



# Doing Business in Saudi Arabia: 2011 Country Commercial Guide for U.S. Companies

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## Chapter 1: Doing Business in Saudi Arabia

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### Market Overview

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- According to the IMF, the Saudi economy will expand 4.5% in 2011 (compared to 3.4% in 2010) as increased public expenditure, strong monetary and fiscal policies, and higher oil prices continue to fuel economic recovery. The non-oil private sector economy is expected to grow by 5.2% in 2011, up from 3.8% growth in 2010. Inflation is generally expected to remain stable at around +5%.
- Growth in the manufacturing sector is led by the petrochemicals industry, thanks to continued strong demand from SE Asia and China. Business Monitor International Ltd. ranks Saudi Arabia as the “most attractive country” for petrochemicals among the 11 Middle Eastern countries it surveyed. More than US\$70 billion of investment is being pumped into the petrochemical sector.
- In 2010, the fastest-growing non-oil industrial sectors were power generation, gas and water equipment and services (+6.0%); transport and communications (+5.6%); retail, restaurants and hotels (+4.4%); and construction (+3.7%). US\$70 billion of investment in the petrochemical sector by 2011 is expected. Likewise, the power generation, water treatment, telecommunications, transportation, and infrastructure sectors should continue to be the main engines of Saudi economic growth. As in past years, the construction sector will continue to be one of the main beneficiaries of continued large government outlays.
- Saudi Arabia was the United States’ 12<sup>th</sup> largest trading partner in 2010 (up from 20<sup>th</sup> in 2009) and the 22<sup>nd</sup> largest export market for U.S. goods and services. Total bilateral trade was around \$39 billion, a 31% increase from 2009. Total U.S. exports to Saudi Arabia rose to \$10.4 billion, up 7% from 2009. Total Saudi exports to U.S. amounted to \$28.5 billion, up 42% from 2009 due to increased demand for oil and higher petroleum prices.

### Market Challenges

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- **Inflation** was not a major concern in Saudi Arabia in 2010, remaining stable at just over 5.0%. The rate of inflation is not expected to change much in 2011, if at all.
- **Commercial Disputes Settlements:** The enforcement of foreign arbitration awards for private sector disputes has yet to be upheld in practice. Furthermore, government agencies are not allowed to agree to international arbitration without approval from the Council of Ministers, which is rarely granted.

- **Business Visas:** All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. On the positive side, in May 2008, the United States and Saudi Arabia signed an agreement to grant reciprocal 5-year, multiple-entry visas for business travelers. This agreement represents a significant step forward in the visa process.
- **Intellectual Property Protection:** Intellectual property protection has steadily increased in the Kingdom. Over the last seven years, Saudi Arabia has comprehensively revised its laws covering intellectual property rights to bring them in line with the WTO agreement on Trade- Related Aspects of Intellectual Property Rights (TRIPs). The Saudi Government undertook the revisions as part of Saudi Arabia's accession to the WTO, and promulgated them in coordination with the World Intellectual Property Organization (WIPO). The Saudi Government updated its Trademark Law (2002), Copyright Law (2003), and Patent Law (2004), with the dual goals of TRIPs-compliance and effective deterrence against violators. In 2008 the Violations Review Committee created a website and has populated it with information on current cases. The patent office continues to build its capacity through training, has streamlined its procedures, hired more staff, and reduced its backlog.

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

- **Counterfeiting:** Although anti-counterfeiting laws exist, manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products in Saudi Arabia. The Saudi Government remains committed to stopping counterfeit products from entering into the country.
- **Arab League Boycott:** The Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Oman, Qatar, and the United Arab Emirates) announced in the fall of 1994 that its members would no longer enforce the secondary and tertiary aspects of the Arab League Boycott. The primary boycott against Israeli companies and products still applies.
- **Government Procurement:** Government contracts on project implementation and procurement strongly favor Saudi and GCC nationals. However, most Saudi defense contracts are negotiated outside these regulations on a case-by-case basis. Saudi Arabia published its revised government procurement procedures in August 2006. Foreign suppliers participating in government procurement are required to establish a training program for Saudi nationals.

- **Banking:** Although the Saudi central bank, SAMA, has granted licenses to a number of foreign financial institutions to open branches in Saudi Arabia, these banks are only being allowed to provide investment banking and brokerage services, as applicable. The number of commercial banks operating in the Kingdom in 2009 amounted to twenty, including branches of the National Bank of Kuwait, Deutsche Bank, Muscat Bank (Oman), National Bank of Bahrain, Gulf International Bank (GIB) of Bahrain, Emirates Bank (EB), J.P. Morgan Chase N.A, BNP Paribas, National Bank of Pakistan (NBP), and State Bank of India (SBI).
- **Shipping:** Saudi Arabia gives preference to national carriers for up to 40% of government-related cargos. Two local companies take full advantage of this situation.
- **Standards and labeling:** As part of the GCC Customs Union, the six Member States are working toward unifying their standards and conformity assessment systems. However, each Member State continues to apply its own standard or a GCC standard. A new ICCP mandates that a Certificate of Conformity must accompany all consumer goods exported to Saudi Arabia. Labeling and marking requirements are compulsory for any products exported to Saudi Arabia.
- **Travel Advisories:** Americans visiting Saudi Arabia are advised to check the U.S. State Department's website at [http://travel.state.gov/travel/cis\\_pa\\_tw/tw/tw\\_932.html](http://travel.state.gov/travel/cis_pa_tw/tw/tw_932.html) for the latest information on travel to Saudi Arabia.

## Market Opportunities

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- Saudi Arabia, the construction leader in the Gulf area, has budgeted US\$385 billion on roads, airports and energy projects for the five-year period from 2010 to 2014. The government is planning to spend US\$3 billion on 6,600 km of new roads in 2011 alone. Major rail and airport expansion projects are also under way.
- Saudi Arabia has the biggest IT market in the Gulf region, worth about US\$3.3 billion in 2010 and expected to grow to about US\$4.6 billion by 2014.
- All three of Saudi Arabia's GSM operators are in the process of implementing higher data transmission speeds over their 3.5G networks. This development should stimulate increased demand for mobile broadband services in the long term.
- Saudi Arabia's ambitious rail plans are fuelling activity in the infrastructure sector, with US\$30 billion worth of contracts under way or at the bidding stage. Major projects include the North-South railway, the Saudi Land Bridge, and the Mecca-Medina (or "Haramain") railway.
- Saudi Arabia is the third largest consumer of water *per capita* in the world, but has limited groundwater to tap. Desalination forms the backbone of the government's water strategy. The Saudi government has committed US\$6bn a year to bolstering the water sector over the next two decades.
- The state-owned utility Saudi Electricity Company (SEC) intends to invest US\$70 billion by 2018 to add 22MW to the nation's power-generating capacity in order to meet the growing demand from a rapidly increasing population. SEC's goal is to reach a power-generation capacity of 65,000 MW by the end of the year 2018.

- Although American exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, we strongly recommend that all new-to-market U.S. companies consider partnering with a local company. For complete information and regulations on registering a business in Saudi Arabia, please visit the Saudi Arabia Government Investment Agency (SAGIA) at [www.sagia.gov.sa/en/Investor-tools/Business-Centre-Wizard/Introduction/](http://www.sagia.gov.sa/en/Investor-tools/Business-Centre-Wizard/Introduction/).
- Although the Saudi Government encourages foreign investment, a U.S. firm is strongly encouraged to seek in-country legal counsel on the best approach. The U.S. Commercial Service can assist by providing a list of local attorneys, which may be associated with American law firms.

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## Chapter 2: Political and Economic Environment

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

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

The [U.S. Commercial Service in Saudi Arabia](#) is part of a global network of trade specialists in more than 100 cities in the United States and 80 countries worldwide, including offices in [Riyadh](#), [Jeddah](#) and [Dhahran](#). Our mission is dedicated to strengthen commercial ties between Saudi Arabia and the United States by offering comprehensive, trade promotion assistance through a variety of programs and services.

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### Using an Agent or Distributor

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

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

Sales commissions are entirely negotiable between the U.S. party and the Saudi agent or distributor, but typically range from 3 to 10 percent, depending on the product or

service and the duties required of the service agent. Whether or not sales commissions are to be paid, and the percentage thereof, should carefully be spelled out in any agency or distribution contract.

Terminating an agent/distributor agreement can be difficult even though Saudi policy has changed to permit registration of a new agreement over the objections of the existing distributor. While most prospective Saudi agents and/or distributors generally prefer exclusive agency contracts, these are by no means required. Given the close-knit nature of business circles in Saudi Arabia, replacing an agent or distributor could damage a U.S. firm's reputation if not handled sensitively. A U.S. company should at all costs avoid being viewed as lacking adequate commitment to its Saudi business relationships. Saudi agents may request "parting compensation" in the event the foreign exporter decides to dissolve a business relationship. Since this is a common practice in this market, U.S. companies should address this eventuality prior to executing a contract.

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

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

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

**The U.S. Commercial Service**, through its domestic U.S. Export Assistance Centers and overseas offices in Embassies and Consulates, offers a variety of services to assist American firms in selecting a reputable and qualified representative. In Saudi Arabia, the U.S. Commercial Service maintains offices in the capital, [Riyadh](#), and in the regional business centers of [Jeddah](#) and [Dhahran](#). CS Saudi Arabia's [Gold Key Matching Service](#) is a personalized and targeted matchmaking service that combines an orientation briefing, a profile of each Saudi prospect, interpreter services for meetings, a Commercial Specialist from the Embassy to escort you to your meetings, and assistance in developing follow-up strategies. The [International Partner Search](#) provides pertinent information on up to six pre-qualified potential Saudi representatives. This customized search will put you in touch with firms that have expressed an interest in representing

your product or service. The [International Company Profile](#) provides follow up background information on potential partners. These services are available to U.S. companies *exclusively*.

## Establishing an Office

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

A second method might be to establish a [technical and scientific service office](#), which also requires a license from the Ministry of Commerce and Industry. This approach preserves the independence and identity of the foreign company and provides for more leeway in managing and marketing the company's products or services. Technical and scientific service offices are not allowed to engage directly or indirectly in commercial activities, but they may provide technical and advisory support to Saudi distributors, as well as conduct market surveys and product research.

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

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

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

A fifth method is for a foreign company to establish a joint venture with a Saudi firm. Usually, the Saudi business community refers to limited liability partnerships as joint ventures. These partnerships must be also registered with the Ministry of Commerce

and Industry and the partners' liabilities are limited to the extent of their investment in the partnership.

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

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

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

Costs of doing business in Saudi Arabia are substantially lower than those in the West. Commercial and industrial rents average is \$5.33 to \$26.67 per square meter per year. The rate is much lower in industrial cities, where it is at \$0.021 per square meter per year. Rentals for residential accommodation can vary immensely depending on location and quality of housing. With respect to utilities, electricity costs are at \$0.027 per kWh for industrial use. Water costs range from \$0.027 to \$1.6 per cubic meter depending on the number of bands. Employee costs vary based on the employee's status, position, and relevant experience.

## Franchising

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

Franchising opportunities are known to exist in many business categories, including apparel, laundry and dry cleaning services, automotive parts and servicing, restaurants, mail and package services, printing, and convenience stores. There are more than 300 foreign companies that have founded franchises in Saudi Arabia.

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

## Direct Marketing

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

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

## Joint Ventures/Licensing

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

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

According to Article 52 of the Company Law, the establishment of a joint-stock company generally requires an authorization from the Minister of Commerce and Industry after reviewing a proposed company's "feasibility" study. The law requires the authorization through a Royal Decree based on the approval of the Council of Ministers for the

formation of any joint-stock companies with concessions, undertaking public sector projects, receiving assistance from the State, in which the State or other public institutions participate, or for joint-stock companies engaging in a banking business. In general, the provisions applicable to the administration of joint-stock companies are more detailed than those applicable to limited liability companies.

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

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

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

Other Saudi Arabian Government entities that may be involved in the process include the [Ministry of Foreign Affairs](#) (visas), the [Ministry of Interior](#) (residence permits and industrial safety and security approvals), the [Royal Commission for Jubail and Yanbu](#) (if the project is in those industrial cities), the [General Organization for Social Insurance](#) (social insurance and disability payments for Saudi employees), and the [Technical and Vocational Training Corporation](#) (training programs for Saudis).

## **Selling to the Government**

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

There is no central tender board in Saudi Arabia. Every government agency has full contracting authority. Foreign companies interested in bidding on a government project must make themselves known to that specific government agency/ministry offering the project. When a project becomes available, the government agency/ministry selects bidders from a list of prequalified/known companies and invites them to bid for that particular project. The law states that all qualified companies and individuals will be given opportunities in dealing with the Government and will be treated equally. The law also states that locally manufactured products and those of a non-Saudi origin of equal quality will have priority in dealing with the Government. Saudi Government Contacting & Procurement Law also affirms that all government bids be announced in the official

gazette *Umm al-Qoura* (Arabic), in two local newspapers, as well as in the electronic media. Projects which do not have a contractor must be advertised both inside and outside Saudi Arabia.

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

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

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

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

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

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

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

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

## **Selling Factors/Techniques**

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

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

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

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

The [CML](#) provides for the establishment of two committees to settle securities disputes, the Committee for the Resolution of Securities Disputes (CRSD) and the Appeals Panel. The CRSD has jurisdiction over disputes falling under the provisions of the Capital Market Law, the rules and regulations issued by the [CMA](#), and the [Stock Exchange](#). The Appeals Panel, which was formed by the Council of Ministers, will hear appeals against decisions issued by the CRSD. A decision issued by the CRSD may be appealed to the Appeal Panel within thirty days of the notification date. CML also created the Securities Deposit Center (SDC), which is operated by [Tadawul](#), the Saudi Stock Exchange Company. SDC is in charge of managing deposits, transfers, settlements, clearing, and registration of all Saudi securities on the exchange.

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

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

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

## **Electronic Commerce**

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Internet services are freely available and the main cities have several Internet service providers and Internet cafés. High-speed DSL is available. States of the Arabian Gulf increased their IT spending by 12 per cent. Investments in the region's IT industry reached \$213 billion by the end of 2010, buoyed by rapidly growing investment in software, according to a regional consultancy firm. Saudi Arabia's IT businesses generated revenues of around \$4 billion in 2010 and retained the country's status as one of the largest IT market in the Gulf. Saudi Arabia's IT sector is expected to maintain a strong growth rate of 10 per cent through 2013.

Internet users in Saudi Arabia increased to over 11 million in the first nine months of 2010. Almost half of all Saudi Internet users reported that they purchased products and services online and through their mobile handsets in 2010. The same study estimates the number of e-commerce consumers in Saudi Arabia to exceed 3.5 million, representing 14.3% of the population. The Saudi Government has already passed a number of regulations to control and monitor electronic transactions, *i.e.*, regulations for e-transactions and cyber crime.

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

(citizens and expatriates), businesses and government agencies. By the end of 2010, most Saudis had access to a wide range of on-line government services.

## Trade Promotion and Advertising

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The U.S. Commercial Service in Saudi Arabia organizes a dynamic annual trade events calendar, including and especially the recruitment of official Saudi delegations to more than a dozen important trade shows in the United States each year under the auspices of the Commerce Department's [International Buyer Program](#), as well as Trade Missions, promotion of trade events in Saudi Arabia, the USA and in other countries, *etc.*

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

Saudi companies have opted to run commercials through international satellite TV channels such as the [Middle East Broadcasting Corporation](#) (MBC) and [Arab Radio & Television](#) (ART). Other Arabic satellite channels that also have proved to be popular in the Arab world include [LBC](#), [Future Television](#), [Dubai One TV](#), [Dubai TV](#), [New TV](#), [Channel 2](#), [MBC2](#), and [MBC4](#). Many Saudi companies place commercials on these channels as well as on two pan-Arab news channels, [Al-Arabiya](#) and [Al-Jazeera](#) channels. In addition, two encrypted TV networks each provide approximately 30 channels for an average subscription of \$1,000 per year. The networks include Orbit Communications and ShowTime.

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

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

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

Most chambers have a proactive approach to promotion and trade, organizing shows and presentations for individual companies or groups, and have been eager to attract American and other Western suppliers. The main chambers of commerce are listed in the "[Contacts](#)" section of [Chapter 9](#) *infra*.

## Pricing

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The government maintains a free-trade approach and, since 1981, the [Saudi Arabian](#)

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

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

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

An economic study by a local bank stated that for much of 2008 inflation was a serious and pressing issue for Saudi Arabia, with prices rising 9.2 percent on average. In 2009, however, inflationary pressures subsided due to a slowdown in demand and lower prices for commodities, food, rents, *etc.* The inflation rate for 2009 was 4.4 percent. In 2010 inflation rose slightly to around 5.0 percent, reflecting higher domestic demand.

The Saudi inflation rate is expected to remain at that level or even slightly higher due mainly to the chronic shortage in low- and medium-level housing. According to the state-owned National Commercial Bank (NCB), there is a risk of a gradual increase in inflation expectations driven by high government spending and low interest rates.

## **Sales Service/Customer Support**

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

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

## **Protecting Your Intellectual Property**

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Saudi Arabia became the 149<sup>th</sup> member of the WTO on December 11, 2005. As part of its accession, the Kingdom committed to fully implement the TRIPS Agreement without any transition period.

The Saudi legal system protects and facilitates acquisition and disposition of all property rights, including intellectual property. The Government has acceded to the Universal

Copyright Convention; implementation began in 1994. The Saudi Copyright Law was amended in August 2003 to improve protection and to provide for serious deterrent penalties for violators. The government also endorsed the country's joining the "Paris Convention for Protection of Industrial Property" and the "Berne Convention for the Protection of Literary and Artistic Works." Moreover, the highest religious authority in Saudi Arabia has condemned software piracy in a *fatwa*, or religious edict. Nevertheless, and although intellectual property protection has steadily increased in the Kingdom, piracy remains a problem.

American firms wishing to sell products/services in Saudi Arabia should work through their local representative to register their trademarks with the Ministry of Commerce & Industry, copyrighted products with the Ministry of Culture & Information, and patents with King Abdulaziz City for Science & Technology (KACST) or the [GCC Patent Office](#). Although these government entities are responsible for IPR protection in their respective areas, a reported incident of piracy or infringement may not entail immediate and decisive action by the concerned government entity.

Patent and trademark protection and enforcement remain cumbersome and inconsistent. Additional information on Saudi Arabia's protection of property rights, trademarks, and patents is addressed in more detail in [Chapter 6 \(Investment Climate\)](#).

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

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

Registration of patents and trademarks is on a first-in-time, first-in-right basis, so you should consider applying for trademark and patent protection even before selling your products or services in the Saudi Arabian market. It is vital that companies understand that intellectual property is primarily a private right and that the U.S. government generally cannot enforce rights for private individuals in Saudi Arabia. It is the responsibility of the rights holders to register, protect, and enforce their rights where relevant, retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Saudi law. The U.S. Commercial Service can provide a list of local lawyers upon request. The U.S. Embassy in Saudi Arabia also maintains a list of lawyers at [riyadh.usembassy.gov/root/pdfs/lawyersupdated.pdf](http://riyadh.usembassy.gov/root/pdfs/lawyersupdated.pdf).

While the U.S. Government stands ready to assist, there is little we can do if the rights holders have not taken these fundamental steps necessary to securing and enforcing their IP in a timely fashion. Moreover, in many countries, rights holders who delay enforcing their rights on a mistaken belief that the USG can provide a political resolution

to a legal problem may find that their rights have been eroded or abrogated due to legal doctrines such as [statutes of limitations](#), [laches](#), [estoppel](#), or unreasonable delay in prosecuting a lawsuit. In no instance should U.S. Government advice be seen as a substitute for the obligation of a rights holder to promptly pursue its case.

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

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

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

## **IP Resources**

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

- For information about patent, trademark, or copyright issues — including enforcement issues in the US and other countries — call the STOP! Hotline: 1-866-999-HALT or register at [www.StopFakes.gov](http://www.StopFakes.gov).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: 1-800-786-9199.
- For more information about registering for copyright protection in the U.S., contact the U.S. Copyright Office at: 1-202-707-5959.
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, a free online training program is available at [www.stopfakes.gov](http://www.stopfakes.gov).

- For US small and medium-size companies, the Department of Commerce offers a “SME IP Advisory Program” available through the American Bar Association that provides one hour of free IP legal advice for companies with concerns in Brazil, China, Egypt, India, Russia, and . For details and to register, visit: [http://www.abanet.org/intlaw/intlproj/ipprogram\\_consultation.html](http://www.abanet.org/intlaw/intlproj/ipprogram_consultation.html).
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit [www.StopFakes.gov](http://www.StopFakes.gov). This site is linked to the USPTO website for registering trademarks and patents (both in the U.S. as well as in foreign countries), the U.S. Customs & Border Protection website to record registered trademarks and copyrighted works (to assist customs in blocking imports of IP-infringing products) and allows you to register for Webinars on protecting IP.
- If you have a question about an IP issue in Saudi Arabia, please contact one of the three U.S. Commercial Service’s three offices in the Kingdom: [Riyadh](#), [Jeddah](#), and [Dhahran](#).

## Due Diligence

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

## Local Professional Services

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

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

U.S. Embassy — Riyadh	<a href="#">Public Services in Riyadh, Saudi Arabia</a> (Translators, Tax Assistance, Hospitals, Law Firms)
U.S. Consulate General — Dhahran	<a href="#">Public Services in Dhahran, Saudi Arabia</a> (Translators, Tax Assistance, Hospitals, Law Firms)
U.S. Consulate General — Jeddah	<a href="#">Public Services in Jeddah, Saudi Arabia</a> (Translators, Tax Assistance, Hospitals, Law Firms)

## Web Resources

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<a href="#">Saudi Arabian General Investment Authority</a>	<a href="#">Saudi Arabian Standards Organization</a>
<a href="#">Saudi Industrial Development Fund</a>	<a href="#">Saline Water Conversation Corporation</a>
<a href="#">Water and Electricity Company</a>	<a href="#">Saudi Telecommunications Company</a>
<a href="#">Foreign Credit Insurance Association</a>	<a href="#">Saudi Aramco</a>
<a href="#">Middle East Broadcasting Corporation</a>	<a href="#">Arab Radio &amp; Television</a>

LBC  
Dubai TV  
Channel 2  
*Al-Jazira* TV  
*Arab News* newspaper  
*Asharq Al-Awsat* newspaper  
*Al-Riyadh* newspaper  
*Al-Eqtisadiyah* newspaper  
*Al-Madinah* Press  
Al-Harithy Company for Exhibitions (Jeddah)

Saudi Arabian Monetary Agency-SAMA  
GCC Patent Office  
[www.menafn.com](http://www.menafn.com)  
[www.arabianbusiness.com](http://www.arabianbusiness.com)

Future Television  
New TV  
Arabiya  
*Al-Watan* newspaper  
*Saudi Gazette* newspaper  
*Al-Hayat* newspaper  
*Al-Jazirah* newspaper  
Okaz News Agency  
Riyadh Exhibitions Company  
Dhahran International Exhibitions  
Company  
KACST  
Communications and Information  
Technology Commission

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

### **Commercial Sectors**

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- [Dental Equipment – DNT](#)
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- [Safety & Security – SEC](#)
- [Education & Training Services – EDS](#)
- [Telecommunications Services – TES](#)
- [Electrical Power Systems – ELP](#)
- [Oil & Gas Field Machinery – OGM](#)
- [Chemical Production Machinery – CHM](#)
- [Defense Industry Equipment – DFN](#)
- [Air-Conditioning & Refrigeration Equipment – ACR](#)
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- [Rice](#)
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- [Snack Foods \(Excluding Nuts\)](#)
- [Agricultural Trade Shows](#)

## Engineering & Architectural Services — ACE

### Overview

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Saudi Arabia's architectural construction & engineering sector remains one of the most important sectors in the Kingdom's strong economy. The Saudi government continues to make significant investments in construction projects that will bolster and diversify the economy.

Saudi Arabia is the largest economy in the region. Saudi Arabia's construction sector is seen growing by nearly 6 percent as major infrastructure projects continue to be built in the Kingdom despite the impact of the global downturn. The Saudi construction and engineering sector is expected to be buoyed by government-led infrastructure development plants and the acute need for more housing. The increasing infrastructure requirements of the country's growing population, and the stability of the banking sector, have helped stimulate the sustained growth of construction activities in Saudi Arabia. It is expected that Saudi Arabia's construction sector will continue to see positive growth during 2011, as the economy continues to expand and provide liquidity. The Kingdom's construction and engineering sector has proven far more resilient than that of its Gulf neighbors.

The Saudi Government, however, is intent on fueling the sector's growth. According to Saudi Government officials, the Kingdom will spend an estimated \$400 billion (SAR1.5 trillion) on large infrastructure projects over the next five years. In the period between October 2008 and October 2010, industry experts estimate that the Saudi Government invested nearly \$150 billion (SAR562.5 billion) on construction projects. The construction sector has great potential for growth, as demand rises for residential, commercial, housing and institutional construction. The housing sector, in particular, is likely to grow, as the Saudi population is rising at a rate of 2.5 percent a year.

Construction will also play a large part in the Kingdom's massive industrial expansion through the National Industrial Cluster Development Program as well as in the completion of six Economic Cities. Saudi Arabia's government budget reflects the importance of ongoing growth in the construction sector. Government spending is likely to remain aggressive in the sector, as the prices of commodities decrease due to the global economic downturn. Furthermore, according to industry experts, a revival in the Saudi economy in general, and in the construction sector in particular, is likely, as demand for projects continues to increase and as the financial climate improves.

No reliable, published statistics are available on the ACE sector in Saudi Arabia.

### Sub-Sector Best Prospects

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Saudi Arabia stands apart from many of its regional peers as infrastructure and construction projects are fuelled by domestic demand. According to industry sources, more than 325 civil construction projects, valued in excess of \$300 billion, are currently underway or under design in Saudi Arabia. Industry sources expect an investment of around \$450 billion over the next five years on various projects, 75% of which are government-related.

A number of airports in Saudi Arabia are set for expansion: King Abdulaziz International Airport in Jeddah, Prince Mohammed bin Abdul Aziz International Airport in Madinah, and Ha'il, Tabuk, and Najran airports as the kingdom gives more attention to upgrading airports. The transportation sector initiatives are continuing with the Kingdom's ongoing construction of three major new railway lines, the North-South, the Haramain high-speed project, and the Saudi Land Bridge.

The utilities sector has undergone some major activity lately. The government has approved the Ras Az-Zour power and water plant, the PP-11 independent power project in Riyadh, and the tender for 2,000 MW Independent Power Project (Al-Qurayyah Power Plant) in the Eastern Province. A contract was also awarded for the Rabigh IWPP. The industrial construction sector received a major boost with the awarding of engineering procurement and construction contracts at the Jubail oil refinery and the Red Sea oil refinery. Including Saudi Aramco, a total of \$13.6 billion worth of contracts to develop the two refineries in 16 packages were awarded in July 2010.

The construction sector has great potential for growth, as demand rises for residential commercial, housing, and institutional construction. The housing sector, in particular is likely to grow, as the Saudi population is rising at a rate of 2.5 percent a year. Construction will also play a large part in the Kingdom's massive industrial expansion through the National Industrial Cluster Development Program as well as in the completion of six Economic Cities. Saudi Arabia's government budget reflects the importance of ongoing growth in the construction sector. Government spending is likely to remain aggressive in the sector, as the price of commodities decrease due to the global economic downturn. Furthermore, according to industry experts, a revival in the Saudi economy in General, and in the construction sector in particular, is likely, as demand for projects continues to increase and as the financial climate improves.

## Opportunities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**8. Princess Noura bint Abdulrahman University (\$11.5 billion):**

The project calls for construction of a new university for women. The university is expected to cover 8 million m<sup>2</sup> and will be located on King Khalid International Airport Road north of Riyadh. The total built up area is around 3 million m<sup>2</sup>. The university will include administration buildings, 13 faculties, a 700-bed student hospital, laboratories, research centers and a residential area that includes accommodation for students and staff. The capacity of the university is around 26,000 students.

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

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

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

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

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

The first contract involves the construction of a 600,000 m<sup>2</sup> passenger terminal that will be able to handle 30 million passengers each year once it is complete. The second contract involves the infrastructure and will involve designing and building runways, tunnels, landscaping, and a light-rail system.

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

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

**13. King Abdullah Sports City Development near Jeddah (\$4 billion):**

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

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

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

## Web Resources

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Ministry of Municipal & Rural Affairs (MOMRA)	<a href="http://www.momra.gov.sa">www.momra.gov.sa</a>
Ministry of Interior	<a href="http://www.moi.gov.sa">www.moi.gov.sa</a>
Riyadh Chamber of Commerce and Industry	<a href="http://www.riyadhchamber.com/indexen.php">www.riyadhchamber.com/indexen.php</a>
Saudi Arabian General Investment Authority	<a href="http://www.sagia.gov.sa">www.sagia.gov.sa</a>
Saudi Railway Organization	<a href="http://www.saudirailexpansion.com">www.saudirailexpansion.com</a> <u>or</u> <a href="http://www.saudirailways.org/">www.saudirailways.org/</a>
Ministry of Education	<a href="http://www.moe.gov.sa">www.moe.gov.sa</a>
Ministry of Water and Electricity	<a href="http://www.mowe.gov.sa/NewMowe/ENIndex.aspx">www.mowe.gov.sa/NewMowe/ENIndex.aspx</a>
Saudi Arabia Mining Company (Ma'aden)	<a href="http://www.maaden.com.sa/eng/index.htm">www.maaden.com.sa/eng/index.htm</a>
Saudi Ports Authority	<a href="http://www.ports.gov.sa/default.cfm">www.ports.gov.sa/default.cfm</a>
Saudi Aramco	<a href="http://www.saudiaramco.com/">www.saudiaramco.com/</a>
Royal Commission for Jubail and Yanbu	<a href="http://www.rcjy.gov.sa/en-us/Pages/default.aspx">www.rcjy.gov.sa/en-us/Pages/default.aspx</a>

## Construction Equipment — CON

### Overview

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Saudi Arabia has experienced a construction boom of unprecedented volume during the past four years, attracting construction professionals from all over the world. The construction industry was the greatest recipient of the government spending during this period. Accordingly, Saudi Arabia has enjoyed four years of strong growth driven by rising oil revenues, and these revenues have stimulated massive project spending. Population growth and surging oil revenues are the key dynamics stimulating both public and private sector investment in construction projects. The government now has more than sufficient resources to embark on long-planned improvements and a long awaited expansion of infrastructure, transport and municipal services. The Saudi government has taken important steps to improve the business environment. With further reform anticipated and oil prices expected to remain high, it is believed that the Kingdom is set for a continued strong period of growth, especially in the construction and infrastructure sectors.

The construction sector in Saudi Arabia is the largest and fastest growing market in the Gulf region (GCC). Ongoing construction projects in the Gulf are valued at \$2 trillion, and one-quarter of the developments are located in Saudi Arabia. A number of positive economic, demographic, and geographic factors have combined to produce robust growth in the sector. Aggressive building and construction programs under the 8th Development Plan will further accelerate growth, and are expected to solve the housing shortage in the country. Under this plan, the government expects to build more than 3.2 million housing units with extensive participation by the private sector. The Saudi government has commissioned numerous mega-projects to accelerate the development of its non-oil sector. At the heart of the Saudi government's economic development plans and initiatives, six mega-economic cities are planned to be built across the Kingdom, near the areas of Tabouk, Medina, Rabigh, Jazan and the Eastern Province. These economic cities are expected to create 1.5 million jobs and accommodate a population of 5.8 million, contributing \$250 billion to the GDP and raising Saudi Arabia's *per capita* GDP from \$15,000 in 2006 to \$35,000 by 2020.

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

To improve infrastructure services in the Kingdom, an investment of \$800 million has been envisaged to increase the capacity of the Jeddah Islamic Port by 45%. Airports in Riyadh, Jeddah, Medina, Nijran, and Tabuk will be expanded at a cost of \$10 billion in order to meet the growing number of passengers, and the requirements of two new domestic airlines. The Civil Aviation Authority has already launched a \$1.8 billion upgrade of Jeddah's King Abdulaziz International Airport (KAIA), which is designed to accommodate the world's largest aircraft, and will increase the airport's annual capacity to 21 million passengers. Saudi Arabia has also set ambitious plans for additional rail links in the country, and has earmarked \$8 billion for new rail expansion projects that will

contribute to the rise in private investment in infrastructure, particularly in the transport sector. Finally, the forthcoming \$3.5 billion Saudi-Egyptian Causeway will provide a road link between Saudi Arabia and Egypt across the Red Sea.

### **Sub-Sector Best Prospects**

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

The construction element related to power supply development alone is estimated at nearly \$1.2 billion. In total, current infrastructure and public sector building programs are valued at some \$40 billion. Plans include building 800 new factories, schools, doubling desalination capacity, and increasing electrical generation and distribution. The Ministry of Education has outlined a \$4.5 billion plan to build another 4,000 schools.

Most of Saudi Arabia's mineral wealth still remains unexplored. In the next four years, some \$20 billion will be invested in mining projects in the Kingdom of Saudi Arabia, much of it by the state-run Saudi Arabian Mining Company (Ma'aden). The main minerals are gold, phosphates and bauxite. While aluminum smelter and fertilizer plants add value, perhaps the largest value will come with the new freight rail network designed to carry minerals to the coast for export.

### **Opportunities**

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

- earth-moving machinery and equipment;
- construction tools;
- construction equipment;
- bathrooms;
- asphalt machinery;
- architectural finishes;
- anti-corrosion products;
- asphalt plants;
- architectural services;
- aluminum products;
- wall coverings;
- building automation;
- ceiling materials;
- carpentry equipment;

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

## Web Resources

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Riyadh Chamber of Commerce and Industry	<a href="http://www.riyadhchamber.com/indexen.php">www.riyadhchamber.com/indexen.php</a>
Arriyadh Development Authority	<a href="http://www.arriyadh.com/eng/ada/index.aspx">www.arriyadh.com/eng/ada/index.aspx</a>
Saudi Arabian General Investment Authority	<a href="http://www.sagia.gov.sa">www.sagia.gov.sa</a>
Saudi Railway Organization	<a href="http://www.saudirailexpansion.com">www.saudirailexpansion.com</a> or <a href="http://www.saudirailways.org/">www.saudirailways.org/</a>
Ministry of Education	<a href="http://www.moe.gov.sa">www.moe.gov.sa</a>
Ministry of Water and Electricity	<a href="http://www.mowe.gov.sa/NewMowe/ENIndex.aspx">www.mowe.gov.sa/NewMowe/ENIndex.aspx</a>
Saudi Arabia Mining Company (Ma'aden)	<a href="http://www.maaden.com.sa/eng/index.htm">www.maaden.com.sa/eng/index.htm</a>
Saudi Ports Authority	<a href="http://www.ports.gov.sa/default.cfm">www.ports.gov.sa/default.cfm</a>
Emaar Saudi Arabia	<a href="http://www.emaar.com">www.emaar.com</a>
Saudi Aramco	<a href="http://www.saudiaramco.com/">www.saudiaramco.com/</a>
Royal Commission for Jubail and Yanbu	<a href="http://www.rcjy.gov.sa/en-us/Pages/default.aspx">www.rcjy.gov.sa/en-us/Pages/default.aspx</a>

## Medical Equipment — MED

### Overview

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The health-care sector is one of the largest in the region in terms of expenditures, size, activity, and potential. Annual spending on health care is estimated at \$21 billion in 2011, 75 percent by the Saudi government. The government has allocated \$18.3 billion for the health and social development sectors in the 2011 budget, 12 percent more than in 2010. The funds will be used to finance the construction of 12 new hospitals and to renovate and refurbish four existing hospitals.

With an annual population growth rate of 2.5% to 3%, Saudi Arabia would require an additional average annual investment of \$587 million in hospital bed capacity to keep pace with the demand. Hospital beds are likely to grow from 53,519 to 62,000 by the end of 2011.

The high budgetary allocation valued at \$18.3 billion for healthcare sector and new health projects, expansion and growth of existing hospitals and clinics, privatization, compulsory healthcare insurance, the aging population, and greater material wealth along with an upsurge in lifestyle diseases and favorable government policies all combine altogether to boost the demand for healthcare services, and thus create the environment for purchases of new medical equipment and increased investments in these sectors.

### Sub-Sector Best Prospects

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

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

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

concern include breast cancer, kidney diseases, and recently Dengue fever cases in the Western Province.

For example:

- 50% of the Saudi population above the age of 45 is diabetic and \$1.1 billion is spent annually on the treatment of diabetes;
- 22 % of the population are regular smokers (a major cause of respiratory diseases);
- high prevalence of hepatitis C and B (around 30% of the population is afflicted);
- heart diseases are increasing at an average 5.3% annually and expected to consume up to 24% of total health-care expenditures;
- over 11,000 Saudis a year experience some form of kidney failure, and 40 % of these are in urgent need of kidney transplantation;
- over 50% of the Saudi population is overweight;
- about 5,000 cancer patients are diagnosed annually.

## Opportunities

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

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

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

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

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

A major regulatory development was enacted to allow foreign companies to invest in 150-bed Saudi hospitals, which may open the door for American companies to gain a

toehold in the market, and take advantage of opportunities and growth prospects in this sector.

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Ministry of Health	<a href="http://www.moh.gov.sa/english/index.php">www.moh.gov.sa/english/index.php</a>
Ministry of Defense and Aviation	<a href="http://www.moda.gov.sa/detail.asp?InServiceID=214&amp;intemplatekey=MainPage">www.moda.gov.sa/detail.asp?InServiceID=214&amp;intemplatekey=MainPage</a>
Ministry of Interior Medical Services	<a href="http://www.sfh.med.sa/English/Pages/Security%20Forces%20Hospital%20Program.aspx">www.sfh.med.sa/English/Pages/Security%20Forces%20Hospital%20Program.aspx</a>
Saudi Arabian National Guard Health Affairs	<a href="http://www.ngha.med.sa/English/Pages/Default.aspx">www.ngha.med.sa/English/Pages/Default.aspx</a>
Riyadh Military Hospital	<a href="http://www.rkh.med.sa/RMH.Website/English/">www.rkh.med.sa/RMH.Website/English/</a>
General Organization for Social Insurance	<a href="http://www.gosi.gov.sa/portal/web/guest/home">www.gosi.gov.sa/portal/web/guest/home</a>
King Faisal Specialist Hospital and Research Centre	<a href="http://bportal.kfshrc.edu.sa/wps/portal/bportal">bportal.kfshrc.edu.sa/wps/portal/bportal</a>
Kingdom Hospital	<a href="http://www.khccgroup.com/">www.khccgroup.com/</a>
Riyadh Care Hospital	<a href="http://www.riyadhcare.com">www.riyadhcare.com</a>
Central Department of Statistics & Information	<a href="http://www.cdsi.gov.sa/english/">www.cdsi.gov.sa/english/</a>
<i>Al-Yaum</i> (newspaper)	<a href="http://www.alyaum.com">www.alyaum.com</a>
Middle East Economic Digest (magazine)	<a href="http://www.meed.com">www.meed.com</a>
Saudi Aramco Medical Services Organization	<a href="http://www.saudiaramco.com">www.saudiaramco.com</a>
International Medical Center	<a href="http://www.imc.med.sa">www.imc.med.sa</a>
Saad Specialist Hospital	<a href="http://www.saadmedical.com">www.saadmedical.com</a>
Almana General Hospital	<a href="http://www.almanahospital.com.sa">www.almanahospital.com.sa</a>
Executive Board of the Health Ministers' Council for the GCC States	<a href="http://www.sgh.org.sa/page_e.htm">http://www.sgh.org.sa/page_e.htm</a>

## Dental Equipment — DNT

### Overview

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The health-care sector is one of the largest in the region in terms of expenditures, size, activity and potential. Annual spending on health care is estimated at \$21 billion in 2011, 75 percent of which is accounted for by the Saudi government. The government has allocated \$18.3 billion for the health and social-development sectors in the 2011 budget, 12 percent more than in 2010. Total expenditures in the dental sector are estimated at \$122 million annually, with more than 67 percent on equipment.

The high budgetary allocation valued at \$18.3 billion for the health-care sector and new health projects, expansion and growth of existing hospitals and clinics, privatization, compulsory healthcare insurance, the aging population, and greater material wealth, along with an upsurge in lifestyle diseases and favorable government policies, all combine to boost the demand for health-care services and thus create the environment for purchases of new dental equipment and increased investments in these sectors. Almost all private hospitals in Saudi Arabia have a dental clinic as part of their operations, and dental units are a leading revenue generator.

The market for dental equipment and materials grew almost 20% in 2010 and is expected to remain at the same growth levels in 2011. German companies control 33 percent of the market for equipment, while American companies lead the market for dental materials at 31 percent; the United States came in fourth place in equipment exports representing 12 percent of the Saudi import market.

The Saudi private sector represents more than 78 percent of the demand for equipment and materials, emanating from 5,500 dental clinics; while the public sector manages 1,500 clinics. The importation of dental devices is controlled by the Saudi Food and Drug Authority and prior approval of imports is required.

The use of agents or distributors to market dental equipment and accessories is highly recommended, as they will generally handle any regulatory requirements for imports, as well as perform the usual market-development functions.

### Sub-Sector Best Prospects

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

- Dental fillings & bone cement
- Floss and mouthwash
- Handpieces
- Orthodontic equipment and accessories
- Dental implants
- Dental x-ray equipment

### Opportunities

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In addition to the private sector's annual requirement for equipment and instruments, the Gulf countries also present excellent opportunities for U.S. companies to participate in a

six-country annual bid for various dental items. This tender is offered annually and the Secretariat General of the six-nation Health Ministries will usually communicate directly with foreign vendors.

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Ministry of Health	<a href="http://www.moh.gov.sa/english/index.php">www.moh.gov.sa/english/index.php</a>
Riyadh Military Hospital	<a href="http://www.rkh.med.sa/RMH.Website/English/">www.rkh.med.sa/RMH.Website/English/</a>
Ministry of Interior Medical Services	<a href="http://www.sfh.med.sa/English/">www.sfh.med.sa/English/</a>
Saudi Arabian National Guard Health Affairs	<a href="http://www.ngha.med.sa/English/Pages/Default.aspx">www.ngha.med.sa/English/Pages/Default.aspx</a>
Riyadh Care Hospitals	<a href="http://www.riyadhcare.com">www.riyadhcare.com</a>
Central Department of Statistics & Information	<a href="http://www.cdsi.gov.sa/english/">www.cdsi.gov.sa/english/</a>
<i>Al-Yaum</i> (newspaper)	<a href="http://www.alyaum.com">www.alyaum.com</a>
Middle East Economic Digest (magazine)	<a href="http://www.meed.com">www.meed.com</a>
Saudi Aramco Medical Services Organization	<a href="http://www.saudiaramco.com">www.saudiaramco.com</a>
International Medical Center	<a href="http://www.imc.med.sa">www.imc.med.sa</a>
Saad Specialist Hospital	<a href="http://www.saadmedical.com">www.saadmedical.com</a>
Almana General Hospital	<a href="http://www.almanahospital.com.sa">www.almanahospital.com.sa</a>
Executive Board of the Health Ministers' Council for the GCC States	<a href="http://www.sgh.org.sa/page_e.htm">www.sgh.org.sa/page_e.htm</a>

## Water Resources Equipment — WRE

### Overview

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With its desolate desert environment, water-scarcity issues feature high on the agenda for the Kingdom of Saudi Arabia. With the rapid development of cities, massive urbanization and industrialization coupled with growing population levels, the government of Saudi Arabia is forced to take drastic measures in revamping its water policies. Studies indicate that the Kingdom has the third highest daily *per capita* water consumption in the world, at about 280 liters, after the United States and Canada.

The primary source of water for its citizens were the 30 government-run desalination plants on the Red Sea and the Arabian Gulf coasts that supply 60-70 % of the kingdom's needs, with the rest met by ancient underground aquifers, which constitute about 23%, and the remaining 7% coming from wastewater recycling. Saudi Arabia is known to be the biggest user of desalinated water in the world (36% of the world's total), with demand growing at close to 4 percent each year. However, the actual cost of desalination is relatively low, at about \$1.33 to process, deliver and remove waste from one cubic meter of water.

Meeting future water needs is one of Saudi Arabia's biggest challenges. The Saudi government plans on a massive overhaul of its national water system; primarily by restructuring state-run entities and inviting more private sector participation. It is noteworthy to mention that as part of its revamping initiatives in 2002, the Supreme Economic Council issued new regulations, paving the way for more private sector participation in the power and water sectors. Instead, new desalination plants are to be built, at Shuaibah, Shuqaiq, Ras Az-Zour, and Jubail.

In the process, the government also restructured its water departments, creating the [National Water Company](#) (NWC) to work in joint ventures with both Saudi and international corporations. In part, the NWC was set up to ease the procedures and be more investor-friendly. In 2008, the Saudi government also announced that it would phase out wheat farming by 2016; the agricultural sector absorbing 88 percent of water use and contributing of a mere 3% to the country's GDP.

A pressing need for the Saudi government is to create more awareness for water conservation, in order to save its dwindling sources of ground water. This is being undertaken by way of media campaigns, to educate its citizens and by utilizing innovative water management solutions. The Saudi government is also keen on expanding its facilities for treatment of wastewater so that it can be used for industrial and commercial purposes.

A recent report by one of Saudi Arabia's leading banks estimates that around \$60 billion will be spent on expanding Saudi Arabia's water supply and distribution networks. These projects include \$14 billion for building 16 new desalination facilities in 17 years. These new plants will augment the 30 existing ones, some of which will be decommissioned because of age. To meet its needs, Saudi Arabia aims substantially to increase its desalination water production, which is currently around 5.7 million m<sup>3</sup> a day, to at least 10 million m<sup>3</sup> and 13 million m<sup>3</sup> a day by 2020.

According to the [Ministry of Water and Electricity](#), there are a number of water and sewage projects being implemented by the Ministry. Due to which, water supply in Riyadh and Jeddah cities has been significantly increased from 753 million m<sup>3</sup> in 2008 to 910 million m<sup>3</sup> in 2010. Water and sewage projects worth SR 6.68 billion are being implemented in addition to a number of projects for plugging water leaks in its distribution networks.

According to recent reports, two contracts worth \$4.18 billion (SR15.6 billion) for a desalination plant and a power generation plant at Ras Az-Zour were signed. Ras Az-Zour is located north of Al-Khobar in the Eastern Province. A consortium led by South Korea's Doosan Heavy Industries and Construction Company Limited won the SR6.6 billion contract to build the desalination plant, and the local Al-Arab Contracting Co. and China's Sepco III Electric Power Construction Corp. won a SR9 billion contract to build the power plant. The station would produce 2,400 megawatts of electricity and more than 1 million tonnes a day (tpd) of water, enough for 3.5 million people, making it the largest unit. The Saline Water Conversion Corporation (SWCC) will manage the plant along with the Saudi Arabian Mining Company (Ma'aden) and Saudi Electricity Company (SEC), which will be responsible for managing electricity output.

### **National Water Company (NWC)**

The [National Water Company](#) (NWC) was established in January 2008 and began operations in July 2008. NWC is a Saudi joint-stock company fully owned by the government (namely the Public Investment Fund) and established to provide water and wastewater services in accordance with the latest international standards through foreign PPP. It was set up to manage the privatization process and is currently responsible for water assets in Riyadh and Jeddah.

NWC focuses on providing drinking water of high quality for all customers, providing all households with water and wastewater connections, the preservation of natural water resources, the protection of the environment, making maximum use of treated sewage effluent (TSE), and the development and training of qualified Saudi employees in accordance with the latest international standards.

Currently, NWC is in the process of taking over water and wastewater management in the cities of Mecca and Ta'if. Between 2013 and 2015 it will have taken control these services in all of Saudi Arabia's 15 major cities and is planning to establish long-term joint ventures with private partners to operate and maintain water and wastewater infrastructure in those regions. Joint venture companies will also be set up to manage the production and sale of TSE. NWC has also been instrumental in a number of environmental clean-up projects, especially in regard to the cleaning of sewage lakes. Currently, NWC's focus is on the industrial and commercial users. NWC also recently signed MOUs to supply TSE to the city of Mecca for district cooling systems, in addition to another agreement for district cooling (irrigation purposes) worth \$320 million over 20 years with the Knowledge Economic City in Medinah.

### **Saline Water Conversion Corporation (SWCC)**

Established in 1965, the [Saline Water Conversion Corporation](#) (SWCC) is the entity responsible for operating the country's 36 desalination plants and providing fresh water to the entire country. It is also the country's second largest supplier of power after SEC,

with 12 plants generating around 40,000 megawatts. It is estimated that the Kingdom's installed power capacity will grow to 140,000 megawatts within 25 years. In 2007, the SWCC spent \$1.04 billion (SAR3.9 billion) to develop its activities, a 24% increase from 2006. In recent years, the SWCC has embarked upon a privatization plan, which established the [National Water Company](#) (NWC).

The state-owned desalination plant operator will be a holding company with separate production and transmission subsidiaries. As of November 2008, the SWCC had completed five of seven stages that will result in the company's privatization. The SWCC is currently awaiting approval of the final two stages by the Supreme Economic Council. With the privatization of the SWCC and the creation of the National Water Company, the water sector is expected to be under full private control by the end of the decade.

As indicated earlier, SWCC signed two contracts worth more than 15.6 billion Saudi riyals (\$4.2 billion) for a new power plant at Ras Az-Zour on the Persian Gulf that will include the world's biggest desalination facility. The Ras Az-Zour station will have capacity to produce 2,400 megawatts of electricity and more than 1 million m<sup>3</sup> a day of desalinated water, making it the largest unit of its kind in the world.

### **Independent Water Projects (IWPs)**

Private sector investment is emerging as a key component in the upgrading and expansion of Saudi Arabia's water infrastructure. The IPP concept is also gaining ground among Saudi Arabia's leading organizations, including the Ministry of Commerce & Industry, the Ministry of Water & Electricity, and Saudi Aramco, which are contracting local and international private companies to build desalination plants for their mega-projects.

### **Saudi Aramco IWP**

In June 2003, a consortium, led by the U.S. company Aquatech and including the local Rabigh Desalination Co., was awarded a \$20 million contract to build a desalination plant for Saudi Aramco's Rabigh refinery complex. The project, which stipulates a 20-year water conversion agreement, came on stream in 2006. In August 2005, a consortium led by Marubeni and Itochu, and including the local ACWA Power Projects, was awarded a \$1.1 billion contract to build a co-generation and desalination plant for the Rabigh integrated petrochemical and refining complex jointly owned by Saudi Aramco and Sumitomo Chemical. An engineering, procurement, and construction (EPC) contract for the co-generation and desalination plant was also awarded to Mitsubishi Heavy Industries Ltd. on a turn-key basis. The project stipulated a 25-year water and energy conversion agreement.

### **Water & Electricity Company (WEC)**

The [Water & Electricity Company](#) (WEC) was established as a limited-liability company (LLC) in 2003, with responsibility of the sale and purchase of water and electricity and all required ancillary activities. The main objective of WEC was to achieve the lowest possible rates for power and water. The Saline Water Conversion Corporation (SWCC) and the Saudi Electricity Company (SEC) have a 50% percent shareholding in WEC. WEC will provide the four IWPP projects at Shuaibah, Shuqaiq, Ras Az-Zour and Jubail with fuel requirements, and will monitor power, quality of water, and the efficiency of fuel

conversions for the projects. WEC will sell water to SWCC and power to SEC. In October 2005, the Shuaiba IWP was awarded to a Saudi-Malaysian consortium: The \$2.4 billion project involved a 20-year power and water purchase agreement to produce 900 MW of electricity and 880 m<sup>3</sup> of desalinated water per day.

### **Power & Water Utility Co. for Jubail & Yanbu (Marafiq)**

In January 2003, the [Power and Water Utility Company for Jubail and Yanbu](#) (Marafiq) was established to undertake the operation, management, expansion and construction of seawater cooling systems, water desalination plants, sanitary and industrial wastewater systems and electric power systems, thus providing essential utility services to industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu. In December 2006, Marafiq Jubail was awarded to French-Belgian utility consortium. The \$3.3 billion project involves a 20-year power and water purchase agreement to produce 2,800 MW, and 800,000 m<sup>3</sup> of desalinated water per day. Recent news is that Marafiq has shortlisted three companies for the engineering, procurement and construction (EPC) contract for the \$900 million Yanbu interim power plant in Saudi Arabia. The three South Korean companies shortlisted for the contract are Samsung Engineering, Hyundai Engineering & Construction and Daelim Industrial Company. The facility will provide the region with 850MW of power and 60,000 m<sup>3</sup> a day of desalinated water when completed. Completion of the project is expected to be the first quarter of 2014. State-owned local companies including Saudi Aramco and Saudi Basic Industries Corporation (SABIC) are shareholders in Marafiq.

### **Sub-Sector Best Prospects**

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The [Saline Water Conversion Corp.](#) (SWCC) continues to study the introduction of 20 new saline water conversion projects to be implemented in the near future to meet the demand increase for drinking and used water. The 20 new projects will include constructing new plants and expanding existing ones. SWCC would like to see more American companies involved in those projects due to their high tech and good reputation in this market. Also, there are several large opportunities in the wastewater treatment sector. Several major projects are under tendering, such as the North Jeddah wastewater treatment project, the Musk Lake sewage treatment project, the Ha'ir wastewater treatment project in Riyadh, the Medina wastewater treatment project, and the Dammam wastewater treatment project.

Following is a list of services and products required for desalination, wastewater projects to be undertaken in Saudi Arabia:

- Consulting and engineering services
- Anti-scaling chemicals
- Operations and maintenance services
- RO membranes
- Filters
- Steam & gas turbines
- Boilers
- Treatment chemicals
- Pumps
- Screening equipment

- Training services
- Potable and process water treatment systems
- Industrial and Sewage wastewater treatment systems
- Oil skimmers (pipes, drums, weir, etc)
- Pressure and gravity media filters
- Grit removal units
- Water disinfection equipment & systems
- Clarifiers & clarification equipment
- Odor treatment
- Screens and headwork systems
- Sludge digesters and digester equipment
- Aeration systems.

## Opportunities

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The government now has more resources to embark on long-planned improvements and a long awaited expansion of water infrastructure, transport and wastewater treatment plants. Over the next five years 2010-2015, Saudi Arabia will require 8,500 km of new pipeline for freshwater transport and over 32,000 km for wastewater disposal pipes. Also, major business opportunities will be forthcoming as the sector opens up for privatization. Industry sources expect that the Government will build more new desalination plants, water pipelines, and wastewater treatment plants on a BOO/BOT basis with the [Water & Electricity Company](#) (WEC) and the [National Water Company](#) (NWC) taking the lead. Initially, WEC plans to set up the second group of three IWPP projects with an investment potential of \$8 billion. These IWPP projects will provide desalinated water and power to their respective regions.

Saudi Arabia also presses ahead with a wastewater treatment revolution. Modernizing and expanding the sewage system has become one of the top priorities of the Saudi Arabian government. The loss of life and property in the recent floods in Jeddah city was widely blamed on Jeddah's poor wastewater network. It also shed light on the poor infrastructure and inadequacies of the wastewater collection and treatment services. It is estimated that only 40 per cent of the population of the kingdom is served by an integrated sewage and wastewater system. In Jeddah, for instance, that figure falls to 22 per cent and to 21 per cent in Medina. The rest depend upon septic tanks that are occasionally drained by wastewater tankers. The Kingdom has now taken measures to address these issues and to revamp its wastewater with the private NWC responsible for running the sewage system in Jeddah and Riyadh. NWC has also announced it will spend \$17 billion in the 14 cities that are to have private-sector sewage managers in the next five years. It forecasts that capital spending on the kingdom's sewage collection and treatment system in the next 20 years will amount to \$37 billion. Projects to be tendered soon include two sewage treatment plants (STPs) in the Riyadh area, each with the capacity to process 100,000 m<sup>3</sup> a day and a 10-kilometre-long deep tunnel sewer to handle 800,000 m<sup>3</sup> a day in the Saudi capital. In Jeddah, bids are to be invited soon for the second phase of the STP in King Abdulaziz International Airport, which will increase capacity by 250,000 m<sup>3</sup> a day, and a 700,000 m<sup>3</sup> a day sewage lift station.

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Ministry of Water & Electricity (MOWE)	<a href="http://www.mowe.gov.sa/NewMowe/ENIndex.aspx">www.mowe.gov.sa/NewMowe/ENIndex.aspx</a>
Saline Water Conversion Corporation (SWCC)	<a href="http://www.swcc.gov.sa">www.swcc.gov.sa</a>
Royal Commission for Jubail and Yanbu	<a href="http://www.rcjy.gov.sa/en-us/Pages/default.aspx">www.rcjy.gov.sa/en-us/Pages/default.aspx</a>
Saudi Aramco	<a href="http://www.saudiaramco.com">www.saudiaramco.com</a>
Power & Water Utility Company for Jubail and Yanbu	<a href="http://www.marafiq.com.sa">www.marafiq.com.sa</a>
Water & Electricity Company (WEC)	<a href="http://www.wec.com.sa/Default.aspx">www.wec.com.sa/Default.aspx</a>
National Water Company (NWC)	<a href="http://www.nwc.com.sa/English/Pages/Individual.aspx">www.nwc.com.sa/English/Pages/Individual.aspx</a>
Ministry of Commerce & Industry	<a href="http://www.commerce.gov.sa/english/">www.commerce.gov.sa/english/</a>
ACWA Power, Saudi Arabia	<a href="http://www.acwapower.com">www.acwapower.com</a>
Saudi Arabian Mining Company (Maaden)	<a href="http://www.maaden.com">www.maaden.com</a>

Saudi Arabia is one of the largest markets for security equipment and technology in the region. The scope of security-related spending has expanded to include more sophisticated information technology and the protection of other vulnerable targets. Saudi Arabia will continue to mobilize all resources to maintain and strengthen a highly effective homeland security / homeland defense infrastructure. Spending on anti-terrorism goods and services is expected to keep on growing. As the country implements ambitious plans to develop its mining, petrochemicals industry and other downstream activities, the need for a wide range of security products and services will increase. The market for security technology and products in Saudi Arabia could easily grow by 15-20 percent over the next two to three years. It is expected that Saudi Arabia will spend US\$14 billion to protect its oil facilities and other infrastructure in the next six years. As a result, Saudi Arabia's security market will become the world's largest national energy security market.

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

An increased awareness of the problems and enforcement of safety regulations, particularly in construction, has led to a higher demand for safety training and equipment, fire services, detection and alarm systems. The security of oil and gas sector, along with other key ongoing projects such as transportation (airports, railways, seaports), petrochemicals, mining and economic cities, makes the security and surveillance market in Saudi Arabia a very large and lucrative one.

Traffic violation management to monitor roads and highways and enforce traffic laws in an automated manner is another highly active market area.

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

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

- **Fire & Safety Equipment and Services**
  - ★ fire alarms;
  - ★ detection and prevention systems;

- ★ fire fighting and protection equipment;
- ★ fire hose reels;
- ★ personal protection equipment; and
- ★ any new technology/products relating to the fire & safety sector.

- **Security Equipment and Services**

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

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

The Saudi Arabian security market is basically a price-conscious market, mainly due to the presence of wide range of security products imported from different parts of the world. Price competitiveness is therefore a must.

No reliable, published statistics are available on the SEC sector in Saudi Arabia.

### **Sub-Sector Best Prospects**

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Considering the size and prosperity of the country, Saudi Arabia's security industry is somewhat underdeveloped. The country relies heavily on imports, despite previous efforts to create a degree of self-sufficiency in its security production. There is strong receptivity to U.S. security products and services.

The security of energy infrastructure has become one of the foremost concerns of governments everywhere. Producers and users alike know that terrorists around the world cannot fail to notice the vulnerability of the global markets, and the destructive impact that any disruption in energy supplies would have on many national economies. The recognition of this vulnerability, in turn, drives the infrastructure-security markets.

Securing the flow of oil from producers to consumers is a crucial global concern. Saudi Arabia, the world's largest oil exporter, understands the importance of uninterrupted flow of oil, and it knows that one successful terror attack on the Saudi oil industry would send oil prices skyrocketing to record highs, resulting in a deep global recession — a losing proposition for all involved. To head off such an eventuality, analysts forecast that the Saudis will procure \$14 billion of security systems and services over the next six years in order to bolster the kingdom oil infrastructure security.

Homeland security is one of the growing sectors today. Initially the focus was on infrastructure protection, border protection, and protecting oil and gas facilities. However, significant efforts and resources are now being expended to protect critical infrastructure for the production and transportation of oil and gas. Saudi Aramco, the world's largest oil company is also one of the largest non-military end-users of security items, and the majority of its security requirements have been sourced from the U.S.

Saudi Arabia is a very important market. Solutions and service providers and system integrators in all safety and security fields will find an increased demand for their products in the Kingdom. There is also an increased public spending on infrastructure and welfare to match the increasing needs of the Saudi population.

The government's privatization plans should trigger considerable security upgrades within the electricity, telecommunications, air-travel, water, oil & gas, railway, and petrochemical sectors.

Saudi Arabia's homeland security market is unlike any other market in the world. Saudi Arabia is threatened by both internal and external terrorism. Below are some of the areas that will have good potential in the security sector:

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

## Opportunities

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

- Saudi Aramco and Dow plan to build a \$15 billion petrochemicals complex in Ras Tanura on the Eastern coast of Saudi Arabia, which will also present opportunities for a wide range of security equipment and systems.
- Saudi Arabia Mining Co.'s (Ma'aden) phosphate project and aluminum smelter will present good opportunities for a range of security equipments and systems.
- The six new economic cities will be in Madina, Ha'il, Tabuk, Jizan, Ras Az-Zour, and Rabigh. The King Abdullah Economic City, which is to be built near the western industrial city of Rabigh, will cost about US \$26.6 billion. King Abdullah Economic City will be located. All of these six cities will have a good component of security equipment for their residential, schools, office complexes, ports and industrial developments.
- The Ministry of Interior (MOI) has signed a US\$2.6 billion contract for the 6,000km second phase of the national border fence and security systems. The local Al-Rashid Trading and Contracting Company and German-based European Aeronautic Defense & Space Company (ADS) have executed this contract. The work involves installing a radar-based system to detect incursions along Saudi Arabia's border with Jordan, Kuwait, Qatar, the UAE, and Yemen as well as along the Gulf and Red Sea coasts.
- An expanding mining, petrochemical sectors, along with the necessary transportation infrastructure will create a demand for relevant security systems.

## Web Resources

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Saudi Arabian General Investment Authority	<a href="http://www.sagia.gov.sa">www.sagia.gov.sa</a>
Saline Water Conversion Corporation	<a href="http://www.swcc.gov.sa/">www.swcc.gov.sa/</a>
Saudi Electricity Company	<a href="http://www.se.com.sa/SEC/English/default.htm">www.se.com.sa/SEC/English/default.htm</a>
Saudi Ports Authority	<a href="http://www.ports.gov.sa/default.cfm">www.ports.gov.sa/default.cfm</a>
InterSec Safety & Security, Dubai	<a href="http://www.intersecexpo.com">www.intersecexpo.com</a>
Saudi Basic Industries Corporation	<a href="http://www.sabic.com">www.sabic.com</a>
Saudi Aramco	<a href="http://www.saudiaramco.com">www.saudiaramco.com</a>
Ministry of Interior	<a href="http://www.moi.gov.sa/">http://www.moi.gov.sa/</a>

## Education & Training Services – EDS

### Overview

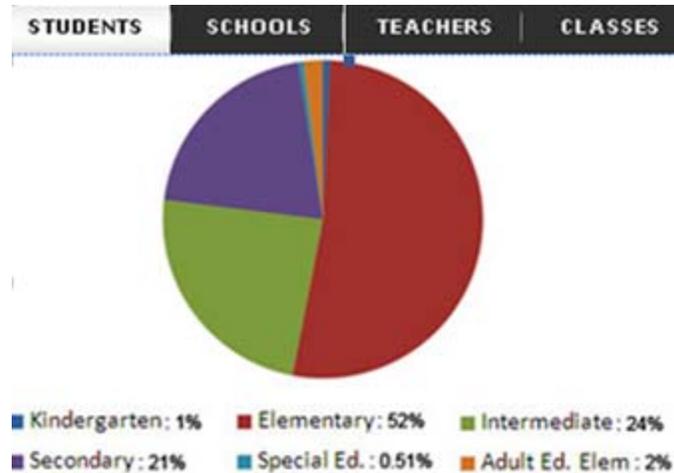
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#### Last Reliable Published Statistics for General Education in Saudi Arabia

Description	Schools	Classes	Students	New Entrants (Students)	Academic Staff
Male	14,923	111,336	2,522,658	586,220	199,062
Female	16,875	111,274	2,496,349	651,415	226,281
Total	31,798	222,610	5,019,007	1,237,635	425,343

General Government & Education Budget 2011 (Billion Riyals)		
General Gov. Bud.	Edu. Sector Bud.	% To Gen. Bud.
580 (\$155 b)	151(\$ 40 b)	26 %

Stage	Gender	Schools	Classes	Students	New Entrants (Students)	Academic Staff
Kindergarten	Coeducation	1,650	6,120	125,433	49,744	11,125
Elementary	Male	7,110	66,023	1,386,480	226,764	106,652
	Female	6,883	56,856	1,307,681	213,848	108,973
	Total	13,993	122,879	2,694,161	440,612	215,625
Intermediate	Male	3,873	24,207	580,961	196,101	52,815
	Female	3,302	23,778	594,448	195,960	54,041
	Total	7,175	47,985	1,175,409	392,061	106,856
Secondary	Male	1,932	15,586	451,984	148,778	34,768
	Female	1,929	16,031	464,888	167,080	38,741
	Total	3,861	31,617	916,872	315,858	73,509
Special Education	Male	529	3,802	17,489	4,747	4,827
	Female	144	776	5,345	1,704	1,831
	Total	673	4,578	22,834	6,451	6,658
Adult Ed.	Male	1,479	1,718	21,774	9,830	0
	Female	2,967	7,713	62,524	23,079	11,570
	Total	4,446	9,431	84,298	32,909	11,570
Grand Total	Male	14,923	111,336	2,522,658	586,220	199,062
	Female	16,875	111,274	2,496,349	651,415	226,281
	Total	31,798	222,610	5,019,007	1,237,635	425,343



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

According to the most recent statistics published by the Saudi Arabian Monetary Agency, Saudi Arabia's public education system includes 25 public and private universities in various stages of operation, some 31,798 schools, as well as a large number of colleges and other education-related institutions. The student body in Saudi universities includes local and international students from over 100 countries. The total number of students enrolled in the Kingdom's higher education institutions for the 2009/2010 academic year stood at 820,167.

With an average population growth rate among the population in 2004 and 2010 census of 3.2 percent, Saudi Arabia is one of the fastest growing societies in the world. Moreover, a sizeable portion of its population is below the working age or close to entering the job market. To keep the unemployment rate of Saudi nationals, currently estimated at 12.02 percent, under control, the Saudi Government must not only ensure the availability of jobs but must also develop the appropriate framework to support highly qualified Saudi workers and equip them with the relevant skill set to meet the demands of a modern and booming economy. As a result, the Saudi Government is accelerating the overhaul of the Saudi education system to ensure it can provide the necessary human capital to keep up with the economic demands.

One of the most important steps the Saudi Government has been taking in this regard is to gradually increase its annual budget. This upward trend emphasizes the Saudi Government's vision that education is the cornerstone to sustained economic development, as it brings human capital and knowledge, both essential ingredients for economic growth and social cohesion. In its 2011 budget, the largest in the economic

history of Saudi Arabia, the Saudi Government allocated \$40 billion of the almost \$155 billion budget for human resource development alone, an increase of 8% over FY 2010 appropriation. This includes spending for higher education, technical and vocational training, teacher training, development of academic curricula, as well as allocations to boost scientific research and technological development at new research centers at universities. In addition to the new projects of building 610 new schools, constructing 3,200 schools, and the rehabilitation of 2000 existing school buildings.

For higher education, the new budget includes appropriations for the completion of construction of campuses for the newly created universities including housing of faculty.

According to the local media, the Saudi Education officials have allocated \$533m to improve facilities at the kingdom's universities including medical colleges, university hospitals, a faculty of architecture at Ha'il University, a building of community college at Taiba University, residential quarters for faculty members at the Islamic & Tabuk Universities, and a landscaping project at Jizan University. King Abdullah has also approved 33 new colleges including seven in Makkah (Mecca), six in Qassim and four in Tabuk.

### **Sub-Sector Best Prospects**

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

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

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

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

The Saudi Government has allocated around SAR9 billion (US\$2.4 billion) for the *Tatweer* (“Development”) project through the Education Development Holding Company owned by the Public Investment Fund (PIF), and is continuing to take education to new horizons to cope with transformations around the world. Teachers, students’ advisors and school principals take different courses that can enable them to deal with their students from different angles to help them succeed at all levels. The project consists of four pillars: developing teachers’ skills, developing curricula, enhancing school activities, and improving school environment. The Kingdom is trying to develop education and is employing the latest possible technology to help build Saudi citizens at all levels.

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

KAUST’s core campus, located on the Red Sea at Thuwal, is sited on more than 36 km<sup>2</sup> (14 sq. mi.), encompassing a marine sanctuary and research facility. KAUST is the first mixed-sex university campus in Saudi Arabia. Within KAUST, female drivers will facilitate student and community life by driving. Saudi authorities hope the mixed-sex center will help modernize the kingdom’s deeply conservative society. The religious police does not operate on-site. Women will be allowed to mix freely with men and drive on campus, nor are they required to wear veils in the coeducational classes.

KAUST will pursue its research agenda through four strategic research thrusts that focus on areas of science and technology that are important to Saudi Arabia, the region, and the world:

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

### **Riyadh Women’s University**

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

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

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

## Prince Mohammad University (PMU)

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

### Education Trade Fairs in Saudi Arabia:

The following are the leading education fairs in Saudi Arabia, usually held on an annual basis:

<b>MEETES – Education and Training Exhibition and Symposium</b>		
<b>Date</b>	<b>Venue</b>	<b>Description</b>
Feb. 28- Mar. 3, 2011	Jeddah Centre for Forums & Events, Jeddah, Saudi Arabia	Saudi Arabia's 16th International Event for Education, Training Equipment, Aids and Services (MEETES) provides a one-stop showcase for those looking for further education and training both at home and abroad. The exhibition offers not only the widest variety of domestic exhibitors but also the Kingdom's greatest single concentration of international providers of further education, training, educational equipment and services.
<b>The International Education Forum</b>		
March 27-30, 2011	Dhahran International Exhibition Center (DIEC), Dammam, Saudi Arabia	This is an education & training show that is considered as a leading trade fair for education & training industry. It will be held at Dhahran International Exhibition Center (DIEC), in the Eastern Province of Saudi Arabia & being organized by Dhahran Group Of Companies. It offers a wide variety of domestic and international exhibitors who provide further education, training, educational equipment and services.
<b>The International Exhibition &amp; Conference on Higher Education</b>		
April 19-22, 2011	Riyadh International Convention & Exhibition Centre – (RICEC), Riyadh, Saudi Arabia	The International Exhibition for Higher Education seeks to host international universities and higher education institutions under one umbrella in the Kingdom of Saudi Arabia to introduce them as well as provide an environment for scientific cooperation between international and Saudi higher education institutions in both the public and private sectors. The vision of this Exhibition is encouraging participation, enhancing collaboration, and building partnerships between Saudi and international universities, higher education institutions, and educational organizations as well as developing mutual understanding about the issues that govern and influence the quality of higher education worldwide.

Department of Statistics & Information	<a href="http://www.cdsi.gov.sa/english">www.cdsi.gov.sa/english</a>
Ministry of Education	<a href="http://www.moe.gov.sa/openshare/englishcon/">www.moe.gov.sa/openshare/englishcon/</a>
King Abdullah Educational Development Program ( <i>Tatweer</i> Project)	<a href="http://www.moe.gov.sa/openshare/englishcon/e27_10_2008_094255.html">www.moe.gov.sa/openshare/englishcon/e27_10_2008_094255.html</a>
King Abdullah University of Science and Technology (KAUST)	<a href="http://www.kaust.edu.sa">www.kaust.edu.sa</a>
MEETES – Education and Training Exhibition and Symposium	<a href="http://www.biztradeshows.com/trade-events/education-training-jeddah.html">www.biztradeshows.com/trade-events/education-training-jeddah.html</a>
The International Education Forum	<a href="http://www.biztradeshows.com/trade-events/international-education-forum.html">www.biztradeshows.com/trade-events/international-education-forum.html</a>
Saudi Arabian Monetary Agency	<a href="http://www.sama.gov.sa/Pages/Home.aspx">www.sama.gov.sa/Pages/Home.aspx</a>
Arabian Business	<a href="http://www.arabianbusiness.com">www.arabianbusiness.com</a>
Middle East- North Africa Financial Network (MENAFN)	<a href="http://www.menafn.com">www.menafn.com</a>

## Telecommunications Services – TES

### Overview

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Since the telecom market was opened up to the competition in 2005, Saudi Arabia has become increasingly connected, with 49 million mobile phone subscribers as of 3Q-2010.

From 2001 to late 2009, the compound annual growth rate (CAGR) was 33%, while mobile penetration reached 176%, higher than the global average of 67% and the developed countries' average of 114%. Mobile penetration is expected to reach 214% by 2014, while mobile phone sales are forecast to grow 7% to \$1.1 billion. Saudi Arabia has a fixed-line telephone penetration of 15.6% with 4.3 million subscribers. Telecom services revenues were \$14 billion, up 13% with mobile services accounting for 77% of overall revenues.

Total Internet users increased to 11.2 million by 3Q-2010, with a broadband penetration level of 12.2 percent by 3Q-2010. In terms of households, however, it is estimated that one third of all households in Saudi Arabia have a broadband connection. The upgrading of the telecommunications networks is likely to be a major driver of infrastructure spending.

### Sub-Sector Best Prospects

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

Best Prospects in this sector include:

- DSL access switches, enabling multi-service transmission equipment;
- Fiber-optic satellite links;
- Wideband transceivers;
- Network protocol software and systems;
- Broadband wireless access systems (“WiMax”), 2.5–3.5 GHz, 16D and 16 E;
- Wireless computing equipment and related accessories.

### Opportunities

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The increase in personal wealth during the past decade, coupled with greater IT awareness and sophistication, has brought down the cost of personal PCs, and Internet access has caused a surge in users across the Kingdom.

According to industry sources, the upgrading of the telecommunications networks is likely to be a major driver of infrastructure spending in the foreseeable future. Saudi Arabia is expected to account for more than 50 per cent of spending on ICT in the Gulf Cooperation Countries over the next three years. Of the nearly \$90 billion expected to be spent on ICT infrastructure by 2012, \$22 billion is likely to be spent on IT and \$67 billion on telecommunications.

## Web Resources

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Communications and Information  
Technology Commission

[www.citc.gov.sa/citcportal/Homepage/tabid/106/cmupid/%7B611C6EDD-85C5-4800-A0DA-A997A624D0D0%7D/Default.aspx](http://www.citc.gov.sa/citcportal/Homepage/tabid/106/cmupid/%7B611C6EDD-85C5-4800-A0DA-A997A624D0D0%7D/Default.aspx)

Ministry of Communications and  
Information Technology

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

Saudi Telecommunications Company  
Mobily

[www.stc.com.sa/cws/portal/en/?favouritLang=en](http://www.stc.com.sa/cws/portal/en/?favouritLang=en)  
[www.mobily.com.sa/wps/portal](http://www.mobily.com.sa/wps/portal)

Knowledge Economic City

[www.sagia.gov.sa/english/index.php?page=knowledge-economic-city-kec](http://www.sagia.gov.sa/english/index.php?page=knowledge-economic-city-kec)

## Electrical Power Systems – ELP

### Overview

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The power generation, transmission, and distribution industry in Saudi Arabia is currently one of the fastest growing and most lucrative in the Middle East. With one of the world's highest population growth rates and a rapidly expanding industrial base, Saudi Arabia has an ever-growing need for electricity and power sources.

In 2009, electricity generation grew 8.2 percent, and domestic demand for utilities is growing by an average rate of 8 percent per year. It is estimated that the country will need close to 55,052 MW of power capacity by 2020, nearly double the current capacity of 48,490 MW. To attain this generation capacity, Saudi Arabia will need significantly to boost industry operations and expand its electricity grid by 400 percent over the next decades.

The Saudi Government recognizes the challenge of keeping pace with the need of the rapidly growing population and industrial economy and has therefore embarked upon an ambitious plan to bolster the industry. The Saudis have invested heavily in a series of projects to achieve this end. In fact, Saudi Arabia already accounts for nearly 50 percent of all ongoing power projects in the Gulf State with a value of more than 90 billion. An additional \$119 billion is expected to be invested in the industry by 2020.

The Saudi Government seeks private investment to expand generation capacity, unify its national electricity grid, and switch its power plants from heavy oil to natural gas. Saudi Arabia has embarked upon an ambitious national development plan that aims to bolster operations and investment opportunities across all key economic sectors. Saudi Arabia's development plans over the next decade include the construction of whole new cities and a significant expansion of the petrochemical, mining and petroleum industries. Power generation and its related infrastructure form the backbone of the development plans. Moreover, the power industry will serve as a crucial determinant of whether Saudi Arabia will meet its development goals and become one of the top 10 most competitive economies by the year 2010.

One important step in this process has been the creation, on April 18, 2010, of the King Abdullah City of Atomic and Renewable Energy (KACARE), a scientific center for nuclear and renewable power. This facility, when completed, will investigate the application of nuclear power together with renewable energy to be used in the kingdom to meet rising electricity demand. The new entity is to draft a national policy on nuclear energy development and will be responsible for supervising the commercial use of nuclear power and the handling of radioactive waste. KACARE is an independent legal entity accountable to the Prime Minister. Although its headquarters are in Riyadh, KACARE has been authorized to establish branches, offices, or research centers within the kingdom.

In addition to a massive expansion of its power generation capabilities, Saudi Arabia requires substantial investment in power transmission and distribution (T&D). In July 2008, the SEC reported significant gains in the country's T&D network. Transmission network capacity in 2007 increased 3.6% to 37,891 KM, while distribution during the same year grew 4.8% to 161,923 KM. Nevertheless, the power network in Saudi Arabia

has not been developed evenly; Saudi Arabia's vast size, harsh climate, and rugged terrain have put constraints on the type of power lines that can be utilized to link the country's four power regions. The SEC has therefore embarked upon a series of projects to overhaul outdated segments of the network and lay the groundwork for a modern T&D system. The SEC plans to spend nearly \$14.7 billion for the transmission of electricity and \$10.7 billion for the distribution of electric power in the next 10 years.

Brownouts are common in the Western and Southern Provinces due to insufficient capacity. In November 2002, the Supreme Economic Council created a regulatory body to set prices and encourage foreign investment in the sector. Since then, various projects have been launched, including upgrading existing power plants and building new facilities. To encourage private-sector investment in power generation, the Government issued a decree in 1997 redefining power generation as an industrial activity, which brought power generation under the authority of the foreign investment code allowing both domestic and foreign investors to freely invest in power generation. In 2003, the transmission and distribution sectors were opened to foreign and local investors, and the water and electricity operations were brought under the authority of a single ministry, the [Ministry of Water & Electricity](#) (MOWE).

The primary means for expanding power output has been the establishment of independent Water and Power Projects (IWPPs) that allow for private ownership as high as 60 percent. Among the largest of the ongoing power projects is the expansion of Saudi Arabia's two industrial cities, Jubail and Yanbu. Powering these two cities is a project so large that a joint-stock utility company, the [Power & Water Utility Company for Jubail & Yanbu](#) (MARAFIQ), with an initial of capital of \$667 million, was formed to manage the operations. One of the company's major power projects, the Jubail III IWPP, successfully started production in April 2009. Located in the city's industrial zone in the Eastern Province, the plant will produce 2,750 MW of electricity per day and is comprised of 27 units that will use multiple effect distillation systems.

Following the template of the Jubail III IWPP, the Shuaiba Water and Electricity Company (SWEC), the private Saudi company that owns and manages the Shuaiba III project, announced in August 2009 that the third phase of the desalination plant's expansion had been completed with the capacity of 900 MW of electricity per day for the Saudi electricity grids. In addition to the Jubail and Shuaiba projects, the Saudi Government plans to bring a number of other IWPPs on line by 2015. Among these is the Shuqaiq II IWPP, which is scheduled for completion in the late 2011, and will have a capacity of 1,020 MW of electricity per day. As a result of the global downturn, however, the IPPs at Ras Az-Zour and Yanbu have been downscaled to engineering, procurement, and construction (EPC). All together these current power projects will add about 8,500 MW to the current to the current power generation capacity and will cost nearly 15 billion.

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

To ensure that the interest of private investors, electricity operators, and consumers are protected, the Saudi Government established an independent regulatory body, the Electricity and Co-Generation Regulatory Authority (ECRA) in 2001. A new electricity law was passed in 22 November 2005, and was published in late 2007. The new law is central to the regulation and development of the electricity sector in the Kingdom. The general features of the law cover provision of reliable services, protecting consumer's rights including reasonable prices, while protecting the rights of investors in the sector to receive a fair return. ECRA has the responsibility of providing a clear, stable, non-discriminatory framework and creating a suitable environment to foster legitimate competition in the industry. ECRA is also charged with protecting the interests of private investors, operators and consumers. The standardization of operations has helped facilitate greater free market and private-sector participation.

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

Steam units	12,795 MW
Gas units	24,176 MW
Diesel units	250 MW
Combined cycle units	2,299 MW
Total SEC power capacity	39,520 MW
Rented Diesel units	650 MW
Contributed capacity (by others, SWCC, ARAMCO, and MARAFIQ)	8,970 MW
Total capacity (at year-end 2010)	49,140 MW

### Sub-Sector Best Prospects

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

- gas turbine units,
- steam turbine units,
- turbine spare parts and accessories,
- power-plant design engineering firms,
- power-plant consulting firms.
- products and services related to the power industries:
  - ★ valves,
  - ★ compressors,
  - ★ pumps,
  - ★ spare parts,
  - ★ fuel oil systems skid packages (unloading, transfer, forwarding and heating skids),
  - ★ fuel gas system skids packages for natural gas cleaning and conditioning,
  - ★ gas turbine inlet systems,
  - ★ turbine filters,
  - ★ training services.

The following is a list of further power projects to be undertaken by the Saudi Electricity Co. (SEC), Water and Electricity Company (WEC), Saline Water Conversion Corporation (SWCC), Saudi Aramco, and Power and Water Utility Company (MARAFIQ) for the budget years 2011-2015.

**SEC Generation Projects (Under Contractual Processing)**

PP10, Riyadh -1,760 MW  
Tabouk PP Ext 6 –154 MW  
Shoaibah PP 3 – 1,200 MW  
Al-Qurayyah - 2 PP – 1,250 MW  
Rabigh PP Ext 6 - 2,555 MW  
PP-11, Riyadh – 2,400 MW  
Qaseem PP Ext 3 - 480 MW

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

Tabouk PP Ext 7 - 120 MW  
Al-Qurayyah 2 PP Ext. 640 MW  
PP 10 Ext - 1,580 MW  
Rafha PP2 – 120 MW  
Hail PP Ext 2 – 240 MW  
Al-Wajh/Al-Ola PP 2 – 180 MW  
South Jeddah PP Phase1- 2,400 MW  
Ras Az-Zour PP Phase 1 – 2,400 MW  
PP 13 – 2,400 MW  
New PP (Western Network) – 1,000 MW  
Qurayah PP 1 – 1,800 MW  
Deba PP Phase 1 -1,800 MW  
Jazan/Al-Shogaig PP – 1,800 MW

**Non-SEC projects under construction:**

SWCC Ras Az-Zour - 2,500 MW  
SWCC-Yanbu PP -1850 MW  
Aramco (Mnefa, Kharasaniyah, and Shaybah – 2,000 MW)

Ministry of Water & Electricity (MOWE)	<a href="http://www.mowe.gov.sa/NewMowe/ENIndex.aspx">www.mowe.gov.sa/NewMowe/ENIndex.aspx</a>
Saudi Electricity Company (SEC)	<a href="http://www.se.com.sa/SEC/English/default.htm">www.se.com.sa/SEC/English/default.htm</a>
Saline Water Conversion Corporation (SWCC)	<a href="http://www.swcc.gov.sa/">www.swcc.gov.sa/</a>
Water & Electricity Co. (WEC)	<a href="http://www.wec.com.sa/Default.aspx">www.wec.com.sa/Default.aspx</a>
Power and Water Utility Company for Jubail and Yanbu	<a href="http://www.marafiq.com.sa">www.marafiq.com.sa</a>
Electricity & Co-Generation Regulatory Authority (ECRA)	<a href="http://www.ecra.gov.sa/home.aspx">www.ecra.gov.sa/home.aspx</a>

Saudi Aramco

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

Royal Commission for Jubail and Yanbu  
(RCJY)

[www.rcjy.gov.sa/en-us/Pages/default.aspx](http://www.rcjy.gov.sa/en-us/Pages/default.aspx)

King Abdullah City for Atomic &  
Renewable Energy

[www.kacare.gov.sa/](http://www.kacare.gov.sa/) (under construction)

## Oil & Gas Field Machinery – OGM

### Overview

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The Saudi Arabian Oil Company (Saudi Aramco), the world's largest oil producer and the state-owned company said that in 2009, it completed a multi-year, multiple mega-project programs that included new or expanded oil, gas and petrochemical facilities. Maximum sustainable crude oil production capacity was raised to 12 million barrels per day, and important increases were achieved in gas production and processing capacities. Furthermore, key support facilities such as water injection and distribution networks were also expanded or upgraded.

Saudi Aramco's 2009 annual review figures show that recoverable crude oil and condensate reserves stand at 259.9 billion barrels and recoverable gas reserves — associated and non-associated are 263.0 trillion cubic feet. The average crude oil production per day was 8.9 million barrels, and raw gas to gas plants production was 8.3 billion standard cubic feet per day. The average production of natural gas liquids (NGL) per day was 1.0 million barrels.

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

Aramco is targeting a 30 per cent increase in sales gas output by 2014 to 8 billion cubic feet a day (cf/d). Aramco has switched its focus to the offshore Karan field, discovered in 2006. Karan, 100 km north of the giant Ghawar oil field, is the kingdom's first non-associated offshore gas field to be developed by Aramco. It has reserves of more than 9 trillion cubic feet of gas and the company expects to produce 1.8 billion cf/d from the field by 2013. Under the Wasit gas development program, Aramco discovered the Arabiyah and Hasbah fields in January 2009, and has already included them in its five-year spending plan for 2010-14. The Wasit gas development program will produce and process up to 2.5 billion cf/d of sour gas from the offshore Arabiyah and Hasbah fields.

Several other major new offshore gas developments are in the engineering phase to lift domestic production.

More offshore exploration is also under way. Aramco currently operates at least 16 offshore fields and has boosted the number of active offshore rigs to about 15 in 2009 from just one in 2000. In its capital investment program for 2010-14, Aramco has dedicated \$6bn for the development of six offshore facilities out of a total budget of \$60bn.

Recently Saudi Aramco has invited seven international contractors to participate in the general engineering services plus (GES plus) contract. KBR, Foster Wheeler, Mustang Engineering, Jacobs Engineering, Worley Parsons, SNC Lavalin and Technip have been invited. The GES plus is intended to both trim down the amount of contracts Aramco

uses for its design work to manageable level and also to ensure relative homogenous rates with contractors. It also aims to ensure that local design engineering are being given invaluable experience on the company's major projects. It is important for these seven contractors to pledge to carry out design work in-kingdom and form consortium with local engineering consultancies to ensure Saudi nationals would be involved in the technical design work. In return, only the companies that signed a GES plus contract would be allowed to bid on any feed tenders released by Aramco. Any contractor who signed up would be guaranteed 1 million man-hours of work a year by Aramco.

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

### Sub-Sector Best Prospects

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

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

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

According to a published news report, Saudi Aramco is planning to spend tens of billions of U.S. dollars between 2010-2014 on the following projects (billions of US\$):

Project Type	Number of Projects	Value
New Process Facilities	7	15.0
Offshore Facilities	6	5.5
Maintenance Programs	10	5.5
Plant Improvements	45	3.0
Pipelines	17	2.2
Civil Engineering / Infrastructure	37	2.2

Electrical / Communications	22	1.2
<b>Total</b>	154	35.1

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

## Opportunities

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Saudi Aramco's awarded/planned projects include:

- Jacobs Engineering Group was awarded a contract from Saudi Aramco to develop a basic engineering package for four sulfur recovery units, each with an expected production capacity of 1,200 ton per day (t/d). This investment involves building gas processing plants, two offshore gas platforms, one tie-in platform, subsea power and communication links and pipelines. This new, four-train sulphur plant will be part of the Wasit Gas Development Program in the Kingdom.
- Saudi Aramco has awarded General Electric (GE) \$500 million in equipment and services contracts for an expansion of the Shaybah gas-oil processing facilities. The expansion is expected to enable the state-run oil firm to further increase crude production to 1 million bpd and increase the gas-oil ratio of the field from 1,800 to 7,200 standard cubic feet per stock tank barrel (scf/stb).
- In September 2010, Air Liquide was awarded \$450 million long-term hydrogen supply agreement with Saudi Aramco for Yanbu refinery.
- Under the Wasit Gas Development Program SNC-Lavalin was awarded by Saudi Aramco for the front-end-engineering and design work by for the kingdom's biggest gas plant.
- J. Ray McDermott, S.A., was awarded the multi-faceted project US\$ 1 billion by Saudi Aramco to upgrade crude gathering and power supply facilities in the Safaniya field. Under the deal, McDermott will build a new 6,000 ton offshore oil platform, oil flow lines, new electrical facilities at an existing platform, 156 kilometers of electrical cables, and a series of control and communication systems at the field.
- Saudi Aramco wants to move ahead quickly with a series of \$1 billion-plus projects to boost the kingdom's gas production and processing capacity. The first EPC contract on this project covers the construction of the main gas processing facilities. These include four 1,200 t/d sulphur recovery units to strip the sulphur out of the gas and a central gas processing plant which will be able to handle up to 1.7 billion cf/d of gas. The second project covers the construction of seven offshore wellhead production platforms at the Hasbah field, which can produce up to 1.3 billion cf/d of gas from the field, tied in to central distribution facilities.
- Saudi Aramco has signed contracts with international firms to build a multi-billion dollar refinery at Yanbu on Saudi Arabia's Red Sea coast in July 2010:
  - ★ Daelim Corporation (Korea), gasoline and hydrocracker unit
  - ★ SK Engineering and Construction (Korea), to build crude vacuum unit addition.
  - ★ Técnicas Reunidas (Spain) for coker unit package
  - ★ Saudi Services Co. (Saudi) for the high voltage electrical package;

- ★ Dayim Punj Lloyd (Saudi/India) for the offsite pipelines package;
- ★ Rajeh H. al-Marri (Saudi) for the onsite pipeline relocation package; and
- ★ Engineering for the Petroleum & Process Industries – ENPPI (Egypt) for the tank farm package.
- ★ In December 2010, Saudi Aramco released a tender for the front end engineering and design for the US\$7 billion Jizan refinery in the south of the kingdom. The state owned oil giant has decided to take a more conventional approach to the design stage of the project.
- ★ US \$3 billion Shaybah natural gas liquid (NGL) project in the kingdom's Empty Quarter. Shaybah is an existing oil field and the NGL project will see Aramco separate around 228,000 barrels per day of NGL from crude oil. Four EPC packages are on offer in Shaybah; a cogeneration plant; a gas treatment facility an NGL recovery plant and utilities. A decision on the award is expected in early 2011.

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

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

Vendor Registration  
 Supplier Relations  
 Phone: 713-432-5555  
 E-mail: [stratsourcing@aramcoservices.com](mailto:stratsourcing@aramcoservices.com)  
 Web: [www.aramcoservices.com/doing-business/strategic-sourcing/default.aspx](http://www.aramcoservices.com/doing-business/strategic-sourcing/default.aspx)

Saudi Arabian General Investment Authority [www.sagia.gov.sa/](http://www.sagia.gov.sa/)

Petro-Rabigh Saudi Arabia [www.petrorabigh.com](http://www.petrorabigh.com)

Saudi Aramco Total Refining and Petrochemical Co. [www.satorp.com](http://www.satorp.com)

## Chemical Production Machinery – CHM

### Overview

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Saudi Arabia petrochemical industry currently accounts for more than 75 percent of the Gulf Cooperation Council (GCC) countries total production. The Kingdom's petrochemical production capacity has increased from 3.7 million metric tons per year (mt/y) in the 1970s to an estimated 64 million mt/y by 2008.

The global company Saudi Basic Industries Corp. — SABIC ([www.sabic.com](http://www.sabic.com)) is a fast-growing petrochemical and steel producer. SABIC hopes to become the preferred world leader in chemicals, creating a corporate environment which inspires innovation and talent. Adopting a new business model, and continued investment commitment in plant and equipment will ensure that SABIC achieves its long term goals.

SABIC controls 18 affiliates inside the Kingdom. Eight are joint ventures with foreign partners, while seven are joint venture deals with partners.

Total production in 2009 by SABIC's business units is as follows:

Material	Metric Tons (Thousands)
Fertilizers	6,542
Innovative Plastics	1,033
Basic Chemicals	37,479
Polymers	8,666
Metals	4,776

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

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

Saudi Kayan Petrochemical Company (Saudi Kayan), an affiliate of SABIC, is building a 450,000t/y polypropylene plant at Jubail. The plant is expected to come on stream by end of 2010. The US \$400 million plant will produce a variety of petrochemical products including ethylene, propylene, polyethylene, polypropylene, ethylene glycol and series of specialized products that will be produced locally for the first time. The Kingdoms

private petrochemical sector may also move in this direction as future petrochemical expansion will rely on alternative feedstock supplies.

According to Saudi Aramco's CEO, Khalid Al-Falih, industrial clusters will be built around the company's two major in-kingdom petrochemical megaprojects. One cluster will be built around Aramco's joint venture with Japan's Sumitomo Chemical — the Petro Rabigh refinery and petrochemical complex on the Red Sea coast. The other cluster will be built around the planned \$15 billion Aramco-Dow project in Jubail on the Gulf coast. This move indicates that Aramco is looking to produce a higher-value and more diverse product mix from both Petro Rabigh and Aramco-Dow with products that have yet to be made in the Middle East. The products produced will include Polyurethane building block, metallocene based elastomers, glycol ethers, solution polyethylene, methyl/polymethyl methacrylate (MMA/PMMA), nylon and ethylene propylene rubber.

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

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Saudi Aramco has plans to continue investing in new petrochemical projects. It is in a relatively strong position with its full integration of petrochemicals plants with refineries, gas production and competitively priced feedstock, which helps keep costs down throughout the product chain. The US\$10bn first phase of the PetroRabigh complex, a joint venture between Saudi Aramco and Sumitomo Chemical Company, started up in April 2009, including a 1.3 million mt/y ethylene plant and a number of downstream units. Phase 1 has capacities of 1.3 million mt/y of ethylene and 900,000 tpa of propylene. Other downstream units include three 300,000 tpa PE plants, two 350,000 tpa PP facilities, a 200,000tpa propylene oxide (PO) plant, a 600,000 tpa EG unit and a butane-1 unit.

PetroRabigh's second phase is being planned, with a feasibility study underway for the expansion, which will include an aromatics complex and units manufacturing intermediates. The second phase of the PetroRabigh development will require additional ethane allocation of up to 850,000 m<sup>3</sup>/d for feedstock.

Saudi Aramco and the Dow Chemical Company have announced that a proposed US \$15 billion joint venture petrochemical project continues to make progress with the front-end engineering and design (FEED) work expected to be completed in mid-2011. Saudi Aramco and Dow confirm that they have decided on Jubail Industrial City as the planned site location for the project. The decision comes after having evaluated a broad set of variables, which includes anticipated infrastructure benefits and various potential business integration opportunities.

The Saudi International Petrochemical Company (SIPCHEM) has received technical bids for its planned \$600m ethylene-vinyl acetate (EVA) unit joint venture at Jubail.

Engineering, procurement and construction (EPC) contract is expected to be awarded by end of December 2010. The facility will have a capacity of 200,000 tonnes/py of EVA when completed in the fourth quarter of 2014. EVA is used in the production of sports equipment and solar panels.

According to SABIC, Saudi Arabia recently declared its intention to source 15,000 defense items from pipes to jet engine covers — from Saudi manufacturers. As a leading producer of the polymers, thermoplastics and metals required, SABIC has a key role to play. The initiative will bring new investment and job opportunities for Saudis, not just to SABIC but to hundreds of local manufacturing firms, as the Kingdom pursues greater self-reliance in defense procurement.

SABIC and ExxonMobil is moving forward with a \$5 billion joint venture in Jubail to manufacture carbon black. This project is a 50:50 joint venture between SABIC and ExxonMobil Chemical and the planned complex will produce around 400,000 ton-a-year of carbon black, rubber and thermoplastic specialty polymers. The plant will use ExxonMobil technology and the products will be sold on local and international markets.

Saudi Arabia's Gasan Investment & Industrial Development Company (Gasan) is planning to build a 500,000 tpy calcined petroleum coke (CPC) plant at Jubail in the kingdom. The facility plans to supply CPC, a vital ingredient used in the production of aluminum, to local smelters in the Middle East and the project aims to start production by the end of 2012.

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

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

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

## **Opportunities**

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Planned projects are:

- Both Petro Rabigh's second phase and Saudi Aramco's Dow project are nearing the completion of the front-end engineering and design (feed) phase and the joint venture partners on both projects will be tendering and awarding engineering, procurement, and construction contracts in 2011.
- Saudi Aramco and the Dow Chemical Company proposed US \$15 billion joint venture petrochemical project.
- Saudi International Petrochemical Company (SIPCHEM) planned a \$600m ethylene-vinyl acetate (EVA) unit joint venture at Jubail.
- SABIC and ExxonMobil announced a \$5 billion joint venture in Jubail to manufacture carbon black, rubber and thermoplastic specialty polymers.
- Saudi Arabia's Gasan Investment & Industrial Development Company (Gasan) is planning to build a 500,000 tpy calcined petroleum coke (CPC) plant at Jubail.
- Expansion of the ethylene plant at Chevron-Philips facility in Jubail Industrial City. Estimated cost is \$109 million.
- Expansion of production capacity of (PET) polyethylene by 420,000 metric tons per year at Ibn Rushd in Yanbu Industrial City on the Red Sea.
- Building of a 300,000 tpy low-density polyethylene plant in Jubail for Saudi Kayan. Estimated cost is \$300 million.
- Rabigh Refining & Petrochemicals Co. (Petro-Rabigh) is planning a \$4 billion expansion of its petrochemical complex in Rabigh on the Red Sea.
- Project Management & Development Co. will build a plant in Jubail's second industrial city to produce 7,500 tpy of polysilicon, which is an ingredient of solar cells.

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Saudi Arabian Basic Industries  
 Saudi International Petrochemical Company  
 Saudi Arabian Oil Co. (Saudi Aramco)

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

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

Aramco Services Co.

P.O. Box 4534

Houston, TX 77210

Vendor Registration

Supplier Relations

Phone: 713-432-5555

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

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

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

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

## Defense Industry Equipment – DFN

### Overview

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

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

As part of its new Defense Initiative, the government of Saudi Arabia is attempting to accomplish the following goals:

- strengthening Saudi armed forces by investing US\$50 to \$60 billion,
- increasing troop levels by at least 20% for the Royal Saudi Land Forces (RSLF) and the Saudi Arabian National Guard (SANG).
- significantly increasing fighter aircraft, tanks, helicopters, armored vehicles and other related weaponries,
- holding more ground and joint exercises between the various services (including exercises with allied countries),
- upgrading and expanding key military bases, and
- implementing new “command-and-control” and readiness systems.

The United States is planning to sell \$60bn of weapons to Saudi Arabia over a 20-year period. Saudi Arabia and the U.S. government are holding negotiations on the final details of the \$60bn arms deal that was agreed to in 2010. The sale includes 84 Boeing F-15 fighter jets, upgrades to 70 existing Saudi F-15s, 190 helicopters including 70 Boeing Apaches, 72 Black Hawks and 36 Little Birds. The deal also includes missiles, bombs, delivery systems, night-vision goggles and radar warning systems. The United States is also studying a possible \$30bn package that would involve a complete upgrade of the Saudi Naval Forces under the SNEP 2 (Saudi Navy Expansion Program). It is also worth mentioning that the Saudi government is planning to produce most of its military hardware and spare parts within the kingdom by through foreign technology transfers. To accomplish this goal, a committee for local manufacturing was recently established by the Ministry of Defense and Aviation (MODA).

## Sub-Sector Best Prospects

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Based on our market expertise, we estimate that the best export opportunities for U.S. defense equipment manufacturers and contractors are the in the following product and service categories:

- missile systems,
- navigation systems,
- radar and secure communication systems,
- ammunition,
- aircraft repair parts and support equipment,
- contractor engineering and technical support services.

## Opportunities

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### 1. Royal Saudi Land Forces:

- The Royal Saudi Land Forces (RSLF) will get at least a 20% troop increase (to a total of 150,000) with major investments in training, equipment, and readiness. The existing fleet of 315 M1A1 Abrams tanks will be upgraded to the M1A2S Abrams tanks. The fleet of US M1A1 Abrams will be increased by 58.
- An agreement has been signed to add 24 UH-60L Blackhawk and 24 Sikorski Blackhawk helicopters to the existing fleet. In addition, the existing fleet of 12 AH-64A Apache attack helicopters will be upgraded.
- An additional sale of another 25 Apache helicopters is rumored to be in the works.
- There will be an increase in armored vehicles, but the type is undetermined as of yet.

### 2. Royal Saudi Air Forces

The Royal Saudi Air Force's fleet of fighter aircraft will expand by 50% and major upgrades will be made to its existing fleet:

- Implementation of a new advanced maintenance program for all 155 F-15s — especially for the aging F-15Cs and Ds — to bring them up to combat readiness.
- Potential new purchase of training aircraft to replace the aging fleet of 43 British Hawks.
- Potential to purchase 48 new fighter jets.

### 3. Saudi Arabian National Guard

- The Saudi Arabian National Guard (SANG) troop strength will increase 20% to 125,000 total), with huge investments in training, equipment, and readiness.
- The addition of 724 Light Armored Vehicles (LAVs) is underway.
- A separate air command has been created with an estimated 64 NH-90 battlefield helicopters, 12 Tiger attack helicopters, and 20 Eurocopter Cougar utility helicopters.

- Several new SANG bases will be constructed and others expanded.

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Saudi Ministry of Defense and Aviation	<a href="http://www.moda.gov.sa/detail.asp?InServiceID=214&amp;intemplatekey=MainPage">www.moda.gov.sa/detail.asp?InServiceID=214&amp;intemplatekey=MainPage</a>
Saudi Arabian National Guard	<a href="http://www.sang.gov.sa/Languages/English/Pages/Default.aspx">www.sang.gov.sa/Languages/English/Pages/Default.aspx</a>
Royal Saudi Air Force	<a href="http://www.rsaf.gov.sa">www.rsaf.gov.sa</a> (Arabic language only)
Royal Saudi Land Forces	<a href="http://www.rslf.gov.sa/English/pages/default.aspx">www.rslf.gov.sa/English/pages/default.aspx</a>

## Air-Conditioning & Refrigeration Equipment – ACR

### Overview

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The air-conditioning market in Saudi Arabia is considered one of the largest markets in the world. The geographical fact remains that Saudi Arabia is a very hot country especially during the summer season. Air-conditioning products are considered a necessity and are installed in almost all buildings throughout the country. The central region has the largest sales, accounting for around 35 percent, following by the western region which accounts for about 25 percent. A further 15 per cent of sales are in the east, and the rest of the country accounting for the other 25 percent. The overall value of air conditioners sold in the Kingdom is estimated at around \$1 billion.

Four factors are currently shaping market size and growth:

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

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

<b>Saudi Arabia Future Demand by Units</b>			
<i>(Source: The National Commercial Bank)</i>			
<b>Year</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>
Fresh Household Demand	558,000	630,000	711,000
Fresh Business Demand	213,000	235,000	260,000
Replacement Demand	2,540,000	2,870,000	3,240,000
<b>Total Demand</b>	<b>3,311,000</b>	<b>3,735,000</b>	<b>4,211,000</b>

### Sub-Sector Best Prospects

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

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

The Saudi market for air-conditioning spare parts and components has grown 7-8 per cent annually over the last several years. The underlying factors supporting this growth are a surge in local manufacturing (28 local factories) which has created additional demand for original equipment manufacturers (OEM) parts and accessories, and a growing awareness of preventive maintenance which increases the demand for spare parts.

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

## Opportunities

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

The air-conditioning market is expected to increase with the uninterrupted growth of non-oil GDP through government expenditure on infrastructure and economic cities as well as mosques and government buildings. With continuously growing Saudi population and the expatriates arriving for work, by 2020, the population is estimated to be 36.74 million, with 7.1 million households occupied, using approximately 35 million air-conditioning units.

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

On the refrigerants side, the Saudi Arabian government ratified the Montreal Protocol, the HCFC phase-out target has not been fixed. SASO, the Saudi Standards Organization, will drive the HCFC phase-out. However, due to the inability of local players to make the switch promptly, legislation has been put on hold. All packaged products (part from VRFs which are all R410A) sold in Saudi Arabia are fitted with the HCFC R22 refrigerant. Conversely, R134A is predominant in chillers. Global production is shifting away from R22 towards R410A, and this refrigerant will soon predominate. Ducted splits will start changing to R410A within the next 3-4 years because the local market will become increasingly dependent on imports. When the switch eventually happens, the industry will go straight to R410A refrigerants, bypassing R407C.

Air handling is a major player in the air-conditioning sector, the last few years have seen larger construction projects playing a major role in the development of the air handling market. To create the futuristic economic cities, large university sites, modern hospitals and shopping centers, Saudi Arabia has applied strict regulations covering ventilation equipment. For this reason the air handling market will get a major boost over the next

decade. To cope with the very large air volumes required in most new buildings, predominantly medium to large units are used.

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

### **Best Sales Prospects:**

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

### **Trade Promotion Opportunities**

An important venue for sales promotion in the Kingdom is participation in trade shows and exhibitions. New-to-market U.S. companies will be able to demonstrate their products, study the market idiosyncrasies, and meet potential Saudi agents/distributors. U.S. firms interested in introducing and marketing their products in Saudi Arabia are encouraged to participate in the either of the following shows:

Saudi Building Industries Exhibition 2010  
April 25-28, 2011  
Al-Harithy Company for Exhibitions Ltd.  
P.O. Box 40740, Jeddah 21511, Saudi Arabia  
Tel.: (966-2) 654-6384  
Fax: (966-2) 654-6853  
Web: [www.aceexpos.com](http://www.aceexpos.com)

Saudi Air-Con  
May 30-June 2, 2011  
Riyadh Exhibitions Company Ltd.  
P.O. Box 56010, Riyadh 11554, Saudi Arabia

Tel.: (966-1) 454-1448  
Fax: (966-1) 454-4846  
Web: [www.recexpo.com](http://www.recexpo.com)

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Gulf Oil & Gas	<a href="http://www.gulfoilandgas.com/webpro1/prod1/suplista.asp?id=406&amp;yx1=SA">www.gulfoilandgas.com/webpro1/prod1/suplista.asp?id=406&amp;yx1=SA</a>
SAMIRAD — Saudi Arabian Market Information Resource & Directory	<a href="http://www.saudinf.com/samex/directory/search?qftext=air+conditioning">www.saudinf.com/samex/directory/search?qftext=air+conditioning</a>

## Pollution Control Equipment – POL

### Overview

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

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

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

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

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

### Sub-Sector Best Prospects

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

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

The Presidency of Meteorology & Environment (PME) an offshoot of the Ministry of Defense & Aviation is the supervising Saudi authority ([www.pme.gov.sa](http://www.pme.gov.sa)) in charge of controlling and enforcing environmental regulations. In October 2001, the Saudi

Government issued the first draft of Saudi regulations pertaining to air, water, waste, hazardous materials, and noise pollution control.

On the other hand, the [Royal Commission for Jubail and Yanbu \(RCJY\)](#) issued regulation which has been adopted by industries at the industrial cities of Jubail and Yanbu that any facility operating or planning to operate in any of the cities is required to comply with environmental needs adopting the latest pollution control technologies. All petrochemical plants in Jubail and Yanbu are required to monitor the level of released nitrogen dioxide and sulfur dioxide. New and expansion projects at the industrial cities of Jubail and Yanbu will present ample opportunities for U.S. manufacturers/suppliers of air pollution control and air monitoring equipment.

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

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

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

The company's Master Gas System has greatly reduced the need for flaring, helping to recover more than 3,500 metric tons of elemental sulfur per day from gas produced in association with crude oil.

Existing petrochemical plants, chemical reactors, oil refineries, and cement plants are major end-users of air quality monitoring equipment, and air pollution control equipment.

## **Opportunities**

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

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

practices from the U.S. and other developed markets, in order to combat problems of waste disposal and recycling.

Opportunities exist in the following areas:

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

### **Web Resources**

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Saudi Cement Company	<a href="http://www.saudicement.com.sa/en/index.htm">www.saudicement.com.sa/en/index.htm</a>
Royal Commission for Jubail & Yanbu	<a href="http://www.rcjy.gov.sa/en-us/Pages/default.aspx">http://www.rcjy.gov.sa/en-us/Pages/default.aspx</a>
Saudi Sabic Industries Corp. (SABIC)	<a href="http://www.sabic.com">www.sabic.com</a>
Saudi Arabian Oil Company (Saudi Aramco)	<a href="http://www.saudiaramco.com">www.saudiaramco.com</a>
Saudi Electricity Company (SEC)	<a href="http://www.se.com.sa/SEC/English/default.htm">www.se.com.sa/SEC/English/default.htm</a>

## Automotive Parts, Services & Equipment – APS

### Overview

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Saudi Arabia continues to be the largest automobile market in the Gulf and fifth in the world for auto parts, accessories, and service and garage equipment. Despite the global economic crisis, the Saudi Arabian auto market has been resilient and continues to thrive with projections of substantial growth and increased consumer spending in 2010. Saudi reports indicate that the Saudi automotive market is estimated to worth around \$9 billion (SAR33.75 billion) including commercial automobiles and transport infrastructure. Automotive sales are known to make up about 3% of Saudi Arabia's gross domestic product. At present, Japan, USA, Germany, South Korea and Australia are the major suppliers of automobiles, and spare parts.

The market for luxury cars is also growing in Saudi Arabia, with the presence of high-income individuals; especially in the major cities of Riyadh and Jeddah. Reports indicate that more than 1,500 luxury cars worth over \$1 billion (SAR4 billion) are sold in the Kingdom each year. Industry sources reveal that luxury cars sales have been steadily increasing by about 27% every year. Despite difficult economic times, the Saudi market has been resilient and the demand for vehicles and components continues to remain strong. There is also an increasing demand for high-quality auto accessories such as alloy wheels, audio and video systems, wheels, and other internal and external accessories.

Saudi Arabia is also gearing towards diversification of its automotive sector and the trend is setting up manufacturing plants. It is worthy to mention that the Saudi Authority for Industrial Cities and Technological Relations and the UAE based Gulf Automotive Manufacturing Company signed a \$100 million (SAR375 million) contract to set up an assembly plant in the Eastern province. The plant would manufacture 15,000 vehicles, mostly trucks and buses. The Saudi government is keen on encouraging the set-up of manufacturing plants; since this will open up employment opportunities for its growing population; with 50% of the 25 million populations under the age of 20.

Auto industry experts have forecasted car sales in the Kingdom would grow to \$19 billion (SAR69 billion) in 2010 and swell to \$25 billion (SAR94 billion) by 2013. Increased lending by local banks offering easy and flexible financing options will further drive demand for new vehicles. According to a recently published report, vehicle sales in Saudi Arabia are expected to jump over 30 percent from around 676,000 units in 2010 to 880,000 units by 2013 as the Kingdom remains virtually unscathed due to global economic downturn and the recessionary period. Easily available and flexible credit financing options from local banking institutions have contributed to the increasing number of new vehicle sales in the Kingdom. The Saudi Arabian government has placed the development of the automotive sector as one of their prime strategies in the strengthening its industrial base. At a high-profile international motor exhibition in the capital Riyadh, the Saudi Minister of Transport Jabara Al-Seraisry expressed optimism on the developing trends and the upswing in vehicle sales in Saudi Arabia, pointing that this steady growth will be sustained for years to come. The Minister indicated that the massive expansion of its roads and ports projects with a budget allocations of \$3 billion (SAR12 billion); will ensure the steady development of key infrastructure in the sector.

U.S. manufacturers have faced stiff competition in the market, especially from Japanese and South Korean manufacturers. Japan, the United States, Australia, Germany, and South Korea are the key players in the Saudi automotive market representing more than 80% of all vehicle imports. Toyota Corp. controls close to 50 percent of the market share. U.S. manufacturers can be more competitive by introducing newer models from their fleet, which will in turn draw customers to their dealerships in the Kingdom. Flexible finance and installment options have always been popular with the discerning Saudi customer.

It is worth mentioning that more than 700,000 cars, trucks and vans are annually imported into Saudi Arabia, including used cars and buses. The economic recovery, after the recent financial meltdown, will likely boost demand to around 750,000 units valued at \$14 billion. The strength of the Saudi economy is reflected in a higher *per capita* income and has led to the increasing popularity of luxury cars and premium automobiles. Reports indicate that more than 1,500 luxury cars worth over \$1 billion (SAR4 billion) are sold in the Kingdom each year with this segment increasing steadily year after year. In addition, Saudis have always preferred larger SUV's and trucks such as the GMC Yukon, Ford Expedition, Escalade, Tahoe, *etc.*, to accommodate large families. Other popular vehicles include the Ford Crown Victoria, Caprice and Chevy Lumina models. Some of the manufacturers of premium cars that have a good market share are Lexus, Mercedes, BMW, Porsche, etc.

Saudi Arabia is considered to be the largest automotive market in the Near East with imports of more than \$700 million worth of parts and service equipment as of 2010 estimates. The high consumption is driven by customers, both Saudis and expatriates who opt for regular maintenance and services, rather than selling them or trading them for new cars and SUV's. In terms of the automobile population, parts are mainly sourced from Japan, the United States, Australia, Germany and South Korea. There are over 350 dealers supplying automotive parts for U.S., Japanese, European, Australian and Asian automobiles in Saudi Arabia. U.S. companies command a leading position in the supply of transmission, steering, suspension, and braking components and parts. The favorable U.S. dollar exchange rate against the Euro and Japanese Yen is boosting the U.S. market share. Nonetheless, Japanese car manufacturers and spare parts suppliers still command the lion's share of the Saudi market with more than 40 percent. There are a number of local factories that manufacture filters, radiators, batteries, exhaust systems and converters. Although some spare parts are manufactured locally under license, the bulk of automotive parts are imported.

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The new foreign investment law encourages foreign companies to establish industrial and non industrial ventures in Saudi Arabia. There are good opportunities for U.S. companies in the following areas:

- Tire manufacturing plants,
- Service equipment,
- Body and chassis parts,
- Automobile transmissions and spare parts,
- Auto chemicals,
- Car batteries,
- Maintenance and diagnostic equipment,
- Brakes and emission systems tools.

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

The following analysis on major Saudi agricultural sectors was provided by the [Agricultural Trade Office \(ATO\)](#) of the USDA's [Foreign Agricultural Service, U.S. Embassy Riyadh](#).

Saudi Arabia is the largest agricultural, fish and forestry products importer among members of the Gulf Cooperation Council (GCC) countries. The potential for agricultural production is limited in Saudi Arabia due to the lack of arable land and renewable water resource. Hence, imports of food will continue to be strong and will grow proportionally with the population.

In 2009, total Saudi agricultural products imports were valued at \$14.2 billion, an increase of 49 percent compared to 2006 (\$9.5 billion). The huge increase in the imports of agricultural products in 2009 is attributed to inflation in world agricultural products prices and increase in demand for food products in Saudi Arabia. In 2009, U.S. total agricultural product exports to Saudi Arabia decreased by 21 percent to \$721 million compared to 2008. On the other hand, USDA data for January–October 2010, indicates that U.S. total agricultural product exports to Saudi Arabia reached \$715 million, an increase of 28 percent compared to the same period in 2009. As the potential for agricultural production is limited in Saudi Arabia, the demand for imported food products will remain very strong in the future.

The vast 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 is applied when local production of a food or agricultural product exceeds a self-sufficiency level. Currently, a 40% import duty rate applies to fresh, dried and processed dates.

Food products made in the United States are generally viewed as meeting higher quality standards compared to imports from other countries and those produced locally. Under normal political and economic conditions, U.S. origin and brand products have highly favorable consumer preferences and demand. Each year, several new-to-market U.S. food products are introduced to Saudi Arabia market particularly following FMI/USFES, and regional shows such as Anuga in Cologne, SIAL Paris and Gulfood organized annually in Dubai. Saudi consumers like to try new products and are shopping more often in hypermarkets and supermarkets. The rapid increase in the number of hypermarket and supermarket outlets throughout the Kingdom offers an ample opportunity to distribute high-value U.S. food products. Saudi Arabia's population is growing at about three percent annually and its population is projected to reach 40 million in the next 20 years. With a young and rapidly growing population, Saudi Arabia will continue to be a growth market for U.S. food products in the years to come.

In March 2008, the Saudi government exempted wheat, wheat flour and other grains from import duties and reduced duties levied on 75 other foodstuffs to 5% beginning on April 1, 2008. The aim was to alleviate the impact of the rising cost of living in Saudi Arabia. Major foodstuffs that benefit from the reduced 5% import tariff include chilled and frozen poultry and their products, eggs (fresh, dried and powdered), cheese, cheese cream, vegetable oils, pasta, canned meat, fruit and vegetable juices, mineral and

ordinary water, long-life milk, corn flakes, peas, beans, peanut butter, yeast, and baking powder. The government will review the list in April 2011.

In January 2009, Saudi Arabia issued a revised animal feed subsidy list that consists of 17 energy and protein rich animal feed ingredients. Under the revised program, the government will provide rebates that range from \$26 (rice hulls) to \$101 (soybean meal) per metric ton, depending on the type of imported feed. The rebate will be paid directly to the local importer. The revised list added two new feed items-Rhodes grass and Sudan grass-to the subsidy list.

In November 2009, the Saudi Arabia government removed the \$267 per metric ton subsidy on imported rice which it decreed in December 2007. The government removed the import subsidy because of significant reductions in the prices of imported rice due mainly to bumper harvest in several rice producing countries.

For religious reasons, Saudi Arabia bans imports of alcoholic beverages, live swine, pork and food ingredients or additives that contain pork products, including pork fat and gelatin. Meat and poultry shipments must be accompanied by a *halal* slaughter certificate issued by an Islamic center in the country of origin. Additional statements on the health certificate accompanying poultry and livestock meat shipments must indicate that the animals slaughtered for export to the Kingdom were not fed with feed containing protein, fat or remnants of animal origin and were not treated with any growth hormones. The most important regulatory, non-tariff barriers that U.S. food product exporters encounter in Saudi Arabia include: biotech labeling, production and expiration date regulations, Arabic labeling requirements, a declaration that animals slaughtered and exported to Saudi Arabia were not fed with feed containing protein, fat or remnants of animal origin, and a *halal* slaughtering certificate for both livestock and poultry meat.

Saudi Arabia is the most influential member of the Gulf Cooperation Council (GCC), which includes five other countries in the Arabian Peninsula: United Arab Emirates, Kuwait, Bahrain, Oman, and Qatar. As a group, the GCC is striving to create a common set of food standards. The Saudi Arabian Standards Organization (SASO) is a dominant standard setting agency in the GCC countries. Currently, 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. Since its establishment in 1972, SASO has issued more than 800 production and testing standards for food products and is presently working on new standards. Saudi standards are typically based on *Codex Alimentarius* regulations and to some extent on European and U.S. standards, but are modified to reflect local conditions.

While standards are set by SASO, Saudi Food and Drug Authority (SFDA) tests imported processed and packaged food items at various ports of entry. The standard setting responsibilities will move to the SFDA in the next few months.

Leading U.S. agricultural exports include rice, yellow corn, soybean meal, planting seeds, crude and semi-refined corn oil, hardwood lumber, sweeteners, tree nuts (mainly almonds), snack foods, fresh apples and pears, processed fruit and vegetables, dairy products, red meat, fruit and vegetable juices, fresh fruit, and a wide array of other high-value consumer-oriented products.

Saudi Arabia's positive biotech labeling requirement, production date stamp requirement, Arabic labeling, *halal* slaughtering requirement, and additional manufacturer statement for imported livestock and poultry meat remain major concerns for U.S. foodstuff exporters.

For religious reasons, the Kingdom requires that the manufacturer of meat must declare that the slaughtered animals have not been fed with feed containing protein, fat or remnants of animal origin. Detailed information on the aforementioned requirements can be obtained by contacting the USDA's Foreign Agricultural Service (FAS) in Riyadh at the following coordinates:

Agricultural Trade Office (ATO) Riyadh  
 Foreign Agricultural Service (FAS), USDA  
 E-mail: [agriyadh@fas.usda.gov](mailto:agriyadh@fas.usda.gov)  
 Tel.: (966-1) 488-3800 ext. 4351  
 Fax: (966-1) 482-4364

**Best Prospects for Agricultural Goods and Services (Values in Millions U.S. Dollars)**

**CORN (0440000)**

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**Overview**

Yellow corn is used principally in poultry feed and to a lesser extent in livestock rations. The Saudi government has continued financing the establishment of new poultry farms in various regions of the country. Existing large to medium sized poultry producers have been expanding in recent years, increasing the country's self-sufficiency levels to about 55% in 2010. Saudi Arabia imports about 2 million metric tons of yellow corn annually and its value is projected to reach \$360 million by the end of 2010. Argentina remains the largest yellow corn supplier to Saudi Arabia followed by the U.S. and Brazil.

U.S. feed corn exports to Saudi Arabia for the months of January-October 2010 increased by 63 percent over the same period in 2009 (\$111 million vs. \$68 million). The increases in the total values of yellow corn imports in 2008 and 2009 reflect the drastically increased world yellow corn prices compared to 2010. The price competitiveness of U.S. corn in the first 10 months of 2010 was the main reason for the considerable increase in the U.S. yellow corn export to Saudi Arabia in 2010. The Saudi government pays an import subsidy of \$60.26 per metric ton for feed corn. The subsidy is paid directly to importers.

Year/Description	2008	2009	2010
Total Consumption	604	474	364
Total Local Production	4	4	4
Total Exports	0	0	0
Total Imports	600	470	360
Imports from the U.S.	141	94	133

Source: Trade estimates and U.S. Customs Official Data  
 Value: Millions of U.S. dollars

**Overview**

Soybean meal is used principally in poultry feed and to a lesser extent in livestock rations. The continued expansion in local poultry production has increased the demand for soybean meal by more than 5 percent per annum in recent years. In the past few years, a huge price difference between Latin American and U.S. soybean meal has made imports from the United States less competitive and drastically reduced U.S. market share in Saudi Arabia. According to a recent U.S. Customs data, U.S. soybean meal exports to Saudi Arabia declined by 28 percent for January-October 2010 over the same period last year (\$32 million vs. \$44.5 million). The increases in the total values of soybean imports in 2007 and 2008 reflect the drastically increased world soybean meal prices which reached \$650 per metric ton in early 2008. The prices started to decline in late 2008 reaching \$500 per metric ton at the end of November 2009. The continued decrease in the world soybean meal prices has helped the Saudi government reduce its soybean import subsidy from \$396 per metric ton in March 2008 to \$101 in January 2009. The rebate is paid directly to importers. Currently, Saudi Arabia imports about 800,000 metric tons of soybean meal per year.

<b>Year/Description</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Total Consumption	480	400	333
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	480	400	333
Imports from the U.S.	84	60	38

Source: Trade estimates and U.S. Customs official data

Value: Millions of U.S. dollars

**Overview**

Saudi Arabia imports more than one million metric tons of rice annually. With 60 percent market share, Indian remained the dominant rice supplier to Saudi Arabia, followed by Pakistan, United States and Thailand. In 2009, the value of the United States rice exports to Saudi Arabia reached \$119 million, an increase of 3 percent compared to 2008. According to a recent U.S. Customs data, U.S. rice exports to Saudi Arabia declined by 17 percent in January-October 2010 compared to the same period in 2009 (\$90 million vs. \$109 million). Local rice importers attribute the sharp increase in U.S. exports in recent years to a decrease in exportable rice from India and U.S. price competitiveness compared to other Asian rice exporters. The higher value in total rice imports in 2008 reflect the sharp increase in the world prices for rice during that period. In November 2009, the Saudi government removed the \$267 per metric ton subsidy on imported rice which it decreed in December 2007. The Saudi government lifted the import subsidy due to reduced world rice prices compared to 2007 and early 2008.

Year/Description	2008	2009	2010
Total Consumption	700	620	625
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	700	620	625
Imports from the U.S.	117	119	108

Source: Trade estimates and U.S. Customs official data

Value: Millions of U.S. dollars

## PROCESSED FRUITS AND VEGETABLES

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### Overview

The Saudi market for processed fruits and vegetables is huge. The growth of supermarket and hypermarket food sales is helping to broaden the market for this sector and good market growth is expected to continue in the next few years as supermarkets and hypermarkets open more outlets in major cities of the Kingdom. Local production of canned fruit and vegetables has been increasing in recent years but it depends almost entirely on imported ingredients, some of which are sourced from the United States. The majority of the processed fruit and vegetables that are labeled, "manufactured in Saudi Arabia" are products that are actually re-packed in the Kingdom. The insufficient local fruit and vegetable output and the high costs related to importing them for use in local processing suggest that a significant demand for processed fruits and vegetables will continue to be met by imports. Dates processing and packaging account for about 60% of the total domestic processed fruit production. U.S. processed fruit and vegetables exports to Saudi Arabia increased by 19 percent in January-October 2010 compared to the same period in 2009 (\$39.5 million vs. \$33.2 million).

Year/Description	2008	2009	2010
Total Consumption	615	620	640
Total Local Production	255	260	275
Total Exports	5	5	5
Total Imports	365	365	370
Imports from the U.S.	44	41	47

Source: Trade estimates and U.S. Customs official data

Value: Millions of U.S. dollars

## SNACK FOODS (EXCLUDING NUTS)

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### Overview

The latest official figures indicate that more than 60% of the Saudi population is in their teens, representing a major consumer of snack foods. Local snack-food production has drastically increased in the past few years, accounting for about 50% of local consumption in 2007. There is a general decline in the importation of corn and wheat-based snacks. Candies and chocolates are also being locally manufactured on a large scale. Exporters may also look into supplying raw materials for the fast growing snack industry. U.S. snack food exports to Saudi Arabia for the months of January-October 2010 increased by 4 percent over the same period in 2009 (\$25.6 million vs. \$24.6 million).

million). Snack food products that cater to Saudi consumers' preferences, which tend to favor sweeter items, generally find better market reception.

Year/Description	2007	2008	2009
Total Consumption	457	475	494
Total Local Production	226	235	244
Total Exports	5	5	5
Total Imports	236	245	255
Imports from the U.S.	17	18	30

Source: Trade estimates and U.S. Customs official data  
 Value: Millions of U.S. dollars

## Agricultural Trade Shows

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In addition, the U.S. Embassy's Agricultural Trade Office, Foreign Agricultural Service, USDA, will be promoting the following agriculture and food processing trade shows:

### GulFood 2011

February 27–March 2, 2011

Dubai World Trade Center, Dubai, United Arab Emirates

Tel.: (+971-4) 332-1000

Fax: (+971-4) 331-2173

E-mail: [info@dwtc.com](mailto:info@dwtc.com)

Web: [www.dwtc.com](http://www.dwtc.com)

### National Restaurant Association (NRA) Show 2011

May 21-24, 2011

McCormick Place, Chicago, IL

Tel.: (312) 580-5410

Fax: (708) 344-4444

E-mail: [nraregistration@restaurant.org](mailto:nraregistration@restaurant.org)

Web: [show.restaurant.org](http://show.restaurant.org)

### Food Marketing Institute (FMI) Show 2012

May 1-3, 2012

Dallas Convention Center, Dallas, Texas

FMI Contact Info:

2345 Crystal Drive

Suite 800

Arlington, VA 22202-4801

Tel.: (202) 452-8444

Fax: (202) 429-4519

E-mail: [abondthorley@fmi.org](mailto:abondthorley@fmi.org)

[sgeorge@fmi.org](mailto:sgeorge@fmi.org)

Web: [www.fmi.org](http://www.fmi.org)

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## Chapter 5: Trade Regulations, Customs and Standards

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### Import Tariffs

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

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

### Import Tariffs on Food/Agricultural Products

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

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

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

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

## **Trade Barriers**

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

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

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

Other trade barriers include:

- **Commercial Disputes Settlement**

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

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

the Board of Grievances, and a new Chairman of the Supreme Judicial Council. Industry sources expect the reshuffle to expedite the overhaul of the Kingdom's judicial system.

- **Business Visas**

All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. Business visitors and foreign investors can apply through the Saudi Arabian General Investment Authority (SAGIA) for a visitor visa at the Saudi Embassy or Consulates in the United States. Saudi Arabia has also begun to implement a decree stating that sponsorship for certain business visas is no longer required. Based on new instructions, the issuance of a visitor's visa should be affected within 24 hours from the application date.

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

- **Delayed Payments**

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

- **Intellectual Property Protection**

Saudi Arabia recently undertook a comprehensive revision of its laws covering intellectual property rights to bring them in line with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). The Saudi legal system protects and facilitates acquisition and disposition of all property rights, including intellectual property. The Saudi Government recently updated the Trademark Law (2002), the Copyright Law (2003), and the Patent Law (2004), with the dual goals of TRIPs-compliance and effective deterrence against violators. In 2008 the Violations Review Committee created a website and has populated it with information on current cases. The government also endorsed the country's joining the "Paris Convention for Protection of Industrial Property" and the "Berne Convention for the Protection of Literary and Artistic Works." Although intellectual property protection has steadily increased in the Kingdom, intellectual piracy remains a problem.

The current Law on Patents, Layout Designs of Integrated Circuits, Plant Varieties and Industrial Designs has been in effect since September 2004. Largely due to a lack of adequate resources and technical expertise, when this law went into effect the Patent Office had issued just over 40 patents and had a large backlog (more than 9,000 applications dating back to issuance of Saudi Arabia's first patent law in 1989). The office has since streamlined its procedures, hired more staff, and reduced this backlog. Protection is available for product and product-by-process. The term of

protection was increased from 15 years to 20 years under the new law, but patent holders can no longer apply for a routinely granted five-year extension.

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

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

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

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

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

- **Counterfeiting**

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

- **Arab League Boycott**

The Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Oman, Qatar and the United Arab Emirates) announced in the fall of 1994 that its members would no longer enforce the secondary and tertiary aspects of the Arab League Boycott. The

primary boycott against Israeli companies and products still applies. Advice on boycott and anti-boycott related matters are available from the U.S. Embassy or from the Office of Anti-Boycott Compliance in Washington, D.C. at (202) 482-2381.

## **Import Requirements and Documentation**

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

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

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

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

Saudi exporters need to submit a copy of their commercial registration, which indicates they are allowed to export. They are also required to submit a certificate of origin of Saudi products (issued by the Ministry of Commerce and Industry). Certain items such as antiques, Arabian horses, livestock, or subsidized items need special approval to export, *e.g.*, feed additives require a Certificate of Analysis that needs to be authenticated by the Saudi Embassy or Consulate. Exports of oil, petroleum products, natural gas and wheat all require export licenses. Saudi Arabia has removed its export ban on all scrap metals and will not apply export duties on these products.

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

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

Sale of arms and ammunitions is managed through a Foreign Military Sales (FMS) program of the U.S. Department of Defense. The U.S. Military Training Mission (USMTM) established at Dhahran in 1953 (now located in Riyadh) provides training, advice and assistance to the Saudi Ministry of Defense and Aviation in a variety of areas, including the management of the Kingdom's Foreign Military Sales (FMS).

## Temporary Entry

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

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

## Labeling and Marking Requirements

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Please refer to [Standards](#) sub-section below.

## Prohibited and Restricted Imports

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

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

Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, retreaded or used tires, used clothing and certain sculptures.

## Customs Regulations and Contact Information

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

As such, medical devices are only allowed entry into Saudi Arabia through the three international airports, two main seaports in Jeddah and Dammam, and three land entry

points in Batha (UAE border), Hadithah (Jordanian border), and King Fahd Causeway (Bahraini border).

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

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

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

#### [Saudi Customs Authority](#)

Contact: Mr. Saleh Al-Khlewi, Director General

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

Tel.: (+966-1) 402-2515

Fax: (+966-1) 405-9282

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

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

## **Standards**

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## **Overview**

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The [Saudi Arabian Standards Organization](#) (SASO) has about 20,500 standards, and is actively pursuing the promulgation of hundreds of new standards currently in various drafting stages of development.

SASO has decided to adopt ISO 9000 as the approved standards for Saudi Arabia, and will act as an accreditation body through the Quality Assurance Department; nonetheless, SASO also adopts ASTM, UL, and NFPA standards, as well. Compliance will be on a voluntary basis. However, it would be prudent for American industry and services to consider this matter seriously in planning to do business in Saudi Arabia. There may be many cases where procurement agencies will insist on purchasing and placing orders only with those companies that are in compliance with ISO 9000, or the U.S. equivalent series.

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

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

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

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

## Standards Organizations

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The [Saudi Arabian Standards Organization](#) (SASO) is the Saudi Arabian entity that is in charge of developing and implementing standards. SASO is the Saudi organization responsible for setting national standards for commodities and

products, measurements, testing methods, meteorological symbols and terminology, commodity definitions, safety measures, and environmental testing, as well as other subjects approved by the organization's Board of Directors.

While standards are set by SASO, the Saudi [Ministry of Commerce and Industry](#) Laboratories do testing of all processed and packaged food items at various ports of entry. The Saudi Ministry of Municipality and Rural Affairs Environmental Control Department tests foodstuffs at the point of sale for product safety standards.

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

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

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

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

## **Conformity Assessment**

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Since its inception in 1995, the certification program known as the ICCP was applicable to 66 regulated products. The purpose of the program was to insure consumer protection and that products entering Saudi Arabia conform to SASO standards. SASO was in charge of implementing and monitoring the International Conformity Certification Program (ICCP). They have done so through an agreement with Intertek, which has global presence.

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

medicines, medical equipment, and components/products of large industrial projects.

The [Ministry of Commerce and Industry](#) is responsible for the Certificate of Conformity (CoC) program under the jurisdiction of Dr. Hamad Al-Oufi, Director General for Quality Control & Inspection, who can be reached by phone at (+966-1) 401-3265 or by fax at (+966-1) 402-2539.

## **Product Certification**

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SASO has its own certification organization for locally manufactured products, as several SASO employees have been certified to work as professional auditors in conformance with ISO 9000 series standards.

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

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

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

## **Accreditation**

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

## **Publication of Technical Regulations**

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

## **Labeling and Marking**

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

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

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

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

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

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

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

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

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## Trade Agreements

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Saudi Arabia is a member of the [Gulf Cooperation Council \(GCC\)](#), which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods within member states. Leaders of the GCC have approved to allow Yemen gradual entry into their Council. The member states also agreed that they would switch to a single currency by January 1, 2010 at the latest, which has not materialized as yet and the common market proposal is still being worked out. Saudi Arabia is also a member of the League of Arab States. Recently, the League has agreed to negotiate an Arab Free Trade Zone.

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

U.S. Bureau of Industry and Security	<a href="http://www.bis.doc.gov/">www.bis.doc.gov/</a>
Saudi Customs	<a href="http://www.customs.gov.sa/CustomsNew/default_E.aspx">www.customs.gov.sa/CustomsNew/default_E.aspx</a>
Saudi Arabian Standards Organization (SASO)	<a href="http://www.saso.org.sa/English/Pages/Default.aspx">www.saso.org.sa/English/Pages/Default.aspx</a>
GCC Patent Office	<a href="http://www.gccpo.org/e-INDEX.HTM">www.gccpo.org/e-INDEX.HTM</a>
Communications and Information Technology Commission (CITC)	<a href="http://www.citc.gov.sa/">www.citc.gov.sa/</a>
Ministry of Commerce and Industry	<a href="http://www.commerce.gov.sa/english/">www.commerce.gov.sa/english/</a>
Gulf Cooperation Council (GCC)	<a href="http://www.gcc-sg.org/home_e.htm">www.gcc-sg.org/home_e.htm</a>

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## Chapter 6: Investment Climate

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### Openness to Foreign Investment

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Saudi Arabia, despite fears stemming from global economic uncertainty tied to the sovereign debt crisis and euro zone crisis, benefitted greatly from stable global oil prices and what appears to be a new global average price for crude oil in 2010. Though bolstered by strong performance in the oil sector, the Saudi economy still witnessed rises in inflation over the first three quarters of 2010 and a five year low in stock market volumes in the Saudi Stock Exchange's Tadawul All Share Index (TASI). The Kingdom is one of the least indebted countries in the world. Improvement of the investment climate continues to be an important part of the Saudi government's broader program to liberalize the country's trade and investment regime, diversify an economy overly dependent on oil and petrochemicals, and promote employment for a young population. Saudi Arabia demonstrated its global economic status by taking a leading role, on behalf of the oil sector, at the 2010 G-20 Summit in Seoul, South Korea. Furthermore, Saudi Arabia continued to show positive progress towards full compliance with its WTO requirements after it joined the organization in 2005. Notably, in its "Doing Business 2011" report, the International Bank for Reconstruction and Development ("World Bank") ranked Saudi Arabia 11th out of 181 economies in terms of ease of doing business, a marked improvement from 2005, when it ranked 67th. Also, in its "Corruption Perception Index 2010" report, Transparency International ranked Saudi Arabia 50th out of 178 countries in terms of perceived levels of public sector corruption, demonstrating significant progress from 2008, when it ranked 80th.

The government encourages investment in transportation, education, health, information and communications technology, life sciences, and energy; as well as in six “Economic Cities” that are in various states of development. The Economic Cities are to be new, comprehensive developments in different regions focusing on particular industries. Prospective investors will find attractive Saudi Arabia’s economic stability, the largest market in the Gulf (with a population of over 27 million), sound infrastructure, a well-regulated banking system, and relatively high per capita income.

There are also disincentives to investment, specifically a government requirement that companies have a “Saudization” program to hire Saudi nationals, extremely slow payment under some government contracts, a restrictive visa policy for all foreign workers, a very conservative cultural environment, and enforced segregation of the sexes in most business and social settings. Further, although the Saudi government is making progress towards establishing a commercial court system, there is not yet a transparent, comprehensive legal framework in place for resolving commercial disputes.

The foreign direct investment law, revised in 2000, permits foreigners to invest in all sectors of the economy, except for specific activities contained in a “negative list.” Foreign investors are no longer required to take local partners in many sectors and may own real estate for company activities. They are allowed to transfer money from their enterprises outside of the country and can sponsor foreign employees. Minimum capital requirements to establish business entities have been substantially reduced (and are currently 500,000 Saudi riyals for companies and 1,000,000 for industrial concerns); the chief exception being capitalization requirements in specific services, such as insurance.

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

SAGIA set up an Investor’s Service Center (ISC) to provide licenses to foreign companies, provide support services to investment projects, offer detailed information on the investment process, and coordinate with government ministries in order to facilitate investment procedures. The ISC must decide to grant or refuse a license within 30 days of receiving an application and supporting documentation from the investor.

SAGIA has agreements with various Saudi government agencies and ministries to facilitate and streamline foreign investment procedures. Some of these agreements include facilitating entry visas, establishing SAGIA branch offices at Saudi embassies in different countries, facilitating the issuance of workers’ visas, raising import tariff exemptions on raw materials to three years and increasing the exemptions on production and manufacturing equipment to two years, and the establishment of commercial courts. SAGIA opened a Women’s Investment Center in spring 2003.

To make it easier for business people to visit the Kingdom, SAGIA can sponsor visa requests directly without having to ask a local company to sponsor such visits. Saudi Arabia has also begun to implement a decree stating that sponsorship is no longer required for certain business visas.

In February 2001, SAGIA first published a negative list of sectors off-limits to a controlling interest foreign investment (see [www.sagia.gov.sa](http://www.sagia.gov.sa)). SAGIA has reduced the number of sectors closed to foreign investment to three manufacturing categories and 13 service industries. The list includes real estate investment in Mecca and Medina, some subsectors in printing and publishing, audiovisual and media services, land transportation services excluding the inter-city transport by trains, and upstream petroleum. SAGIA periodically reviews the list of activities excluded from foreign investment, and submits its reviews to the Supreme Economic Council for approval. Although these sectors are off-limits to 100 percent foreign investment, foreign minority ownership in joint ventures with Saudi partners may be allowed in some sectors.

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

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

The [Saudi Industrial Development Fund \(SIDF\)](#) is an important source of financing for investors. SIDF is a development finance institution affiliated with the Ministry of Finance. The main objective of SIDF is to support the development of the private industrial sector by extending medium to long-term loans for the establishment of new factories and the expansion, upgrading and modernization of existing ones. Foreign investors are eligible to receive low cost financing for up to 50 percent of project costs (*i.e.*, fixed assets, pre-operating expenses and start-up working capital). Loans are provided for a maximum term of 15 years with repayment schedules designed to match projected cash flows for the project in question.

There is no prohibition on foreign investment in refining and petrochemical development and there is significant foreign investment in the downstream Saudi energy sector. ExxonMobil and Shell are the largest foreign investors in Saudi Arabia; both are 50% partners in refineries with Saudi Aramco. Saudi Aramco had also announced the selection of two firms, ConocoPhillips and Total, to join as equity investors in two new 400,000 barrel per day export refineries scheduled for completion in 2012. In addition, ExxonMobil, Chevron Texaco, and Shell, as well as several other international investors, have formed joint ventures with SABIC, a Saudi parastatal, to build large-scale petrochemical plants that utilize gas feedstock from Saudi Aramco's existing operations at Ras Tanura. Aramco selected the Dow Chemical Company as its partner in a joint

venture company to construct, own, and operate a chemicals and plastics production complex in Saudi Arabia's Eastern Province.

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

Professionals, including architects, consultants, and consulting engineers, are required to register with, and be certified by, the Ministry of Commerce and Industry, in accordance with the requirements defined in the Ministry's Resolution 264 from 1982. These regulations, in theory, permit the registration of Saudi-foreign joint venture consulting firms. As part of its WTO accession commitments, Saudi Arabia generally allows consulting firms to establish an office in Saudi Arabia without a Saudi partner. However, offices practicing law, accounting and auditing, design, architectural, and engineering, civil planning, healthcare services, dentistry, and veterinary services, must have a Saudi partner; and the foreign partner's equity cannot exceed 75 percent of the total investment.

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

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

In July 2003, the government took significant, long-awaited steps to lower the corporate tax rate on foreign investors to a flat 20%; however, separate rates apply to investments in hydrocarbons. The flat tax replaced a tiered system with tax rates as high as 45%. While this is a welcome step toward a more balanced treatment for foreign and Saudi owned capital, there are privileges and preferences in Saudi Arabia that favor Saudi companies and joint ventures with Saudi participation. For example, domestic corporate partners do not pay corporate income tax, but are subject to a 2.5 percent tax on net current assets, or *zakat*.

## Conversion and Transfer Policies

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There are no restrictions on converting and transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, and lease payments) into a freely usable currency at a legal market-clearing rate. There have been no recent changes, nor are there plans to change remittance policies. There are no delays in effect for remitting investment returns such as dividends, repatriation of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal legal channels. There is no need for a legal parallel market for investor remittances.

There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs with the exception that bulk cash shipments greater than 60,000 riyals must be declared at the point of entry or exit. Since 1986, when the last devaluation occurred, the official exchange rate has been 3.745 Saudi riyals per U.S. dollar. Transactions occur using rates very close to the official rate.

## Expropriation and Compensation

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

## Dispute Settlement

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Saudi commercial law is still developing. In 1994 the Saudis joined the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is also a member of the International Center for the Settlement of Investment Disputes (also known as the "Washington Convention"). However, dispute settlement in Saudi Arabia continues to be time-consuming and uncertain. Even after a decision is reached in a dispute, effective enforcement of the judgment can still take years. The Embassy suggests that American firms investing in Saudi Arabia include in contracts a foreign arbitration clause. Such clauses are not, however, allowed in government contracts without a decision by the Saudi Council of Ministers.

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

The Saudi legal system is derived from the legal rules of Islam known as the *Shari'a*. The Ministry of Justice oversees the *Shari'a*-based judicial system, but most Ministries have committees to rule on matters under their jurisdiction. Many disputes which would be handled in a court in the U.S., in Saudi Arabia are handled through administrative processes within the relevant ministry. Generally, the Saudi Board of Grievances has jurisdiction over disputes with the government and over commercial disputes. The Board also reviews all foreign arbitral awards to ensure that the award complies with *Shari'a* law. This review process can take years, and outcomes are unpredictable.

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

Of interest to investors who have disputes with private individuals are the Committee for Labor Disputes (under the Ministry of Labor) and the Committee for Tax Matters (under the Negotiable Instruments Committee, also called the Commercial Paper Committee). The Ministry of Finance has jurisdiction over disputes involving letters of credit and checks, while SAMA's Banking Disputes Committee adjudicates disputes between bankers and their clients. Judgments of foreign courts are not consistently enforced by Saudi courts, despite Saudi Arabia's signature of the New York Convention. Monetary judgments are based on the terms of the contract; *i.e.*, if the contract were in dollars, the judgment would be in dollars; if unspecified, the judgment is denominated in Saudi riyals. Non-material damages and interest are not included in monetary judgments.

In October 2007, King Abdullah issued a royal decree to overhaul the Kingdom's judicial system, including allocating 7 billion SAR (approximately 1.9 billion USD) to train judges and build new courts. The decree establishes two Supreme Courts, a general court and an administrative court, and specialized labor and commercial tribunals. To date, Saudi Arabia has dispersed a portion of the funds allocated in 2007 to constructing new appeals courts and sending judges abroad for legal seminars. In early 2010, Saudi Arabia started the process of codifying the *Shari'a* regulations that govern the Kingdom's courts in an effort to bring clarity and uniformity to judicial rulings.

Saudi Arabia has a commercial law that is generally applied consistently. A bankruptcy law was enacted by Royal Decree no. N/16 dated 4/9/1416H (corresponding to 1/24/96). Articles contained in the law allow debtors to conclude financial settlements with their creditors through committees under the Saudi Chambers of Commerce and Industry or through the Board of Grievances. Designated as the Regulation on Bankruptcy Protective Settlement, the law is open to ordinary creditors except in the case of debts of expenditures, privileged debts, and debts which arise pursuant to the settlement procedures.

## **Performance Requirements and Incentives**

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Under the 1969 Labor and Workman Regulations, 75 percent of a firm's work force and 51 percent of its payroll must be Saudi, unless the Ministry of Labor has granted an exemption. In practice, the percentage of Saudis employed by a firm is often far less. The number of Saudis in the private sector labor force is approximately 10 percent. The public sector features a higher percentage of Saudi employees. In 1996, the Saudi Government implemented a regulation establishing a quota system that required each company employing over 20 workers to increase the number of Saudi employees by a minimum of five percent. The government increased the requirement by five percent *per*

*annum*, and would have reached 45 percent of a firm's workforce in 2005. However, the 2005 Labor Law set a standard limit requiring that Saudi nationals constitute 75% of a firm's workforce. Companies not complying with the Saudi minimum personnel rule will not be given visas for expatriate workers. Few firms have been able to meet these requirements. On the other hand, while the list of positions that may no longer be held by non-Saudis is expanding, the Ministry of Labor has relaxed these requirements in certain industries.

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

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

The government uses its purchasing power to encourage foreign investment. In 1985, the Saudi Government reached an agreement with American defense contractors for "offset" joint venture investments with local investments equivalent to 35 percent of the program's value. British and French defense firms also have offset requirements. Offset requirements are likely to remain components of major defense purchases and have been incorporated into other large Saudi Government contracts.

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

In 2002 the Saudi government announced it would ease restrictions on the issuance of visas to foreign businessmen to allow greater access, and decreed in 2005 that sponsor requirements for business visas would be lifted. In November 2007, Saudi Arabia announced that it will begin issuing foreign business visitors five (5) year, multiple-entry visas at Saudi embassies, consulates, and ports of entry, but has not yet fully implemented this policy. Though also not yet fully implemented, the government also announced that foreign business visitors will no longer need to provide invitation letters from Saudi businesses to receive visas.

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

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Domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. Private entities generally have the right to freely establish, acquire, and dispose of interests in business enterprises. Certain activities are reserved for state monopolies and Saudi citizens.

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

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

The 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. Protection is available for product and product-by-process. The term of protection was increased from 15 to 20 years under the new law, but patent holders can no longer apply for a routinely granted five-year extension. In December 2009, the Saudi Council of Ministers approved the Kingdom's accession to both the Intellectual Property Owners Association Patent Cooperation Treaty (PCT) and its Implementing Regulations and the Patent Law Treaty (PLT) adopted by the Diplomatic Conference in Geneva on June 1, 2000.

In September 2009, the King approved a mechanism to protect Exclusive Marketing Rights (EMR) for certain pharmaceutical products which lost patent protection when Saudi Arabia transitioned to a new TRIPs-compliant patent law in 2004. EMR protection in Saudi Arabia expires on the same date the patent expires in the United States or the European Union. Applications for EMR protection should be submitted to the General Department of Industrial Property at King Abdulaziz City for Science and Technology for approval and transfer to the Saudi Food and Drug Authority.

The Saudi Government has revised its Copyright Law, is devoting increased resources to marketplace enforcement, and is seeking to impose stricter penalties on copyright violators. In January 2010, the Ministry of Culture and Information referred the first-ever copyright violation case to the Board of Grievances for deterrent sentencing. The Saudi Government has stepped up efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores. These efforts included continuing raids on shops selling pirated goods in 2010. However, many pirated materials are still available in the marketplace. An Islamic ruling, or *fatwa*, stating that software piracy is "forbidden" backs enforcement efforts. Saudi Arabia was removed from the Special 301 Watch List in early 2010 as the result of an Out-of-Cycle Review by the USTR.

Trademarks are protected under the Trademark Law. The Rules for Protection of Trade Secrets came into effect in 2005. Saudi Arabia has one of the best trademarks laws in

the region, and the Saudi Customs Authority has significantly stepped up its enforcement efforts. Saudi Arabia received anti-counterfeiting and piracy awards from the World Customs Organization in 2009 for organizing the first Pan-Arab conference on this issue, building the capacity of the Customs Authority, and translating WCO documents into Arabic. Saudi Arabia has not signed and ratified the WIPO internet treaties.

## **Transparency of Regulatory System**

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

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

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

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Saudi Arabia has generally free and open financial markets, although non-GCC foreign investors may only invest in the stock market through mutual funds and "swap agreements." These limits are gradually relaxing. Financial policies generally facilitate the free flow of private capital and currency can be transferred in and out of Saudi Arabia without restriction (with the exception of previously mentioned limits on bulk cash movements). In 2003, SAMA, the Central Bank, enhanced and updated its 1995 Circular on Guidelines for the Prevention of Money Laundering and Terrorist Financing. The enhanced guidelines are more compliant with the Banking Control Law, the Financial Action Task Force (FATF) 40 Recommendations, the 9 Special Recommendations on Terrorist Financing, and relevant UN Security Council Resolutions.

Historically, credit has been widely available to both Saudi and foreign entities from commercial banks, and has been allocated on market terms. The global financial crisis of 2008, followed by the default on \$20 billion in debt by two Saudi business concerns and the debt restructuring in Dubai, has substantially reduced this availability to all parties, resulting in the delay or cancellation of some projects. Credit remained tight for the greater part of 2010, but lending appeared to pick up slowly, yet steadily, towards the end of the year. Credit is also available from several government credit 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, but there is no true corporate bond market. Most IPOs have been put on hold as the Saudi stock market's volatility has spiked in response to the global financial crisis. The IPO market will likely take some time to recover as skittish investors are likely to return to the market only gradually.

As part of the economic reforms initiated for accession to the WTO, Saudi Arabia liberalized licensing requirements for foreign investment in the financial services. In addition, the government increased foreign equity limits in financial institutions from 40% to 60% to entice further foreign investment. In the last few years, the Saudi government has taken steps to increase foreign participation in its banking sector by granting operating licenses to foreign banks. As of 2010, SAMA has granted eleven foreign bank licenses to operate in the Kingdom, including to BNP Paribas, Deutsche Bank, Emirates Bank, Gulf International Bank, J.P. Morgan, Muscat Bank, National Bank of Bahrain, National Bank of Kuwait, National Bank of Pakistan State Bank of India, and T.C. Ziraat Bankasi A.S.

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

The Capital Markets Law, passed in 2003, allows for brokerages, asset managers, and other non-bank financial intermediaries to operate in the Kingdom. The law created a market oversight body, the Capital Market Authority, which was established in 2004, and opened the stock exchange to public investment. Financial firms established under the law will drive an increase in corporate and consumer finance activity. By the end of 2009 108 companies had received licenses to work as financial advisory offices (73) or brokerage services (35) in Saudi Arabia. As of August 2008, foreigners can now invest in the stock market through "swap agreements" with local investment houses. These allow foreign investors to hold Saudi securities for a period ranging from three months to four years, but without any voting rights. There is an effective regulatory system governing portfolio investment in Saudi Arabia.

### **Competition from State-Owned Enterprises**

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There are a number of state-owned enterprises that operate in the Saudi market, but whether they compete with any private entity is questionable, since, with the notable exception of SABIC, they are all involved with the provision of public utilities and pensions. The major state-owned companies in Saudi Arabia are:

- Saudi Basic Industries Corp. (SABIC) — one of the world's leading manufacturers of chemicals, fertilizers, plastics, and metals,
- Saudi Electric Company (SEC),
- Saudi Telecommunications Co. (STC),
- Saline Water Conversion Corporation (SWCC),
- Reyadah Investment Company (investment arm of the Public Pension Agency)
- Al-Hasana Investment Company (investment arm of the General Organization for Social Insurance).

## Corporate Social Responsibility

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Corporate Social Responsibility is still in its infancy in Saudi Arabia, with only some very large banks and state-owned corporations, like Saudi Aramco and Saudi Basic Industries Corporation (SABIC) having signed on to the principle.

## Political Violence

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In 2010 the Department of State authorized the return of all family members to U.S. Embassy Riyadh, U.S. Consulate General Jeddah, and U.S. Consulate General Dhahran, but continues to warn U.S. citizens about the security situation in Saudi Arabia and reminds U.S. citizens of recommended security precautions. In the most recent Travel Warning for Saudi Arabia, the Department of State urges U.S. citizens to consider carefully the risks of traveling to Saudi Arabia. The last major terrorist attack directed against the civilian population was an attack against French nationals in 2007. Significant enhancements in the capacity and capability of Saudi security and intelligence forces have greatly improved the security environment. Although much improved, it is important to note that there is an ongoing security threat.

## Corruption

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

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

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

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

<http://www.justice.gov/criminal/fraud/>

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

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

**U.N. Convention:** The U.N. Anticorruption Convention entered into force on December 14, 2005, and there are 148 parties to it as of December 2010 (see <http://www.unodc.org/unodc/en/treaties/CAC/signatories.html>). The U.N. Convention is the first global comprehensive international anticorruption agreement. The U.N. Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The U.N. Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The Convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery. Saudi Arabia signed the U.N. Anticorruption Convention in January 2004, but as of December 2010 it had not yet ratified it.

**Free-Trade Agreements:** While it is U.S. Government policy to include anticorruption provisions in free-trade agreements (FTAs) that it negotiates with its trading partners, the anticorruption provisions have evolved over time. The most recent FTAs negotiated now require trading partners to criminalize “active bribery” of public officials (offering bribes to any public official must be made a criminal offense, both domestically and trans-nationally) as well as domestic “passive bribery” (solicitation of a bribe by a domestic official). All U.S. FTAs may be found at the U.S. Trade Representative Website: <http://www.ustr.gov/trade-agreements/free-trade-agreements>. Saudi Arabia does not have a free-trade agreement with the United States, nor is it in the process of negotiating one.

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

**Assistance for U.S. Businesses:** The U.S. Department of Commerce offers several services to aid U.S. businesses seeking to address business-related corruption issues. For example, the [U.S. and Foreign Commercial Service](#) can provide services that may assist U.S. companies in conducting their due diligence as part of the company's overarching compliance program when choosing business partners or agents overseas. The U.S. Foreign and Commercial Service can be reached directly through its offices in every major U.S. and foreign city, or through its Website at [www.trade.gov/cs](http://www.trade.gov/cs).

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

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

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

### Conditions in Saudi Arabia

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

Despite the fact that corruption has been identified by foreign firms as an obstacle to investment in Saudi Arabia, authorities have taken steps toward combating it. In April 2007, the King established the National Authority for Combating Corruption that is to report directly to him, but there has been little, if any, follow-through to establish this institution. To what extent the Commission will be empowered to eradicate corruption remains to be seen. The General Auditing Bureau is also charged with combating corruption.

While Saudi Arabia has not ratified the U.N. Convention Against Corruption (UNCAC), in November 2010 it signed on to the G-20 Anti-Corruption Action Plan (ACAP). Furthermore, Transparency International's annual Corruption Perceptions Index ranks Saudi Arabia 50th out of 178 countries, placing it above, for example, several EU member countries. This ranking is a reflection of public trust in the Saudi Government's ability to manage public funds and the economy as a whole, by a people who enjoy some of the lowest taxes in the world.

### Anti-Corruption Resources

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

- Information about the U.S. Foreign Corrupt Practices Act (FCPA), including a "Lay Person's Guide to the FCPA" is available at the U.S. Department of Justice's Website at: <http://www.justice.gov/criminal/fraud/fcpa>.
- Information about the OECD Antibribery Convention including links to national implementing legislation and country monitoring reports is available at [http://www.oecd.org/department/0,3355,en\\_2649\\_34859\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/department/0,3355,en_2649_34859_1_1_1_1_1,00.html) See also new Antibribery Recommendation and Good Practice Guidance Annex for companies: <http://www.oecd.org/dataoecd/11/40/44176910.pdf>.
- General information about anticorruption initiatives, such as the OECD Convention and the FCPA, including translations of the statute into several languages, is available at the Department of Commerce Office of the Chief Counsel for International Commerce Website: [http://www.ogc.doc.gov/trans\\_anti\\_bribery.html](http://www.ogc.doc.gov/trans_anti_bribery.html).
- Transparency International (TI) publishes an annual Corruption Perceptions Index (CPI), which measures the perceived level of public-sector corruption in 180 countries and territories around the world. The CPI is available at: [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2010](http://www.transparency.org/policy_research/surveys_indices/cpi/2010). TI also publishes an annual *Global Corruption Report* which provides a systematic evaluation of the state of corruption around the world. It includes an in-depth analysis of a focal theme, a series of country reports that document major corruption related events and developments from all continents and an overview of the latest research findings on anti-corruption diagnostics and tools. See <http://www.transparency.org/publications/gcr>.
- The World Bank Institute publishes Worldwide Governance Indicators (WGI). These indicators assess six dimensions of governance in 212 countries,

including Voice and Accountability, Political Stability and Absence of Violence, Government Effectiveness, Regulatory Quality, Rule of Law and Control of Corruption. See [http://info.worldbank.org/governance/wgi/sc\\_country.asp](http://info.worldbank.org/governance/wgi/sc_country.asp). The World Bank Business Environment and Enterprise Performance Surveys may also be of interest and are available at: <http://go.worldbank.org/RQQXYJ6210>.

- The World Economic Forum publishes the *Global Enabling Trade Report*, which presents the rankings of the Enabling Trade Index, and includes an assessment of the transparency of border administration (focused on bribe payments and corruption) and a separate segment on corruption and the regulatory environment. See <http://www.weforum.org/s?s=Global+Enabling+Trade+Report>.
- Additional country information related to corruption can be found in the U.S. State Department's annual Human Rights Report available at <http://www.state.gov/g/drl/rls/hrrpt/>.
- Global Integrity, a nonprofit organization, publishes its annual Global Integrity Report, which provides indicators for 92 countries with respect to governance and anti-corruption. The report highlights the strengths and weaknesses of national level anti-corruption systems. The report is available at: <http://report.globalintegrity.org/>.

## **Bilateral Investment Agreements**

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There is no bilateral investment treaty in force between the United States and Saudi Arabia, although both sides have exchanged draft texts for review. GCC countries and their nationals receive favorable investment treatment derived from GCC agreements.

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

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The Overseas Private Investment Corporation (OPIC) no longer provides coverage in Saudi Arabia. In 1995, OPIC removed Saudi Arabia from its list of countries approved for OPIC coverage because of Saudi Arabia's failure to take steps to comply with internationally recognized labor standards.

Details on OPIC programs and coverage can be obtained at [www.opic.gov](http://www.opic.gov). Saudi Arabia is a member of the Multilateral Investment Guarantee Agency.

## **Labor**

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The Ministry of Labor and the Ministry of Interior regulate recruitment of expatriate labor. In general, the government encourages recruitment of Muslim workers, either from Muslim countries or from countries with sizable Muslim populations. The largest groups of foreign workers now come from Bangladesh, Egypt, India, Pakistan, the Philippines, and Yemen. Westerners compose less than two percent of the labor force, although this percentage is increasing as they seek to take advantage of the relatively stable Saudi economy during a time of global economic uncertainty.

Since September 1994, the Ministry of Labor has been required to certify that there are no qualified Saudis for a particular job before an expatriate worker can fill that job. In addition, the original sponsor must approve all transfers of expatriate workers from his sponsorship to another (except in cases of non-payment of wages for three consecutive months or more). While group visas are available for unskilled and some skilled workers recruited abroad, the Ministry of Labor is actively trying to limit the numbers of visas being issued in its bid to create more job opportunities for Saudis.

Saudi labor law forbids union activity, strikes, and collective bargaining. However, the Government allows companies that employ more than 100 Saudis to form "labor committees." By-laws detailing the functions of the committees were enacted in April 2002. Domestic workers are not covered under the provisions of the latest labor law issued in 2005. The Saudi *Majlis al-Shura*, a consultative assembly with a role in the legislative process, has passed a law covering domestic workers, which is now with the King and the Council of Ministers for review.

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

#### Foreign-Trade Zones/Free Ports

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Saudi Arabia does not currently have duty-free import zones or free ports, but does permit transshipment of goods through its ports in Jeddah and Dammam. Saudi Arabia is a member of the Gulf Cooperation Council (GCC), which confers special trade and investment privileges within the six member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). Saudi Arabia is also a member of the Arab League, which agreed to negotiate an Arab free-trade zone.

#### Foreign Direct Investment Statistics

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Figures provided in this section are taken from United Nations Conference on Trade and Development's "World Investment Report 2010 Country Fact Sheet." Following are key FDI indicators as provided by the referenced report for 2009 (all figures are in USD millions unless otherwise indicated):

FDI Inflow	35,514.0
FDI Outflow	6,526.0
FDI Inward Stock	147,145.0
FDI Outward Stock	40,314.0
FDI Inward Stock as % of GDP	40.5
FDI Outward Stock as % of GDP	11.1
FDI Inflow as % of GFCF	46.1
FDI Outflow as % of GFCF	8.0
GDP = gross domestic product	
GFCF = gross fixed capital formation	

## Web Resources

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Saudi Arabian General Investment Authority (SAGIA)	<a href="http://www.sagia.gov.sa">www.sagia.gov.sa</a>
SAGIA Business Centre Wizard	<a href="http://www.sagia.gov.sa/en/Investor-tools/Business-Centre-Wizard/">www.sagia.gov.sa/en/Investor-tools/Business-Centre-Wizard/</a>
Saudi Arabian Monetary Agency (SAMA)	<a href="http://www.sama.gov.sa">www.sama.gov.sa</a>
Capital Market Authority (CMA)	<a href="http://www.cma.org.sa/cma_en/default.aspx">www.cma.org.sa/cma_en/default.aspx</a>
Saudi Stock Exchange (Tadawul)	<a href="http://www.tadawul.com.sa/">www.tadawul.com.sa/</a>
Communications and Information Technology Commission (CITC)	<a href="http://www.citc.gov.sa">www.citc.gov.sa</a>
Royal Commission for Jubail and Yanbu	<a href="http://www.rcjy.gov.sa/portal/default.asp?lang=eng">www.rcjy.gov.sa/portal/default.asp?lang=eng</a>
Ar-Riyadh Development Authority (ADA)	<a href="http://www.arriyadh.com/eng/ada/index.aspx">www.arriyadh.com/eng/ada/index.aspx</a>
Saudi Industrial Development Fund	<a href="http://www.sidf.gov.sa/english/index.htm">www.sidf.gov.sa/english/index.htm</a>
Ministry of Labor	<a href="http://www.mol.gov.sa/HomePage/home.html">www.mol.gov.sa/HomePage/home.html</a>
Saudi Customs Authority	<a href="http://www.customs.gov.sa/CustomsNew/default_E.aspx">www.customs.gov.sa/CustomsNew/default_E.aspx</a>

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## Chapter 7: Trade and Project Financing

- [How Do I Get Paid? \(Methods of Payment\)](#)
- [How Does the Banking System Operate?](#)
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### How Do I Get Paid? (Methods of Payment)

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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.

Through an initiative of the local banks, the [Saudi Credit Bureau](#) (SIMAH) is Saudi Arabia's first comprehensive consumer-credit bureau. Established in 2003, SCB will only extend its services to members in the banking industry. The current laws of Saudi Arabia do not allow sharing of financial information with 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.

### How Does the Banking System Operate?

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An important development in the Saudi financial scene was the Royal Directive (May 9, 2006) that established the King Abdullah Financial District in Riyadh, which will house major financial institutions, the Capital Market Authority, the Stock Exchange, and other service providers.

The Saudi banking system remains one of the strongest and most profitable in the region. During the first 11 months of 2010, net income registered \$6.46 billion, down by more than 10 percent from \$7.24 billion in 2009. In contrast, total assets of the Saudi banking sector slightly went up, from \$370 billion in 2009 to \$374 billion in 2010. Aggregate consumer borrowing also increased 3.7 percent, from \$199.7 billion in 2009 to \$207.0 billion in 2010.

The difficulty in obtaining a banking license to operate in Saudi means that only 12 Saudi and Saudi-foreign joint venture banks operate, dominated by Al-Rajhi bank, the country's most profitable and the world's largest Islamic banks, and the National Commercial Bank the largest by asset size in both Saudi Arabia and the whole GCC. A number of international banks have entered the market by taking stakes in domestic firms, such as HSBC's 40 per cent stake in Saudi British Bank (SABB) and ABN Amro's 40 per cent stake in Saudi Hollandi Bank. Five GCC banks are licensed to operate in Saudi Arabia,

and licenses were also granted to Deutsche Bank, BNP-Paribas, State Bank of India, National Bank of Pakistan, and J.P. Morgan Chase.

Foreign banks are permitted to enter joint venture companies in Saudi Arabia with a previous foreign equity cap of 40% raised to 60%. Now, they can also open direct branches.

As of the date of this report, the Capital Market Authority has licensed 95 foreign and local companies to provide financial services and brokerage services from dealing and managing portfolios to arranging and advisory services, including Morgan Stanley, KPMG, Merrill Lynch, J.P. Morgan, Credit Suisse, HSBC, and Goldman Sachs, among others. The Saudi Government has also opened up asset management, advisory and brokerage services to foreign institutions.

The Kingdom's stock market remained relatively unchanged and the Tadawul All-Share Index (TASI) closed at 6,620.5 in 2010 compared to 6,121.76 in 2009. The total value of traded shares plummeted in 2010 reaching \$202.45 billion in 2010, down by about 40%. Overall market capitalization, however, improved more than 10.8%, reaching \$353.44 billion in 2010 compared to \$318.8 billion in 2009. The total number of traded companies was 145 compared to 135 in 2009. The Kingdom's stock market is the largest and the most attractive in the region; it is still larger than the combined worth of companies listed in Kuwait, UAE, and Qatar and many international bankers and asset managers have re-focused their advisory and research services on the Saudi market.

As of September 2010, there were 244 operating funds with total assets at \$26.21 billion, growing more than 4.5% in 2010. Foreign assets represented more than 20% of the funds' assets composition.

In an attempt to spur growth and development, the Saudi Government estimates spending to reach \$155 billion in 2011, the highest projected expenditure ever, with a projected deficit of \$10.7 billion. In 2010, there was an actual surplus of \$28.9 billion due to higher oil prices.

End-of-year indications for 2010 also project exorbitant liquidity, which crossed the \$283 billion mark, reflecting the prudent monetary policy of the Saudi Arabian Monetary Agency (SAMA). The excess liquidity helped to enhance consumer lending and to stabilize aggregate borrowing by the private sector.

IPOs activity during the first half of 2010 showed the leading position of Saudi Arabia, being the driving force behind the region's IPO market; seven of eight regional IPOs took place in Saudi Arabia. During the first half of 2010, a total of \$830 million was raised compared to \$1.21 billion during the same period in 2009, mainly due to economic uncertainty and dampened investor confidence. As of June 2010, the largest IPO in Saudi Arabia was the Knowledge Economic City Company, which raised \$272 million.

On a positive note, S&P stated that Saudi Arabia has been resilient throughout the global recession.

The [Saudi Arabian Monetary Agency](#) (SAMA), the Saudi central bank, regulates the Saudi banking sector. Offshore banking and trust operations do not exist in Saudi Arabia, and there is no legislation to permit the establishment of these operations.

On October 11, 2005, the Council of Ministers instructed the CMA, the Capital Market Authority and SAMA to establish a secondary market for Government bonds. Banking sources expect that a secondary market will be also created for bank and corporate bonds.

### **Foreign-Exchange Controls**

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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 last devalued the Riyal in June 1986 when it set the official selling rate at SAR 3.745 = \$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.

In its latest Article IV consultation with Saudi Arabia, the International Monetary Fund (IMF) indicated that it "saw merit in the authorities' decision to keep the current pegged exchange rate regime unchanged, while keeping an open mind about the choice of the exchange rate regime under the prospective monetary union."

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

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There are no American financial/lending institutions operating independently in Saudi Arabia. Nonetheless, the [Saudi Arabian Monetary Agency](#) (SAMA) has granted licenses to J.P. Morgan Chase, Morgan Stanley, Merrill Lynch, and Goldman Sachs to operate in Saudi Arabia as a foreign investment banking entity.

Currently, 12 majority Saudi-owned banks and five regional banks are licensed to operate in Saudi Arabia. The regional banks include Emirates Bank, Gulf International Bank, Muscat Bank, National Bank of Bahrain, and the National Bank of Kuwait.

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

Because of its ownership structure, [Saudi Investment Bank](#) (SIB) has direct correspondent relationships with its U.S. joint venture partner, J.P. Morgan Chase, which holds a 7.4% stake in SIB. Other Saudi banks also have correspondent relationships with American institutions, whether the home office in the United States or through the U.S. bank branches in Europe, Bahrain, or Dubai.

### **Project Financing**

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In spite of falling oil prices, the Saudi Government released an expansionary 2011 budget, which has alleviated fears among many contractors and investors in the region. Industry sources believe that the SAG commitment to carry on with its infrastructure projects will offset the slowdown in the private sector. The 2011 budget forecasts more than 10% rise in spending, which will spur public spending, especially for expansion

projects at the Grand Mosque in Mecca, military and security projects, transport, education and training, utilities, and health care.

For 2011, the government allocated \$68.3 billion for new projects compared to \$48.7 billion spent on 2,460 projects in 2010. In the 2011 budget, the education and training sector received the largest allocation at \$40 billion, 8 percent more than in 2010. The education budget included \$3.2 billion for offshore education, known as the King Abdullah Scholarship Program.

In 2011, a number of project finance deals are emerging, namely:

- Ma'aden Aluminum Smelter (\$10.8 billion)
- Qurayyah Power Plant (\$1.8 billion)
- Medina Airport (\$1.5 billion)
- Jeddah Airport (\$1.2 billion)

For the past 7 years, oil prices have enabled the Kingdom to amass huge cash surpluses; by the same token, local banks are also awash with liquidity and will be expected to play a major role in financing projects, as one local banker was quoted "there is no liquidity shortage but surplus liquidity way above our needs."

The [U.S. Export-Import Bank](#) (Ex-Im Bank) has been very active in Saudi Arabia providing insurance guarantees and loans to various U.S. clients dealing/exporting to Saudi Arabia. Some of the local companies that benefitted from Ex-Im facilities included the Saudi Electricity Company, the National Air Service Company (NAS), and Mahmood Saeed Collective Company.

Additionally, quasi-government loans from the Saudi Industrial Development Fund (SIDF), Rayadah Investment Company (Public Investment Fund), and Al-Hasana Investment Company (General Organization for Social Insurance) will also help support project financing schemes across Saudi Arabia. In January 2009, the PIF Board of Directors raised the lending ceiling from \$1.06 billion to \$1.30 billion for any project.

"Soft" term financing is available from specialized credit institutions: the [Saudi Agricultural Bank](#), the [Saudi Credit Bank](#), the [Public Investment Fund](#), the [Saudi Industrial Development Fund](#) (SIDF), and the [Real Estate Development Fund](#).

The Saudi banking system is well capitalized and well provisioned. SIDF loans are available to finance foreign-owned businesses in Saudi Arabia under the Foreign Investment Law. The Embassy is not aware of any "cross-shareholding" or "stable shareholder" arrangements being used by private firms to restrict foreign investment through mergers and acquisitions. Nor is the Embassy aware of any laws or regulations that specifically authorize private firms to adopt articles of incorporation/association, which limit or prohibit foreign investment, participation, or control.

GSM credit guarantees are not available in Saudi Arabia. The U.S. Export-Import Bank is involved in Saudi Arabia supporting trade with private Saudi companies. OPIC does not provide coverage in Saudi Arabia. The Government of Saudi Arabia may use the facilities of International Financial Institutions to support major infrastructure and projects.

Project financing is also available for longer-term loans by the local commercial banks and Saudi specialized credit institutions such as the Saudi Industrial Development Fund or the Public Investment Fund.

The World Bank Group's [International Finance Corporation](#) (IFC), which finances and provides advice for private-sector ventures and projects, has been quite active in the Saudi Arabia since 1999, when it took \$2.4 million equity in the Saudi Orix Leasing Corporation, thereby helping SMEs to get access to asset-backed financing and help develop the Saudi non-bank financial institutions. Since then, IFC has made a number of investments and/or provided advisory and technical assistance to Saudi entities. The IFC's [website](#) lists the organizations' commitments and projects in Saudi Arabia.

The [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.

In addition, the [Council of Saudi Chambers of Commerce and Industry](#) is assisting with the set up of a Saudi-Japanese company to finance small and medium-sized companies in Saudi Arabia.

Recently, the [Saudi Fund for Development](#) began to offer financing for Saudi exports to countries where there is no commercial bank coverage, no correspondent banks and/or high-risk country/bank.

The [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.

Other regional organizations that also provide for project and trade financing to promote investments and social development in the Arab world include:

- [Arab Fund for Economic and Social Development](#), which is an autonomous regional Pan-Arab development finance organization. Members include all Arab states in the League of Arab Nations.
- [Arab Industrial Development and Mining Organization](#), which is also a Pan-Arab organization for the encouragement of industrial and mining investments.
- [Arab Monetary Fund](#), a 21-member regional Arab organization aiming to improve the balance of payments of member states, to promote Arab monetary cooperation as well as trade among member states. The organization also advises member countries on policies with respect to their foreign investments.
- [Inter-Arab Investment Guarantee Corporation](#), which aims to promote and facilitate inter-Arab investments and trade.

## Web Resources

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Export-Import Bank of the United States

[www.exim.gov](http://www.exim.gov)

Ex-Im Bank Country Limitation Schedule

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

U.S. Small Business Administration, Office of International Trade	<a href="http://www.sba.gov/oit">www.sba.gov/oit</a>
U.S. Agency for International Development	<a href="http://www.usaid.gov">www.usaid.gov</a>
U.S. Department of Agriculture Commodity Credit Corporation	<a href="http://www.fsa.usda.gov/cc/default.htm">www.fsa.usda.gov/cc/default.htm</a>
U.S. Trade and Development Agency	<a href="http://www.tda.gov">www.tda.gov</a>
International Finance Corporation (World Bank)	<a href="http://www.ifc.org">www.ifc.org</a>
Arab Fund for Economic and Social Development	<a href="http://www.arabfund.org/enindex.htm">www.arabfund.org/enindex.htm</a>
Arab Industrial Development and Mining Organization	<a href="http://www.aidmo.org/armining/index.php">www.aidmo.org/armining/index.php</a>
Arab Monetary Fund	<a href="http://www.amf.org.ae">www.amf.org.ae</a>
Council of Saudi Chambers of Commerce and Industry	<a href="http://www.saudichambers.org.sa/index_en.htm">www.saudichambers.org.sa/index_en.htm</a>
Inter-Arab Investment Guarantee Corporation	<a href="http://www.iaigc.org/index_e.html">www.iaigc.org/index_e.html</a>
Islamic Corporation for the Insurance of Investment and Export Credit	<a href="http://www.iciec.com">www.iciec.com</a>
Islamic Development Bank	<a href="http://www.isdb.org">www.isdb.org</a>
Saudi Orix Leasing Corporation	<a href="http://www.saudiorix.com.sa">www.saudiorix.com.sa</a>
Saudi Agricultural Bank	<a href="http://www.mof.gov.sa/en/docs/ests/sub_ests_farm.htm">www.mof.gov.sa/en/docs/ests/sub_ests_farm.htm</a>
Public Investment Fund	<a href="http://www.mof.gov.sa/en/docs/ests/sub_invbox.htm">www.mof.gov.sa/en/docs/ests/sub_invbox.htm</a>
Real Estate Development Fund	<a href="http://www.mof.gov.sa/en/docs/ests/sub_ests_dev_fund.htm">www.mof.gov.sa/en/docs/ests/sub_ests_dev_fund.htm</a>
Saudi Credit Bureau – SIMAH	<a href="http://www.simah.com/en/Default.aspx">www.simah.com/en/Default.aspx</a>
Saudi Arabian Monetary Agency	<a href="http://www.sama.gov.sa/sites/samaen/pages/home.aspx">www.sama.gov.sa/sites/samaen/pages/home.aspx</a>
Saudi Fund for Development	<a href="http://www.sfd.gov.sa">www.sfd.gov.sa</a>
Saudi Industrial Development Fund	<a href="http://www.sidf.gov.sa/english">www.sidf.gov.sa/english</a>
Saudi Investment Bank	<a href="http://www.saib.com.sa/english/home.htm">www.saib.com.sa/english/home.htm</a>
Saudi Credit Bank	<a href="http://www.mof.gov.sa/en/docs/ests/sub_tsleef.htm">www.mof.gov.sa/en/docs/ests/sub_tsleef.htm</a>
Saudi Stock Exchange – Tadawul	<a href="http://www.tadawul.com.sa/wps/portal/">www.tadawul.com.sa/wps/portal/</a>

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## Chapter 8: Business Travel

The website of the U.S. Commercial Service in Saudi Arabia has a special section on Saudi Culture, Customs, and Business Etiquette. For more information, please visit our site at [www.buyusa.gov/saudiarabia/en/saudiculturecustomsetiquette.html](http://www.buyusa.gov/saudiarabia/en/saudiculturecustomsetiquette.html).

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

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

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

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

- [Business Customs](#)
- [Travel Advisory](#)
- [Visa Requirements](#)
- [Telecommunications, Media, Press](#)
- [Transportation](#)
- [Language](#)
- [Health](#)
- [Local Time, Business Hours and Holidays](#)
- [Temporary Entry of Materials and Personal Belongings](#)
- [Web Resources](#)

### **Business Customs**

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

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

may be discourteous to ask about a man's wife or daughters; ask instead about his family. Shoes are often removed before entering a Saudi living room (*majlis*). If you are invited to the home of a Saudi for a party or reception, a meal is normally served at the end of the evening, and guests will not linger long after finishing. Be observant and adapt your behavior to the customs of your host.

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

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

## Travel Advisory

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Current [Travel Warnings](#) and advisories can be found on the U.S. State Department's site: [http://travel.state.gov/travel/cis\\_pa\\_tw/tw/tw\\_932.html](http://travel.state.gov/travel/cis_pa_tw/tw/tw_932.html). Travelers should check this link for any updates to the security situation before leaving the U.S.

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. Although the Department of State has authorized the return of all family members to the U.S. Embassy in Riyadh, the U.S. Consulate General Jeddah remains an unaccompanied post.

While these changes reflect the continued improvement in the security climate in Saudi Arabia, particularly in the Eastern Province and Riyadh, 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. The last major terrorist attack directed against the civilian population was an attack against French nationals in 2007. Significant improvements in the capacity and capability of Saudi security and intelligence forces have greatly improved the security environment. Although much improved, the improvements remain fragile and reversible.

In addition, the State Department issues [Consular Information Sheets](#) 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.

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

From time to time, the U.S. Embassy and Consulates in Saudi Arabia may restrict travel of official Americans or suspend public services for security reasons. Whenever threat information is specific, credible, and non-counterable, this threat information will be made available to the American public. In those instances, the Embassy and Consulates will keep the local American citizen community apprised through the Warden system and make every effort to provide emergency services to U.S. citizens. [Warden messages](#) can be found on the U.S. Embassy Riyadh website.

All travelers are encouraged to register their trip online through the [Smart Traveler Enrollment Program \(STEP\)](#). Updated information on travel and security in Saudi Arabia may be obtained from the Department of State by calling 1-888-407-4747 from within the United States and Canada or, from outside the United States and Canada on a regular toll line at 1-202-501-4444. These numbers are available from 8:00 am to 8:00 pm 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) (1) 488-3800, the Consulate General in Jeddah at (966) (2) 667-0080, or the Consulate General in Dhahran at (966) (3) 330-3200.

## Visa Requirements

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

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

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

It is recommended that the American applicant's company use the company's letterhead when requesting cooperation of the Saudi embassy/consulates in issuing the visa. The visa applicant must apply for and receive the visa prior to departing the United States at either the Saudi Embassy in Washington or at Saudi Consulates in Houston, Los Angeles or New York City. Once the visa is placed in the passport, it is usually valid for

one month and must be used or officially canceled before a subsequent visa will be issued. The visa may be extended at the discretion of the Saudi Embassy or Consulate prior to the expiration date.

If the American applicant does not have a Saudi sponsor, [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.

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

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

A medical report, including an AIDS test, is required to obtain a work and residence permit. This includes a medical certification. For further information on entry requirements, travelers may contact the [Royal Embassy of Saudi Arabia](#) in Washington, DC, or one of the Consulates in New York, Houston, or Los Angeles.

U.S. companies that require travel of foreign business persons to the United States should be advised that security evaluations are handled via an interagency process. Foreign applicants for a U.S. visa should allow sufficient lead time for this process to complete. Visa applicants should go to the following links.

State Department Visa Website:	<a href="http://travel.state.gov/visa/visa_1750.html">travel.state.gov/visa/visa_1750.html</a>
On-line U.S. Non-Immigrant Visa Application Form:	<a href="https://ceac.state.gov/genniv/">https://ceac.state.gov/genniv/</a>
American Embassy in Riyadh:	<a href="http://riyadh.usembassy.gov/">riyadh.usembassy.gov/</a>
Saudi Embassy in Washington, D.C.:	<a href="http://www.saudiembassy.net/">www.saudiembassy.net/</a>

## **Telecommunications, Media, Press**

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### **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 Ministry of Post, Telegraph and Telephones provides internet facilities in most cities. E-mail can also be accessed from many hotels and internet cafes. Access is blocked to many web sites featuring sensitive political, religious, and/or social content, or content that is deemed obscene and anti-Islamic. E-mail traffic may be monitored in certain cases.

## Media

Saudi Arabia has very tightly controlled media environment and criticism of the Government, the royal family and religious tenets are not really tolerated—although there are signs of an increasing tolerance emerging. The state-run Broadcasting Service of the kingdom of Saudi Arabia (BSKSA) is responsible for all broadcasting in the kingdom. The Minister of Culture and Information oversees radio and TV operations. Viewers in the country's east can pick up TV stations from more liberal Gulf neighbors. The government blocks access to websites that it deems offensive. Newspapers tend to follow the lead of the state-run news agency on whether or not to publish stories on sensitive subjects.

## Press

- Saudi newspapers are created by royal decree.
- Pan-Arab papers, subject to censorship, are available.
- The main newspapers include *Al-Jazirah*, *Al-Riyadh*, and *Okaz*. English-language dailies include [Arab News](#) and [Saudi Gazette](#).

## Transportation

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The business centers of Riyadh, Jeddah, and Dammam/Al-Khobar/Dhahran have international airports served by a variety of international airlines. Air travel is preferred for domestic travel with public service restricted to two airlines — the national carrier, Saudi Arabian Airlines, and one private, low-cost airline, NAS Air.

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

## Language

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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.

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

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

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

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

**Local Time, Business Hours, and Holidays**

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

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

The normal workweek runs from Saturday through Wednesday, with many companies also working a half or full day on Thursday. Friday is the Muslim holy day.

**Work Week:**

U.S. Embassy:	08:00 - 17:00 Sat. thru Wed.
Saudi Government:	08:00 - 14:30 Sat. thru Wed.
Banks:	09:00 - 17:00 Sat. thru Wed.
Businesses:	08:00 - 12:00 and

16:00 - 20:00 Sat. thru Wed.  
08:00 - 13:00 Thursdays.

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 occur on or about August 27-31, 2011. The Saudi national day is celebrated September 23.
- *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 occur on or about November 5-9, 2011.

Please note that the dates of these two religious holidays are governed by the lunar calendar; exact dates are subject to change and will be confirmed by the Saudi authorities at a later date. Please visit the website of the [U.S. Embassy in Saudi Arabia](#) as these holidays draw near to verify their exact dates.

**Business travel to Saudi Arabia during the holy month of Ramadan (in 2011, from August 1 through August 29) is best avoided.** 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. In 2100, Ramadan will start on or about August 1, 2011 and end on or about August 29.

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 CS Saudi Arabia's website at [www.buyusa.gov/saudiarabia/en/44.html](http://www.buyusa.gov/saudiarabia/en/44.html).

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

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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 Advisories and Warnings](#)

[U.S. Embassy in Riyadh](#)

[World Health Organization](#)

[Royal Saudi Embassy in Washington, D.C.](#)

[Saudi Telecommunications Company](#)

[Communications and Information Technology Commission](#)

[Saudi Arabian Airlines](#)

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

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

### Contacts

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[U.S. Commercial Service in Saudi Arabia](#)  
[Embassy of the United States Riyadh, Saudi Arabia](#)  
[Export.Gov](#)  
[Middle East Council of American Chambers of Commerce](#)  
[U.S.-Saudi Arabian Business Council](#)  
[Council of Saudi Chambers of Commerce and Industry](#)  
[Riyadh Chamber of Commerce and Industry](#)  
[Jeddah Chamber of Commerce & Industry](#)  
[Eastern Province Chamber of Commerce](#)  
[Arab Satellite Communications Organization](#)  
[Central Department of Statistics & Information](#)  
[General Authority of Civil Aviation](#)  
[Public Investment Fund \(PIF\)](#)  
[Capital Market Authority](#)  
[Communications and Information Technology Commission \(CITC\)](#)  
[Department of Zakat and Income Tax](#)  
[Deputy Ministry for Mineral Resources](#)  
[General Organization for Social Insurance](#)  
[Institute of Public Administration](#)  
[King Faisal Foundation](#)  
[King Abdulaziz City for Science and Technology \(KACST\)](#)  
[Ministry of Finance](#)  
[Ministry of Communications and Information Technology](#)  
[Ministry of Economy and Planning](#)  
[Ministry of Interior](#)  
[Ministry of Municipal and Rural Affairs](#)  
[Ministry of Petroleum and Mineral Resources](#)  
[Saudi Wildlife Commission](#)  
[National Shipping Company of Saudi Arabia](#)  
[Presidency of Meteorology and Environment \(PME\)](#)  
[Royal Commission for Jubail and Yanbu](#)  
[Saline Water Conversion Corporation \(SWCC\)](#)  
[Saudi Arabian Agricultural Bank](#)  
[Saudi Arabian Airlines](#)  
[Saudi Arabian General Investment Authority \(SAGIA\)](#)  
[Saudi Arabian Mining Company \(MA'ADEN\)](#)  
[Saudi Aramco](#)  
[Saudi Public Transport Co. \(SAPTCO\)](#)  
[Saudi Arabian Standards Organization \(SASO\)](#)

[Saudi Basic Industries Corporation \(SABIC\)](#)  
[Saudi Credit Bank](#)  
[Saudi Customs](#)  
[Saudi Electricity Company \(SEC\)](#)  
[Saudi Fund for Development](#)  
[Saudi Geological Survey](#)  
[Saudi Industrial Development Fund](#)  
[Saudi Ports Authority](#)  
[Saudi Press Agency](#)  
[Saudi Telecommunications Company](#)  
[Supreme Economic Council](#)

## Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: <http://www.export.gov/mrktresearch/index.asp> and click on Country and Industry Market Reports.

Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, and is free.

## Trade Events

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The U.S. Commercial Service in Saudi Arabia will be recruiting and accompanying official delegations of local business people to the following [Trade Events](#) in the United States during 2011:

Event	Industry Sector	Dates	Location
World of Concrete 2011	Construction	Jan. 21-23	Las Vegas, NV
ConExpo-Con/AGG	Construction	Mar. 22-25	Las Vegas, NV
The 2011 National Association of Broadcasters (NAB) Show	Broadcasting/ICT	Apr. 11-14	Las Vegas, NV
Offshore Technology Conference	Energy-Oil	May 2-5	Houston, TX
WasteExpo 2011	Environmental	May 9-12	Dallas, TX
International Pow Wow	Tourism/Travel	May 21-25	San Francisco, CA
HBA Global Expo	Cosmetics/Toiletries	Jun. 28-30	New York, NY
Annual Meeting and Clinical Laboratory Expo of the American Association for Clinical Chemistry (AACC)	Healthcare/Medical	Jul. 24-28	Atlanta, GA
Pack Expo	Packaging	Sep. 26-28	Las Vegas, NV

American Public Transportation Expo (APTA)	Transportation	Oct. 2-5	New Orleans, LA
Automotive Aftermarket Industry Week	Automotive	Nov. 1-4, 2011	Las Vegas, NV
Greater New York Dental Meeting	Healthcare/Dental	Nov. 25-30, 2011	New York, NY
POWER-GEN International	Energy	Dec. 6-8, 2011	Las Vegas, NV

In addition, the U.S. Embassy's Agricultural Trade Office, Foreign Agricultural Service, USDA, will be promoting the following agriculture and food processing trade shows:

#### GulFood 2011

February 27–March 2, 2011  
Dubai World Trade Center  
Dubai, United Arab Emirates  
Tel.: (+971-4) 332-1000  
Fax: (+971-4) 331-2173  
E-mail: [info@dwtc.com](mailto:info@dwtc.com)  
Web: [www.dwtc.com](http://www.dwtc.com)

#### National Restaurant Association (NRA) Show 2011

May 21-24, 2011  
McCormick Place  
Chicago, IL  
Tel.: (312) 580-5410  
Fax: (708) 344-4444  
E-mail: [nraregistration@restaurant.org](mailto:nraregistration@restaurant.org)  
Web: [show.restaurant.org/](http://show.restaurant.org/)

#### Food Marketing Institute (FMI) Show 2012

May 1-3, 2012  
Dallas Convention Center  
Dallas, Texas  
FMI Contact Info:  
2345 Crystal Drive  
Suite 800  
Arlington, VA 22202-4801  
Tel.: (202) 452-8444  
Fax: (202) 429-4519  
E-mail: [abondthorley@fmi.org](mailto:abondthorley@fmi.org)  
[sgeorge@fmi.org](mailto:sgeorge@fmi.org)  
Web: [www.fmi.org](http://www.fmi.org)

For a list of local trade events in Saudi Arabia, please visit CS Saudi Arabia's website at <http://www.buyusa.gov/saudiarabia/en/businesseventssaudiarabia.html>.

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## Chapter 10: Guide to Our Services

The President's National Export Initiative aims to double exports over five years by marshaling Federal agencies to **prepare U.S. companies to export successfully, connect them with trade opportunities** and **support them once they do have exporting opportunities**.

The U.S. Commercial Service offers customized solutions to help U.S. exporters, particularly small and medium sized businesses, successfully expand exports to new markets. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- **Target** the best markets with our world-class research;
- **Promote** your products and services to qualified buyers;
- **Meet** the best distributors and agents for your products and services;
- **Overcome** potential challenges or trade barriers;
- **Gain** access to the full range of U.S. government trade promotion agencies and their services, including export training and potential trade financing sources.

To learn more about the Federal Government's trade promotion resources for new and experienced exporters, please click on the following link: [www.export.gov](http://www.export.gov).

For more information on the services the U.S. Commercial Service offers to U.S. exporters, please visit [www.buyusa.gov/saudiarabia/en/findsaudibusinesspartner.html](http://www.buyusa.gov/saudiarabia/en/findsaudibusinesspartner.html). **(Please note: on or about April 1, 2011, CS Saudi Arabia's website address will change to [www.export.gov/saudiarabia/en](http://www.export.gov/saudiarabia/en). For more details and questions about new weblinks, please contact us in Riyadh, Dhahran, or Jeddah.)**

U.S. exporters seeking general export information/assistance or country-specific commercial information can also contact the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRAD(E)**.

**We value your feedback on the format and contents of this report. Please send your comments and recommendations to: [Market\\_Research\\_Feedback@trade.gov](mailto:Market_Research_Feedback@trade.gov)**

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, **the Department of Commerce** does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. **The Department of Commerce** can assist companies in these endeavors.

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