherence to a single standard, which is often based on International Organization for Standardization (ISO) or International Electrotechnical Commission (IEC) standards, in technical regulations to the exclusion of other international standards, such as those developed by U.S.-domiciled standards development organizations (SDOs). Saudi Arabia's exclusion of these other international standards, which are often used by U.S. manufacturers, can create significant market access restrictions for industrial and consumer products exported from the United States. The United States government has engaged Saudi authorities on the principles for international standards per the WTO Technical Barriers to Trade Committee Decision and encouraged Saudi Arabia to adopt standards developed according to such principles in their technical regulations, allowing all products that meet those standards to enter the Saudi market. Several U.S.-based standards organizations, including SDOs, and individual companies have also engaged SASO, with mixed success, on these issues in an effort to preserve market access for U.S. products, ranging from electrical equipment to footwear.

A member of the WTO, Saudi Arabia notifies all draft technical regulations to the WTO Committee on Technical Barriers to Trade.

Legal System and Judicial Independence

The Saudi legal system is derived from Islamic law, known as *sharia*. Saudi commercial law, meanwhile, is still developing. Currently, the MCI is leading a new effort to overhaul commercial laws, a project that entails drafting new laws while modernizing current ones. In 2016, Saudi Arabia took a significant step in improving its dispute settlement regime with the establishment of the Saudi Center for Commercial Arbitration (see "Dispute Settlement" below). Through its Commercial Law Development Program, the U.S. Department of Commerce provides capacity building programs for Saudi stakeholders in the areas of contract enforcement, public procurement, and insolvency.

The Ministry of Justice oversees the sharia-based judicial system, but most ministries have committees to rule on matters under their jurisdictions. Judicial and regulatory decisions are ultimately appealable. Many disputes that would be handled in a court of law in the United States are handled through intra-ministerial administrative bodies and processes in Saudi Arabia. Generally, the Saudi Board of Grievances has jurisdiction over commercial disputes between the government and private contractors. The Board also reviews all foreign arbitral awards and foreign court decisions to ensure that they comply with *sharia*. This review process can be lengthy, and outcomes are unpredictable.

The Kingdom's record of enforcing judgments issued by courts of other GCC states under the GCC Common Economic Agreement, and of other Arab League states under the Arab League Treaty, is somewhat better. Monetary judgments are based on the terms of the contract—i.e., if the contract is calculated in U.S. dollars, a judgment may be obtained in U.S. dollars. If unspecified, the judgment is denominated in Saudi riyals. Non-material damages and interest are not included in monetary judgments, based on the *sharia* prohibitions against interest and against indirect, consequential and speculative damages.

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. Even after a decision is reached in a dispute, enforcement of a judgment can still take years. The Embassy recommends consulting with local counsel in advance of investing to review legal options and appropriate contractual provisions for dispute resolution.

Laws and Regulations on Foreign Direct Investment

SAGIA, in cooperation with its parent organization (the MCI), remains responsible for formulating government policies regarding investment activities, proposing plans and regulations to enhance the investment climate in the country, and evaluating and licensing investment proposals.

SAGIA periodically reviews the list of activities excluded from foreign investment (see Policies Toward Foreign Direct Investment) and submits its reviews to higher authorities 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 out of the country and can sponsor foreign employees, provided that "Saudization" quotas are met (see Labor Section below). 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.

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, the ISC must grant or refuse a license within five days of receiving an application and supporting documentation from the prospective investor. SAGIA has established and posted on-line its licensing guidelines, but many companies looking to invest in Saudi Arabia continue to work with local representation to navigate the bureaucratic licensing process.

SAGIA licenses foreign investments in three broad categories, each with its own regulations and requirements: (i) services, which comprise a wide range of activities including real estate, trading, consulting, IT, healthcare, and tourism; (ii) industry; and (iii) contracting. Foreign firms must describe their planned commercial activities in some detail and will receive a license in one of these sectors at SAGIA's discretion. Depending on the type of license issued, foreign firms may also require the approval of relevant competent authorities, such as the Ministry of Health or the Saudi Commission for Tourism and National Heritage.

An important SAGIA objective is to ensure that investors do not just acquire and hold licenses without investing, and SAGIA sometimes cancels licenses of foreign investors that it deems do not contribute sufficiently to the local economy. SAGIA's periodic license reviews, with the possibility of cancellation, add uncertainty for investors and can provide a disincentive to longer-term investment commitments.

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. To make it easier for businesspeople to visit the Kingdom, SAGIA can sponsor visa requests without involving a local company. Saudi Arabia has implemented a decree providing that sponsorship is no longer required for certain business visas. While SAGIA has set up the infrastructure to support foreign investment, many companies report that the process remains cumbersome and time-consuming.

Competition and Anti-Trust Laws

SAGIA and the Ministry of Commerce and Investment review transactions for competition-related concerns. Concerns have arisen that allegations of price fixing for certain products, including infant nutrition products, may have been used on occasion as a pretext to control prices. The Ministry of Commerce and Investment has looked to the GCC's reference pricing approach on subsidized products to assist the SAG in determining market-price suggested norms.

Saudi competition law prohibits certain vertically-integrated business combinations. Consequently, producers are unable to register exclusive distribution agreements at MCI's agencies registry, driving them in many instances to seek ways to work around this restriction. Such work-around arrangements may give rise to brand and quality management difficulties.

Expropriation and Compensation

The Embassy is not aware of any cases in Saudi Arabia of expropriation from foreign investors without adequate compensation. Some small to medium-sized foreign investors, however, have complained that their investment licenses have been cancelled without justification, causing them to forfeit their investments.

Dispute Settlement

ICSID Convention and New York Convention

The Kingdom of Saudi Arabia ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1994. Saudi Arabia is also a member state of the International Center for the Settlement of Investment Disputes Convention (ICSID), though under the terms of its accession it cannot be compelled to refer investment disputes to this system absent specific consent, provided on a case-by-case basis. Saudi Arabia has yet to consent to the referral of any investment dispute to the ICSID for resolution.

Investor-State Dispute Settlement

The use of any international or domestic dispute settlement mechanism within Saudi Arabia continues to be time-consuming and uncertain, as all outcomes are subject to a final review in the Saudi judicial system and carry the risk that principles of *sharia* law may potentially trump a judgment or legal precedent. The Embassy recommends consulting with local counsel in advance of investing to review legal options and contractual provisions for dispute resolution.

International Commercial Arbitration and Foreign Courts

Traditionally, dispute settlement and enforcement of foreign arbitral awards in Saudi Arabia have proven time-consuming and uncertain, carrying the risk that *sharia* principles can potentially trump any foreign judgments or legal precedents. Even after a decision is reached in a dispute, effective enforcement of the judgment can take a long period of time. In several cases, disputes have caused serious problems for foreign investors. For instance, Saudi partners and creditors have blocked foreigners' access to or right to use exit visas, forcing them to remain in Saudi Arabia against their will. In cases of alleged fraud or debt, foreign partners may also be jailed to prevent their departure from the country while awaiting police investigation or court adjudication of the case. Courts can in theory impose precautionary restraint on personal property pending the adjudication of a commercial dispute, though this remedy has been applied sparingly.

In recent years, the SAG has demonstrated a commitment to improving the quality of commercial legal proceedings and access to alternative dispute resolution mechanisms. Local attorneys indicate that the quality of final judgments in the court system has improved, but that cases still take too long to litigate. In 2012, the SAG updated certain provisions in Saudi Arabia’s domestic arbitration law, paving the way for the establishment of the Saudi Center for Commercial Arbitration (SCCA) in 2016. Developed in accordance with international arbitration rules and standards, including those set by the American Arbitration Association’s International Centre for Dispute Resolution and the International Chamber of Commerce’s International Court of Arbitration, the SCCA offers comprehensive arbitration services to firms both domestic and international. The SCCA reports that both domestic and foreign law firms have begun to include referrals to the SCCA in the arbitration clauses of their contracts. However, it is currently too early to assess the quality and effectiveness of SCCA proceedings, as the SCCA is still in the early stages of operation. Awards rendered by the SCCA can be enforced in local courts, though judges remain empowered to reject enforcement of provisions they deem non-compliant with *sharia* law.

In December 2017, the United Nations Commission on International Trade Law (UNCITRAL) recognized Saudi Arabia as a jurisdiction that has adopted an arbitration law based on the 2006 UNCITRAL Model Arbitration Law. While Saudi Arabia adopted this law in 2012, UNCITRAL did not consider it as a model law jurisdiction due to the SAG’s reference to *sharia’s* supremacy over UNCITRAL-adopted provisions. After discussions between UNCITRAL representatives and Saudi judges, during which the Saudi judges clarified that *sharia* would not affect the enforcement of foreign arbitral awards, UNCITRAL added Saudi Arabia to the list of model law jurisdictions. The potential impact of the decision is that foreign investors and companies in Saudi Arabia have slightly more certainty that their arbitration agreements and awards will be enforced, as in other UNCITRAL countries. Whether (and how) Saudi courts will apply this latest interpretation of the relationship between foreign arbitral awards and *sharia* law remains to be seen.

Bankruptcy Regulations

Potential investors should note that the "Resolving Insolvency" indicator most negatively affects Saudi Arabia's World Bank "Doing Business" ranking; its rank for this indicator is 168th out of 190 countries measured.

A 1996 royal decree put Saudi Arabia's current bankruptcy law, the Regulation on Bankruptcy Protective Settlement, into effect. 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. Ordinary creditors may utilize the law's provisions, except in the case of privileged debts and debts that arise pursuant to the settlement procedures.

In February 2018, the SAG announced the approval of new bankruptcy legislation. According to the SAG, the new bankruptcy law seeks to "further facilitate a healthy business environment that encourages participation by foreign and domestic investors, as well as local small and medium enterprises."

Industrial Policies

Investment Incentives

SAGIA advertises a number of financial advantages for foreigners looking to invest in the Kingdom, including the lack of personal income taxes and a corporate tax rate of 20 percent on foreign companies' profits. SAGIA also lists various SAG-sponsored, regional, and international financial programs to which foreign investors have access, such as the Arab Fund for Economic and Social Development, the Arab Trade Financing Program, and the Islamic Development Bank.

The Saudi Industrial Development Fund (SIDF), a government financial institution established in 1974, supports private-sector industrial investments by providing medium- and long-term loans for new factories and for projects to expand, upgrade and modernize existing manufacturing facilities. The SIDF offers loans for up to 50 percent to 75 percent of a project's value, depending on the project's location. Foreign investors that set up manufacturing facilities in developed areas (Riyadh, Jeddah, Dammam, Jubail, Mecca, Yanbu, and Ras Al-Khair), for example, can receive a 15-year loan for up to 50 percent of a project's value; investors in the Kingdom's least developed areas can receive a 20-year loan for up to 75 percent of the projects value. The SIDF also offers consultancy services for local industrial projects in the administrative, financial, technical and marketing fields.

SIDF also offers concessionary loan financing of up to 50 percent of total costs for: projects rendering logistics and support services, including warehousing, materials handling and transportation within industrial cities or to industrial sector investors; and infrastructure development in industrial cities and technology zones owned by the Saudi Industrial Property Authority (MODON) and the private sector. These programs are designed to encourage the private sector to invest in developing and building Saudi Arabia's industrial cities. (The SIDF's website is at https://www.sidf.gov.sa/en/Pages/default.aspx.)

The SAG offers several incentive programs to promote employment of Saudi nationals. The SAG's Saudi Human Resources Development Fund (HRDF) (https://www.hrdf.org.sa/), for example, will pay up to $800 monthly for up to six months to recent college-graduate trainees at private companies, while the employer, at its own discretion, may choose to provide additional incentives, stipends, allowances, or other benefits. The SAG also offers tax incentives for training and recruiting Saudi nationals in certain regions, including Ha'il, Jazan, Najran, Al-Baha, Al-Jouf, and Northern Borders.

American and other foreign firms are able to participate in SAG-financed and/or -subsidized research-and-development programs. Many of these programs are run though the King Abdulaziz City for Science and Technology (KACST), which funds many of the Kingdom's R&D programs.

Foreign Trade Zones/Free Ports/Trade Facilitation

Saudi Arabia does not operate free trade zones or free ports. However, as part of its Vision-2030 program the SAG has announced it will create special zones with special regulations to encourage investment and diversify government revenues; the Vision-2030 strategy cites logistics, tourism, industry, and finance as promising sectors for such zones. The SAG is discussing the establishment of free zones in certain areas, including at the NEOM high-technology city giga-project, the King Abdullah Financial District project in Riyadh, certain airports, and other locations.

Saudi Arabia has established a network of "economic cities" as part of the country's efforts to diversify away from oil. Overseen by SAGIA, four economic cities aim provide a variety of advantages to companies that choose to locate their operations within the city limits, including in matters of logistics and ease of doing business. The four economic cities are: King Abdullah Economic City near Jeddah, Prince AbdulAziz Bin Mousaed Economic City in north-central Saudi Arabia, Knowledge Economic City in Medina, and Jazan Economic City near the southwest border with Yemen.

The Saudi Industrial Property Authority (MODON) oversees the development of 35 industrial cities, including some still under development. MODON offers incentives for commercial investment in these cities, including competitive rents for industrial land, government-sponsored financing, export guarantees, and certain customs exemptions. (MODON's website is at https://www.modon.gov.sa/en/Pages/default.aspx.)

The Royal Commission for Jubail and Yanbu (RCJY) was formed in 1975 and established the industrial cities of Jubail, located in eastern Saudi Arabia on the Gulf coast, and Yanbu, located in western Saudi Arabia on the Red Sea coast. A significant portion of Saudi Arabia's refining, petrochemical, and other heavy industries are located in the Jubail and Yanbu industrial cities. The RCJY's mission is to plan, promote, develop and manage petrochemicals and energy intensive industrial cities; in connection with this mission, RCJY promotes investment opportunities in the two cities and can offer a variety of incentives, including tax holidays, customs exemptions, low cost loans, and favorable land and utility rates. (The RCJY's website is at https://www.rcjy.gov.sa/en-US/Jubail/Pages/default.aspx.)

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. Investors may avoid import duties on raw materials if they can demonstrate to the satisfaction of the MCI that the materials are not available locally.

Performance and Localization Requirements

The government does not impose systematic conditions on foreign investment. For example, there are no requirements to locate in a specific geographic area (except for some restrictions on the distribution of retail outlets and the location of industrial activities). Investors are not required to export a certain percentage of output. 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.

Although investors have not been required heretofore to purchase from local sources, the situation is changing. In line with the its bid to diversify its economy and provide more private sector jobs for Saudi nationals, the SAG has embarked upon a broad effort to source goods and services locally and is seeking commitments from investors to do so. In 2017 The Council of Economic and Development Affairs (CEDA) established the Local Content and Private Sector Development Unit (NAMAA in Arabic; http://namaa.gov.sa/en/) to promote local content and improve the balance of payments. NAMAA is responsible for monitoring and implementing regulations, suggesting new policies, and coordinating with the private sector on all local content matters. Utilizing resources from a $72 billion private sector stimulus fund, NAMAA is currently developing initiatives, which are set to be announced later in 2018, to encourage companies to increase local content.

Government-controlled enterprises are also increasingly introducing local content requirements for foreign firms. Aramco's "In-Kingdom Total Value Added" program, for example, strongly encourages the purchase of goods and services from a local supplier base and aims to double Aramco's percentage of locally-manufactured energy-related goods and services to 70 percent by 2021.

In the defense sector, Saudi Arabia's military is in the process of reforming its procurement processes and policies to incorporate new ambitious goals of Saudi employment and localized production. The SAG has shifted over the last 12 months away from offsets in favor of "localization" of purchases of goods and services and "Saudization" of the labor force. Previously, the government required offsets in investments equivalent to up to 40 percent of a program's value for defense contracts, depending on the value of the contract. The SAG is currently resorting instead to increasingly strict localization requirements in government contracts in the defense sector. The SAG's Vision 2030 program calls for 50 percent of defense materials to be produced and procured locally by 2030, and simultaneously seeks comparable increases in the number of Saudis employed in this sector.

The government encourages recruitment of Saudi employees through a series of incentives (see section 11 on Labor Policies for details of the "Saudization" program) and limits placed on the number of visas for foreign workers available to companies. The Saudi electronic visitor visa system defaults to five-year visas for all U.S. citizen applicants. "Business visas" are routinely issued to U.S. visitors who do not have an invitation letter from a Saudi company; the visa applicant must provide evidence that he or she is engaged in legitimate commercial activity. "Commercial visas" are issued by invitation from Saudi companies to applicants who have a specific reason to visit a Saudi company.

In the fall of 2016, the SAG implemented a series of significant visitor fee increases for expatriates whose countries do not have reciprocity agreements with Saudi Arabia, doubling the cost of a single-entry business visit visa to $533. (U.S. citizens are exempt from such increases on the basis of a 2008 U.S.-Saudi visa reciprocity agreement.) The SAG also imposed higher exit and reentry visa fees for all foreign workers residing in the Kingdom, including U.S. citizens, increasing the cost of a visa to exit and reenter the country by roughly $347 for one year and $694 for two years. Furthermore, in January 2018, the SAG implemented new fees for expatriate employers ranging between $80 and $107 per employee per month and increased levies on expatriates with dependents to a $54 monthly fee for each dependent (see section 11 on Labor Policies).

Data Treatment

There are no requirements for foreign IT providers to turn over source code or provide access to encryption. Other than a requirement to retain records locally for ten years for tax purposes, there is no requirement regarding data storage or access to surveillance.

Protection of Property Rights

Real Property

The Saudi legal system protects and facilitates acquisition and disposition of all property, consistent with Islamic practice of upholding private property rights. Non-Saudi corporate entities are allowed to purchase real estate in Saudi Arabia in accordance with the foreign-investment code. Mortgages do exist, although the recording system is reportedly unreliable. Other foreign-owned corporate and personal property is protected by law. Saudi Arabia does have a system of recording security interests, and has plans to modernize an archaic land registry system.

In 2017 the Ministry of Housing implemented a vacant land tax of 2.5 percent of the assessed value on vacant lands in urban centers in an attempt to spur development. Additionally, in January 2018, in an effort to increase Saudi's access to finance and stimulate the mortgage and housing markets, Saudi Arabia's central bank lifted the maximum loan-to-value rate for mortgages for first-time homebuyers to 90 percent from 85 percent. This represented a further liberalization in stringent down-payment requirements that prevailed up to 2016, when the central bank raised the maximum loan-to-value rate from 70 percent to 85 percent.

Intellectual Property Rights

In the last two decades, Saudi Arabia undertook a comprehensive revision of its laws governing intellectual property rights (IPR) to bring them in line with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs); the changes were promulgated 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 against IPR violations.

The SAG is in the process of reorganizing its IPR agencies and centralizing responsibility for all IPR matters in a new Saudi Intellectual Property Rights Authority (SIPA). SIPA's Board of Directors held its first meeting in March 2018 under the chairmanship of the Minister of Commerce and Investment. SIPA's objective is to ensure the unification and integration of IPR in Saudi Arabia. SIPA is expected to prepare a new national IP strategy and oversee its implementation.

While the SAG has made significant progress in IPR enforcement in recent years, deterioration of the IP situation occurred in certain sectors in 2017. Saudi Arabia was included on USTR's Special 301 "Watch List" in April 2018 following an increase in the number of IP stakeholders' complaints about the IPR situation in the Kingdom, particularly with respect to pharmaceuticals, software, digital and signal piracy, and counterfeit goods. (Saudi Arabia had been removed from USTR's Special 301 report in 2010 following improvements in the Kingdom's IPR enforcement regime.)

Recent steps by the Saudi Food and Drug Authority (SFDA) to license locally-manufactured, cheaper generic versions of patent-pending drugs within their five-year regulatory data protection period have created significant concern among U.S. industry stakeholders due to the commercial loss resulting from this abrogation of their patent and data protection rights. Additionally, in 2017, the SFDA granted another license to a local generic pharmaceutical manufacturer for a treatment that had been granted patent protection under Saudi law. According to the U.S. pharmaceutical and biologics industry, the SFDA's failure to recognize the data protections and patent constitutes a serious breach of intellectual property rights.

U.S. software firms report that the SAG continues to use unlicensed and "underlicensed" (in which insufficient licenses are procured for the total number of users) software on government computer systems in violation of their copyrights. Not only does the use of unlicensed software raise IPR concerns, it increases possible cyber-security vulnerabilities and may make it easier for hackers to penetrate Saudi computer systems, as evidenced by a major cyber failure in 2012 at Aramco, the theft of Ministry of Foreign Affairs' confidential materials in 2015, a cyber-attack against a major petrochemicals facility in 2017, and other cyber incidents.

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 2004 law. In December 2009, the Saudi Council of Ministers approved the Kingdom's accession to both the Intellectual Property Owners Association Patent Cooperation Treaty and its Implementing Regulations and the Patent Law Treaty adopted by the Diplomatic Conference in Geneva on June 1, 2000.

The SAG revised its Copyright Law in 2003 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, but since that time has not pressed actively for violators to be sentenced. The SAG has stepped up efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores, including relatively frequent raids on shops selling pirated goods, but many pirated materials are still available in the marketplace. The Ministry employs only a handful of investigators/inspectors nationwide and lacks the resources for effective copyright enforcement.

The Ministry of Commerce and Investment reported that its inspectors confiscated approximately five million counterfeit products in 2017. MCI announced that its inspectors visited 58,714 businesses and revoked 56 business licenses in 2017; 1,184 samples of products were tested at specialized laboratories. The SAG often makes public announcements in local media when large seizures of counterfeit goods are made. In April 2018, for example, media reported that in the course of one week MCI inspectors seized 400,000 counterfeit products, including perfumes, cleansing sprays, automotive oils, electrical products, and lightbulbs. According to the report, the inspectors raided 55 warehouses in Riyadh, Jeddah, and Damman and closed down a factory in Mecca that was producing fake perfumes and cleansing products.

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 trademark laws in the region, and the Saudi Customs Authority has significantly stepped up its enforcement efforts. Saudi Arabia has not signed or ratified the WIPO internet treaties.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders
Embassy point of contact:
Brian Barone
Economic Officer
+966 11 488-3800 Ext. 4140
BaroneBA@state.gov

Pete C. Mehravari
U.S. Intellectual Property Attaché for Middle East and North Africa
Patent Attorney
U.S. Embassy Kuwait | U.S. Department of Commerce
Office: +965 2259-1455
Peter.mehravari@trade.gov

Financial Sector

Capital Markets and Portfolio Investment

Financial policies generally facilitate the free flow of private capital, while currency can be transferred in and out of the Kingdom without restriction. Saudi Arabia maintains an effective regulatory system governing portfolio investment in the Kingdom. The Capital Markets Law, passed in 2003, allows for brokerages, asset managers, and other nonbank financial intermediaries to operate in the Kingdom. The law created a market regulator, the Capital Market Authority (CMA), which was established in 2004, and opened the Saudi stock exchange (*Tadawul*) to public investment.

Prior to 2015 the CMA only permitted foreign investors to invest in the Saudi stock market through indirect "swap arrangements," through which foreigners had accumulated ownership of one percent of the market. In June 2015, the CMA opened the *Tadawul* to "qualified foreign investors," but with a stringent set of regulations that only large financial institutions could meet. Since 2015, the CMA has progressively relaxed the rules applicable to qualified foreign investors, easing barriers to entry and expanding the foreign investor base. Following these regulatory steps, and stimulated by the March 2018 inclusion of the Saudi stock exchange on a key emerging markets index (FTSE Russell), the inflow of foreign capital to the *Tadawul* reached record highs in the first quarter of 2018. The CMA adopted regulations in 2017 permitting corporate debt securities to be listed and traded on the exchange; in March 2018 the CMA authorized government debt instruments to be listed and traded on the *Tadawul.*

Money and Banking System

The banking system in the Kingdom is generally well-capitalized and healthy. The public has easy access to deposit-taking institutions. The legal, regulatory, and accounting systems practiced in the banking sector are generally transparent and consistent with international norms. The Saudi Arabian Monetary Authority (SAMA), the central bank oversees and regulates the banking system; SAMA 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.

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 percent to 60 percent to entice further foreign investment. The SAG has authorized increased foreign participation in its banking sector over the last several years. As of March 2018, SAMA has granted licenses to operate in the Kingdom to 14 foreign banks: Gulf International Bank, Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, Deutsche Bank, BNP Paribas, J.P. Morgan Chase N.A., National Bank of Pakistan, State Bank of India, T.C.ZIRAAT BANKASI A.S., Industrial and Commercial Bank of China (ICBC), Qatar National Bank, and Bank of Tokyo. A number of additional, CMA-licensed foreign banks participate in the Saudi market as investors or wealth management advisors. Citigroup, for example, returned to the Saudi market in early 2018 under a CMA license.

Credit is normally widely available to both Saudi and foreign entities from commercial banks and is allocated on market terms. In late 2016, however, the accumulation of government arrears to private-sector companies, combined with high volumes of monthly domestic bond offerings, led to tightened liquidity in the banking system. The SAG's subsequent clearing of most arrears and the suspension of domestic bond sales, plus an early 2017 injection of capital from SAMA, has returned the banking system's liquidity levels to normal. The Saudi banking sector has one of the world's lowest non-performing loan (NPL) ratios, in the range of 1.5 percent. In addition, 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 number of corporate issuances of sharia compliant bonds, known as *sukuk*.

In February 2018, Saudi Arabia's Capital Market Authority issued a cautionary warning to the Saudi public about investment and speculative trading in initial coin offerings for cryptocurrencies because of the inherent risks associated with such investment vehicles.

Foreign Exchange and Remittances

Foreign Exchange Policies

There is no limitation in Saudi Arabia on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs, other than certain withholding taxes (withholding taxes range from five percent for technical services and dividend distributions to 15 percent for transfers to related parties and 20 percent or more for management fees). Bulk cash shipments greater than $10,000 must be declared at entry or exit points. Since 1986, when the last devaluation occurred, the official exchange rate has been fixed by SAMA at 3.75 Saudi riyals per U.S. dollar. Transactions take place using rates very close to the official rate.

Remittance Policies

Saudi Arabia is one of the largest remitting countries in the world. Remittances totaled $37.7 billion in 2017. There are currently no restrictions on converting and transferring funds associated with an investment (including remittances of investment capital, dividends, earnings, loan repayments, principal on debt, lease payments, and/or management fees) into a freely usable currency at a legal market-clearing rate. There are no waiting periods in effect for remitting investment returns through normal legal channels.

The Ministry of Labor and Social Development is progressively implementing a "Wage Protection System" designed to verify that expatriate workers, the predominant source of remittances, are being properly paid according to their contracts. Under this system, employers are required to transfer salary payments from a local Saudi bank account to employees' local bank account, from which expatriates can freely remit their earnings to their home countries.

In 2013, SAMA 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. Saudi Arabia is a member of Middle East and North Africa Financial Action Task Force (MENA-FATF). In 2015 Saudi Arabia obtained observer status to the FATF.

Sovereign Wealth Funds

As of October, 2017, the Public Investment Fund (http://www.pif.gov.sa/index.html) is the Kingdom's officially designated sovereign wealth fund. While the PIF lacks all the attributes of traditional sovereign wealth fund, it is evolving into the SAG's primary investment vehicle.

Established in 1971 to channel oil wealth into economic development, the PIF has historically been a holding company for government shares in partially privatized state-owned enterprises (SOEs), including SABIC, the National Commercial Bank, Saudi Telecom Company, and others. In April 2016, then-Deputy Crown Prince Mohammed bin Salman became chairman of the PIF and announced his intention to build the PIF into a $2 trillion global investment fund, relying in part on proceeds from the planned initial public offering of up to five percent of Aramco shares.

Since that announcement, the PIF has made a number of high-profile investments and announcements, including a $3.5 billion investment in Uber, an agreement with Japanese SoftBank Group to create a $100 billion technology investment fund, a partnership with Blackstone to establish a $40 billion North American infrastructure fund (to which the PIF would contribute up to $20 billion), an MOU with Softbank to develop the world's largest solar power generation project ($200 billion/200 gigawatts), and a partnership with cinema company AMC to operate movie theaters in the Kingdom.

In October 2017, Saudi Arabia hosted a Future Investments Initiative Forum, at which the PIF launched its new strategy focused on strategic domestic investments, returns-driven international investments, and several domestic "giga-projects," including: "NEOM," a new $500 billion project to build a high-technology city in northwest Saudi Arabia; "Qiddiya," a new, large-scale entertainment, sports, and cultural complex near Riyadh; and "the Red Sea Project, a massive tourism development on the western Saudi coast.

At the end of 2017, the PIF had an investment portfolio valued at approximately $180-200 billion, mainly in shares of state-controlled domestic companies. The PIF is in the process of rebalancing its investment portfolio and has divided its assets into six investment pools comprising local and global investments in various sectors and asset classes: Saudi holdings;

Saudi sector development; Saudi real estate and infrastructure development; Saudi giga-projects; international strategic investments; and international diversified pool of investments. The PIF has ambitions to achieve $400 billion in assets under management by 2020.

In practice, SAMA's foreign reserve holdings also operate as a quasi-sovereign wealth fund, accounting for the majority of the SAG's foreign assets. SAMA invests the Kingdom's surplus oil revenues primarily in low-risk liquid assets, such as sovereign debt instruments and fixed-income securities. SAMA's foreign reserves stood at approximately $495 billion at the end of 2017. Total reserves fell by approximately $40 billion in 2017, an improvement over the $80 billion drop in 2016. SAMA reserves peaked at $736 billion in mid-2014.

Though not a formal member, Saudi Arabia serves as a permanent observer to the International Working Group on Sovereign Wealth Funds.

State-Owned Enterprises

SOEs play a leading role in the Saudi economy, particularly in water, power, oil, natural gas, petrochemicals, and transportation. Aramco, the world's largest producer and exporter of crude oil and a large-scale oil refiner and producer of natural gas, is 100 percent SAG-owned, and its revenues typically contribute the majority of the SAG's budget. The SAG has offered1.5 percent of Aramco shares on the Tadawul in 2019 but there is no plan for an international IPO. Saudi Arabia's leading petrochemical company, SABIC, is 70 percent owned by the SAG. Five of the nine representatives on SABIC's board of directors are from the SAG, including the Chairman and Vice Chairman. The SAG is similarly well-represented in the leadership of other SOEs. The SAG either wholly owns or holds controlling shares in many other major Saudi companies, such as the Saudi Electricity Company, Saudi Arabian Airlines (Saudia), the Saline Water Conversion Company, Ma'aden (mining), and the National Commercial Bank and other leading financial institutions.

Privatization Program

Saudi Arabia has undertaken a limited privatization process for state-owned companies and assets dating back to 2002. The process, which is open to domestic and foreign investors, has resulted in partial privatizations of state-owned enterprises in the banking, mining, telecommunications, petrochemicals, water desalination, insurance, and other sectors.

As part of the Vision 2030 reforms, the SAG has announced its intention to privatize additional sectors of the economy. Privatization is a key element underpinning Vision 2030's target of increasing the private sector's contribution to Saudi GDP from 40 percent currently to 65 percent by 2030. In April 2018, the SAG launched a Vision 2030 Privatization Program that aims to: strengthen the role of the private sector by unlocking state-owned assets for investment; attract foreign direct investment; create jobs; reduce government overhead; improve the quality of public services; and strengthen the balance of payments. (The full Privatization Program report is available online at http://vision2030.gov.sa/en/ncp.) The program report references a range of approaches to privatization, including: full and partial assets sales; initial public offerings; management buy-outs, public-private partnerships (build-operate-transfer models); concessions; and outsourcing. The SAG aims to create 12,000 jobs and generate $9-$11 billion in non-oil revenue by 2020 through the Privatization Program. The program cites more than 100 privatization initiatives across 10 SAG ministries and targets 14 public-private partnership investments worth an estimated $6.4-$7.5 billion. While the program report outlines the general guidelines for the Privatization Program, it does not include an exhaustive list of assets to be privatized. The report does, however, reference education, healthcare, transportation, renewable energy, power generation, waste management, sports clubs, grain silos, and water desalination facilities as prime areas for privatization or public-private partnerships.

In 2017, Saudi Arabia established the National Center for Privatization and Public Private Partnerships, which will oversee and manage the Privatization Program. (The Center's website is at http://www.ncp.gov.sa/en/pages/home.aspx.) The NCCP's mandate is to introduce privatization through the development of programs, regulations, and mechanisms for facilitating private sector participation in entities now controlled by the government. The CEO of the NCCP stated in April 2018 that the SAG's Privatization Program would focus on ten economic sectors: environment, water and agriculture; transportation; energy; labor and social development; telecommunications and IT; education; municipal services; healthcare; housing; and *hajj* and *umrah* travel and tourism. According to the CEO, the Privatization Program aims to enhance competitiveness, elevate the quality of service, contribute to economic development, and improve the business environment. The NCCP's near-term objective is to complete five asset sales, 14 public-private partnerships, and four major corporatizations by 2020. The SAG is also developing a law on public-private partnerships, slated for passage by the end of 2018.

Responsible Business Conduct

There is a growing 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 into its goal of becoming a top-ten economy. The SAG encourages foreign and local enterprises to follow generally accepted CSR principles, including the OECD Guidelines for Multinational Enterprises.

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. As part of the SARCI initiative, the King Khalid Foundation issues annual "responsible competitiveness" awards to Saudi companies for outstanding CSR activities. The award's coverage includes: workforce development; equality and diversity; community investment strategies; quality, innovation and good governance; working with suppliers; and environmental management. According to the King Khalid Foundation, these themes have been developed to align with Vision 2030's core priorities.

Corruption

Foreign firms have identified corruption as a barrier to investment in Saudi Arabia. Saudi Arabia has a relatively comprehensive legal framework that addresses corruption, but enforcement can be selective. The Combating Bribery Law and Civil Service Law, the two primary Saudi laws that address corruption, provide for criminal penalties in cases of official corruption. Government employees who are found guilty of accepting bribes face 10 years in prison or fines up to one million riyals ($267,000). 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. Saudi corruption laws cover most methods of bribery and abuse of authority for personal interest, but not bribery between private parties. Public officials are not subject to financial disclosure laws. Some officials engage in corrupt practices with impunity, and perceptions of corruption persist in some sectors.

On November 4, 2017, King Salman issued a royal decree forming a new Supreme Anti-Corruption Committee. The SAG subsequently detained approximately 200 government officials, businesspersons, and royal family members ostensibly to investigate allegations of widespread corruption. The royal decree exempted committee members – which included the Crown Prince, attorney general, chairman of the National Anticorruption Commission ("Nazaha"), chief of the General Audit Bureau, chairman of the Saudi Monitoring and Investigation Commission, and head of the State Security Presidency – from "all laws, regulations, instructions, orders, and decisions" that would impede anticorruption efforts. Some of the detainees reportedly negotiated financial settlements in exchange for their release. In January 2018, the attorney general announced that the SAG had collected more than $100 billion in various types of assets, including real estate, commercial entities, securities, cash and other assets as part of its anti-corruption campaign. It is expected that detainees who elected not to negotiate settlements will go to trial, but no public trials have taken place as of April 2018.

The Supreme Anti-Corruption Committee, National Anticorruption Commission/Nazaha, the Public Prosecutor's Office, and the Control and Investigation Board are units of the government with authority to investigate reports of criminal activity, corruption, and "disciplinary cases" involving government employees. These bodies are responsible for investigating potential cases and referring them to the administrative courts.

Nazaha, established by former King Abdullah in 2011, is responsible for promoting transparency and combating all forms of financial and administrative corruption. Nazaha's ministerial-level director reports directly to the King. Nazaha refers cases of possible public corruption to the Public Prosecutor's Office. Some evidence suggests the organization has not shied away from influential players whose indiscretions may previously have been ignored. In 2016, for example, it referred the Minister of Civil Service for investigation over allegations of abuse of power and nepotism. In November 2016, Nazaha announced it found irregularities in the appointment of the minister's son to the Ministry of Municipal and Rural Affairs. The Commission regularly publishes news of its investigations on its website.

The Control and Investigation Board is responsible for investigating financial malfeasance, and the Public Prosecutors Office has the lead on all criminal investigations. The General Auditing Bureau is also charged with combating corruption, as is the Human Rights Commission, which responds to and researches complaints of corruption. Provincial governors and other members of the royal family routinely pay compensation to victims of corruption during weekly *majlis* meetings where citizens raise complaints.

The Saudi Arabian Monetary Authority oversees a strict regime to combat money laundering. Saudi Arabia has enacted an Anti-Money Laundering Law under which those convicted of can be sentenced to up to 10 years in prison and be fined up to $1.3 million. The Basic Law of Governance contains provisions on proper management of state assets and authorizes audits and investigation of administrative and financial malfeasance.

The Government Tenders and Procurement Law regulates public procurements, often a source of corruption. The law provides for public announcement of tenders and guidelines for the award of public contracts. Saudi Arabia is an observer of the WTO Agreement on Government Procurement (GPA). Although Saudi Arabia committed to initiate negotiations for accession to the WTO GPA when it became a WTO Member in 2005, it has not yet begun those negotiations.

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

Globally, Saudi Arabia ranks 57th out of 180 countries in Transparency International's Corruption Perceptions Index 2017.

Resources to Report Corruption

The National Anti-Corruption Commission's address is:

National Anti-Corruption Commission
P.O. Box (Wasl) 7667
Elalia-Hiaelghader
Riyadh 2525-13311
The Kingdom of Saudi Arabia
Fax: 012645555

Nazaha accepts complaints about corruption in person, by post, by telegram, or through the "Complainant Service" on its website:

http://www.nazaha.gov.sa/en/eServices/Complaints/Pages/default.aspx.

Political and Security Environment

The Department of State issues regular travel warnings to apprise U.S. citizens of the security situation in Saudi Arabia and frequently 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 exercise increased caution when traveling to Saudi Arabia due to terrorism and the threat of missile attacks on civilian targets. The Travel Warning notes that terrorist groups continue plotting possible attacks in Saudi Arabia and that terrorists may attack with little or no warning, targeting tourist locations, transportation hubs, markets/shopping malls, and local government facilities. Furthermore, terrorists have targeted both Saudi and Western government interests, mosques and other religious sites (both Sunni and Shia), and places frequented by U.S. citizens and other Westerners. Additionally, rebel groups operating in Yemen continue to fire long-range missiles into Saudi Arabia that have targeted major cities such as Riyadh and Jeddah, Riyadh's international airport, Aramco facilities, and vessels in the Red Sea shipping lanes. Please visit www.travel.state.gov for further information.

Labor Policies and Practices

The Ministry of Labor and Social Development sets labor policy and, along with the Ministry of Interior, regulates recruitment and employment of expatriate labor, which makes up a majority of the private-sector workforce. About

78 percent of total jobs in the country are held by expatriates, who number 12.2 million out of a total population of 32.6 million. The largest groups of foreign workers come from Bangladesh, Egypt, India, Pakistan, the Philippines, and Yemen. Saudis occupy about 90 percent of government jobs but only about 22 percent of the total jobs in the Kingdom. Over two-thirds of Saudi nationals are employed in the public sector. Westerners comprise less than two percent of the labor force.

Saudi Arabia's General Authority for Statistics estimates unemployment at 5.8 percent for the total population and 12.8 percent for Saudi nationals (end of 2017 figures), but these figures mask a high youth unemployment rate, a Saudi female unemployment rate of 32.7 percent, and low Saudi labor participation rates (40.7 percent overall, out of which only 17.8 percent are women). With approximately 60 percent of the Saudi population under the age of 30, job creation for new Saudi labor market entrants will prove a serious challenge in the coming years.

The SAG encourages Saudi employment through "Saudization" policies that favor the hiring of Saudi nationals, coupled with limits placed on the number of visas for foreign workers available to companies. In 2011, the Ministry of Labor and Social Development laid out a 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. Reforms enacted in 2017 refine the program to further incentivize the employment of women, disabled individuals, managerial, and high-wage earning Saudis. Each company is determined to be in one of four strata based on its actual percentage of Saudi employees, with platinum and green strata for companies meeting or exceeding the quota for their sector and size, and yellow and red strata for those failing to meet it. 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.

Over the past few years, the SAG has taken additional measures to strengthen the *Nitaqat* program and expand the scope of Saudization to require the hiring of Saudi nationals. The Ministry of Labor and Social Development has mandated that certain job categories in specific economic sectors only employ Saudi nationals, beginning with mobile phone stores in 2016. The ministry has since broadened the policy to include car rental agencies, retail sales jobs in shopping malls, and other sectors. The ministry has likewise mandated that only Saudi women can occupy retail jobs in certain businesses that cater to female customers, such as lingerie and cosmetics shops. In 2017, the Ministry of Labor and Social Development began to phase in rules forbidding employment of foreigners in retail sales positions in 12 sectors, including: watches, eyewear, medical equipment and devices, electrical and electronic appliances, auto parts, building materials, carpets, cars and motorcycles, home and office furniture, children's clothing and men's accessories, home kitchenware, and confectioneries. Because many retail shops in sectors subject to Saudization are owned and operated by expatriates, these policies have resulted in numerous store closures across the country. Many elements of Saudization and *Nitaqat* have garnered criticism from the private sector, but the SAG claims these policies have substantially increased the percentage of Saudi nationals working in the private sector over the last several years.

In 2017, the Ministry of Labor and Social Development and Ministry of Interior launched the latest phase of an ongoing campaign to deport illegal and improperly documented workers. Furthermore, in January 2018, the SAG implemented new fees for expatriate employers (ranging between \$80 and \$107 per employee per month but increasing over time), as well as increased levies on expatriates with dependents (a \$54 monthly fee for each dependent). The combination of Saudization and *Nitaqat* policies, new expatriate fees, increased visa and entry/exit permit fees, the new VAT, and other measures that have raised the cost of living has prompted many expatriates to depart the Kingdom. These measures have also significantly increased labor costs for employers, Saudi and foreign alike.

Saudi Arabia's labor laws forbid union activity, strikes, and collective bargaining. However, the government allows companies that employ more than 100 Saudis to form "labor committees." In 2015, the SAG published 38 amendments to the existing labor law with the aim of expanding Saudi employees' rights and benefits. Domestic workers are not covered under the provisions of the latest labor law, but separate regulations covering domestic workers were issued in 2013, guaranteeing at least nine hours of rest per day, one day off a week, and one month of paid vacation every two years.

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 convention protecting workers' rights. Non-Saudis have the right to appeal to specialized committees in the Ministry of Labor and Social Development regarding wage non-payment and other issues. Penalties issued by the ministry include banning infringing employers from recruiting foreign and/or domestic workers for a minimum of five years.

OPIC and Other Investment Insurance Programs

OPIC ceased operating in Saudi Arabia in 1995 due to the SAG'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.

Foreign Direct Investment and Foreign Portfolio Investment Statistic

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical Source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M $)	2017	$683,707	2016	$646,438	www.stats.gov.sa www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in Partner Country ($M $, stock positions)	N/A	N/A	2016	$9,825	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm

Host Country's FDI in the United States ($M $, stock positions)	N/A	N/A	2016	$12,320	BEA data available at http://bea.gov/international/direct_investment_multinational_companies_comprehensive_data.htm
Total Inbound Stock of FDI as % host GDP	N/A	N/A	2016	33.6%	United Nations Conference on Trade and Development

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	$169,206	100%	Total Outward	$63,251	100%
Kuwait	$16,761	10%	N/A	N/A	N/A
France	$15,918	9%	N/A	N/A	N/A
Japan	$13,160	8%	N/A	N/A	N/A
United Arab Emirates	$12,601	7%	N/A	N/A	N/A
China, P.R.: Mainland	$9,035	5%	N/A	N/A	N/A
"0" reflects amounts rounded to +/- $ 500,000.					

Source: Inward Direct Investment: IMF Coordinated Direct Investment Survey (2010 - latest available), Outward Direct Investment: UNCTAD World Investment Report (2016)

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets

Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	$166,780	100%	All Countries	$101,242	100%	All Countries	$65,538	100%
United States	$59,507	35.7%	United States	$45,256	44.7%	United States	$14,251	27.1%
Japan	$15,577	9.3%	Japan	$10,229	10.1%	Japan	$5,348	8.2%
United Kingdom	$10,956	6.6%	United Kingdom	$5,946	5.9%	United Kingdom	$5,010	7.6%
Germany	$9,133	5.5%	France	$4,420	4.4%	Germany	$4,749	7.2%
France	$7,702	4.6%	Germany	$4,383	4.3%	United Arab Emirates	$4,700	7.2%

Source: IMF's Coordinated Portfolio Investment Survey (CPIS); data as of June 2017.

Contact for More Information

Economic Section and Foreign Commercial Service Offices
Embassy of the United States of America
P.O. Box 94309
Riyadh 11693, Saudi Arabia
Phone: +966 11 488-3800

Trade & Project Financing

Methods of Payment

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.

The Saudi Credit Bureau (SIMAH) is Saudi Arabia's first comprehensive consumer-credit bureau. SIMAH was established in 2004 under the Saudi Arabia's banking and operating 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.List the most common methods of payment, including open account, Letter of Credit, cash in advance, documentary collections, factoring, etc. Include credit-rating agencies in country and collection agencies. Include primary credit or charge cards used in country.

For more information about the methods of payment or other trade finance options, please read the Trade Finance Guide available at www.Export.gov/TradeFinanceGuide.

Banking Systems

The Kingdom's financial system consists of the Saudi Arabia Monetary Authority (SAMA, Saudi Arabia's central bank), licensed retail banks, private investment programs, specialized lending institutions, and the stock market. SAMA was established to supervise banks and financial institutions, manage monetary policy, oversee the financial and insurance systems, and to maintain soundness within the banking system. The banking sector has been organized under 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 a review by SAMA. The government's stake in commercial banks is less than 10 percent, as adequate monetary flows enable fair price funding.

There are 13 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.

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.

Regulatory Oversight

SAMA maintains its banking regulations on-line, 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. For an overview of SAMA, information can be found at this web link. For information related to the financial markets and the stock exchange, please consult Capital Market Authority website.

Foreign Exchange Controls

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 = USD 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.

U.S. Banks & Local Correspondent Banks

According to the Saudi Arabia Monetary Authority (SAMA, the Kingdom's central bank), the following foreign banks are licensed to do business in the Kingdom: 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 N.A, National Bank Of Pakistan (NBP), T.C.ZIRAAT BANKASI A.S., Industrial and Commercial Bank of China (ICBC), Qatar National Bank, Bank of Tokyo – Mitsubishi UFJ (Licensed - has not started yet), First Abu Dhabi Bank (Licensed - has not started yet).

According to the SAMA website, the State Bank of India's bank business has been stopped upon the bank's request of license cancellation.

According to a July issue of the *Gulf Business News*, the Saudi Cabinet approved the license for Commercial Bank of Iraq to open a branch in the Kingdom; however, as of this writing, there is no mention of this approval on the SAMA website.

According to Reuters, Citigroup (C.N) is considering seeking a full banking license in the Kingdom, and Mashreq, Dubai's third-largest bank by assets, has applied for a banking license.

Project Financing

Project Finance Institutions

The U.S. Export-Import Bank (EXIM): According to the 2018 EXIM Country Limitation Schedule (www.exim.gov/tools-for-exporters/country-limitation-schedule), EXIM provides both public and private-sector financial support for the bank's maximum terms of over 7 years. EXIM has provided trade finance support for chemical projects, energy projects, electricity generation, and water. For additional information on EXIM, please visit: www.exim.gov.

The 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: www.ifc.org.

Saudi Industrial Development Fund (SIDF): provides financial assistance in the form of medium and long-term loans to investors in industry development. It also offers technical, administrative, financial and marketing advice to borrowers. The *Wall Street Journal* reported in July 2018 that the Saudi Arabian government is in the final stages of creating a 50 billion Saudi riyal ($13.3 billion) fund for developing partnerships with foreign companies which will be known as the International Partnership Fund to be run by the SIDF. For additional information, please visit: www.sidf.gov.sa/en/Pages/default.

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 soft interest-free loans to farmers to enable them secure industry prerequisites, such as machinery, irrigation pumps, agricultural equipment, livestock and poultry keeping and fish farming equipment.

Saudi Credit Bank: provides interest-free loans to small enterprises, and employers 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. The *Wall Street Journal* reported in July 2018 that the PIF is also working with Softbank's Vision Fund to bring tech startups to Saudi Arabia to set up operations.

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 foreign development assistance, including financing for Saudi exports to qualified companies.

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 member states of 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 that aims to improve the balance of payments of member states and 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.

Business Travel

Business Customs

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 the www.Export.gov.

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

http://riyadh.usembassy.gov

U.S. Department of State: Travel

U.S. Department of State: 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 do not need more.

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 in dealing with business counterparts, 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 or single men and families. Saudi wives are often excluded from social gatherings or are entertained separately.

Travel Advisory

Current travel warnings and advisories can be found on the U.S. State Department's site. 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. 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 situation remains fragile. Saudi authorities have announced that 34 terrorist attacks, some resulting in significant loss of life, occurred in Saudi Arabia in 2016. These included three coordinated bombings on July 4, 2016, in Medina, Qatif, and near the American Consulate General in Jeddah.

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 sites: https://sa.usembassy.gov/u-s-citizen-services and https://travel.state.gov/content/passports/en/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. Security messages can be found on the U.S. Embassy Riyadh website: https://sa.usembassy.gov/u-s-citizen-services/security-and-travel-information.

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

All travelers are encouraged to register their trip online through the Smart Traveler Enrollment Program (STEP) website. Updated information on travel and security in Saudi Arabia may also 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

A valid, unexpired passport and a visa are required for entry into Saudi Arabia. On September 27, 2019 the Saudi government began issuing tourist visas to American citizens. American citizens may now apply for an "e-visa" online (https://visa.visitsaudi.com) prior to visiting the Kingdom, or at an airport upon arrival. Saudi e-visas are generally valid for one year; the maximum allowable stay during a visit is three months. The visa cost 440 Saudi riyals ($117), including a health insurance fee. The tourists visiting the country will be obliged to follow the regulations that Saudi Arabia has mentioned on its travel website. The U.S. government has no control over the issuance or denial of Saudi entry or exit visas and issuance of a visa does not guarantee entry. Persons holding tourist visas are not authorized to work or study and will not be able to open bank accounts or perform other bureaucratic procedures for which a residence permit (iqama) is required.

Exit controls: Please be advised that American citizens, especially if admitted to the Kingdom on a work visa, may still need the permission of a male guardian and/or sponsor to exit the country and will likely need to apply for an exit visa from the Saudi government.

Public Decency: Saudi officials simultaneously released new guidelines for "public decency" for foreign visitors to the Kingdom. Visitors are instructed to dress “modestly,” but abayas and head coverings are not required for female visitors. The guidelines, which are available on the Visit Saudi website, include prohibitions on taking photos of persons without their permission, cutting in line, playing loud music, and wearing clothing with profane or obscene images.

Business visas: "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 evidence that they are engaged in legitimate commercial activity. "Commercial visas" are issued by invitation from Saudi companies to applicants who have a specific reason to visit a Saudi company. Business and commercial visas must be obtained prior to arrival. In compliance with the 2008 U.S.-Saudi Arabia visa reciprocity agreement, Saudi Arabia now regularly issues U.S. citizens five-year, multiple-entry visas at Saudi embassies, consulates, and ports of entry that allow the visitor to stay general for 180 days

American citizens have not recently encountered difficulties obtaining visas and entering Saudi Arabia despite previous travel to Israel or birth in Israel.

Commercial visa: In order to obtain a "commercial visa" a U.S. applicant 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 at the port of entry, and 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. 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: Export.gov 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 (Iqama) Resident visas also are available through a separate process. 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: https://saudiembassy.net.

U.S. companies that require travel of foreign businesspersons to the United States should be advised that most foreign nationals require a visa to enter the United States. Information on applying for a U.S. nonimmigrant visa is available on the U.S. Embassy website: https://sa.usembassy.gov. Applicants for U.S. visas should apply through the Global Support Services site at: US Travel Documents General travel information and travel advisories are available at the State Department travel website.

Currency

The Saudi Riyal (SAR) is fixed to the United States Dollar at an exchange rate of SAR 3.75 = $ 1.00.

Telecommunications/Electronics

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) and other telecommunication companies provide Internet facilities in most cities. E-mail can also be accessed from internet connections at 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 exercises tight media control and criticism of the government, the royal family, and religious tenets are not tolerated, although there are signs of some relaxation of these controls. 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 relatively 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

The main newspapers include *Al-Jazirah, Al-Riyadh*, and *Okaz*. English-language dailies include *Arab News* and the *Saudi Gazette*. Pan-Arab papers, subject to censorship, are available.

Electric

Saudi Arabia uses 220 Volt and 60 Hz AC electricity.

Transportation

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.

Women are now allowed to drive in Saudi Arabia. Short-term visitors may drive on their U.S. driver's license. American men and women employed in Saudi Arabia should obtain a local driver's license with the Department of Traffic Police.

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

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

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 in-country medical care 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.

Most drugs available in the United States are available in Saudi Arabia. Many local hospitals and healthcare companies are vying to partner with American healthcare providers. In 2005, for example, the Cleveland Clinic set up a joint venture medical center in Jeddah, the International Medical Center, and worked on several joint initiatives, including e-health, teleconferencing, consultations and continuing education programs. In 2014, the Johns Hopkins University Hospital, in conjunction with Aramco, started offering health care services for Aramco employees.

A yellow-fever certificate is required for travelers coming from afflicted countries. A meningitis vaccine is recommended before coming to Jeddah and the Western Region, especially during the annual Muslim pilgrimage rituals of Hajj and Umrah. 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. There are periodic outbreaks of Middle East respiratory syndrome coronavirus (MERS-CoV) in Saudi Arabia.

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 the CDC website give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries of the world. The CDC publication "Health Information for International Travel" can be found at the CDC website.

Local Time, Business Hours and Holidays

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 newspapers 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 two to four 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., often staying open until late in the evening.

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

Work Week:

U.S. Embassy: 08:00 - 17:00 Sunday - Thursday

Saudi Government: 08:00 - 14:30 Sunday – Thursday

Banks: 09:00 - 17:00 Sunday - Thursday

Businesses: 08:00 - 12:00 and 16:00 – 20:00 Sunday - Thursday

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 be on or about May 24 – 28, 2020

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 be on or about July 30 – Aug 4, 2020.

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 religious authorities at a later date.

Please visit the website of the U.S. Embassy in Saudi Arabia 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.

Temporary Entry of Materials or Personal Belongings

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.

Travel Related Web Resources

http://riyadh.usembassy.gov

U.S. Department of State: Travel

U.S. Department of State: Business