

U.S. Country Commercial Guides



Saudi Arabia

2017

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Doing Business in Saudi Arabia

Market Overview

The Saudi Arabian economy is the largest in the Gulf region, and Saudi Arabia is the only G-20 member country in the region. Saudi Arabia has an oil-based economy with petroleum accounting for approximately 62 percent of government revenues, 44 percent of GDP, and 72 percent of export earnings in 2016. Saudi Arabia's GDP is estimated at \$646 billion (2015 World Bank figures). In response to sustained low oil prices and realizing that a primary commodity-based economy is not sustainable, the Saudi Arabian Government (SAG) launched in 2016 a broad and ambitious socio-economic reform plan known as Vision 2030. The program is aimed at diversifying the economy, creating private sector jobs for a growing population, and placing government finances on a sounder footing. Economists predict that fiscal deficits will continue as global oil prices remain well below the 2014 high mark (\$120 per barrel). As a result, the government has implemented fiscal austerity and revenue-generating policies, including controls on government spending, reducing subsidies, identifying additional revenue sources, and other measures. In January 2017, the government announced the Fiscal Balance Program, a fiscal recalibration regime designed to achieve a balanced budget by 2020. Current government efforts to fund the budget deficit include the sale of government bonds, increases in non-oil revenues, and the privatization of state assets, including plans to offer a small percentage of Saudi Aramco shares in an initial public offering.

With oil prices staying low and an IMF GDP growth forecast of less than 0.5 percent this year, the Kingdom continues to accelerate its economic diversification efforts in the short term as part of the SAG's ambitious Vision 2030 plan. Vision 2030's most significant goals and targets to be achieved by 2020 include; spurring private sector growth; increasing local content requirements in manufacturing, particularly in defense equipment and basic materials; enhancing Saudi government efficiencies; improving the provision of government services; increasing revenue generation through new taxes; transforming the Public Investment Fund (PIF) into the world's largest sovereign wealth fund; providing affordable housing to citizens; developing Saudi Arabia's capital markets; building a renewable energy sector; attracting greater foreign direct investment; privatizing dozens of government entities; expanding the ICT sector; further developing the mining sector; accelerating the development of the public transportation and the railway network; building an effective domestic tourism infrastructure; and expanding natural gas and petrochemical production.

Saudi Arabia is the second largest U.S. goods export market in the Gulf region behind the UAE, and the Kingdom is America's 23rd largest goods trading partner. Goods exports in 2016 totaled \$18.0 billion (down 8.7 percent from 2015); imports totaled \$16.9 billion, resulting in a trade surplus of \$1.1 billion. Major U.S. export products include: transportation equipment (\$8.6 billion); machinery (except electrical) (\$2.2 billion); chemical products (\$1.9 billion); computer and electronic products (\$1.1 billion); and fabricated metal products (\$922.7 million).

U.S. total exports of agricultural products to Saudi Arabia, our 17th largest agricultural export market, totaled \$1.4 billion in 2016. Leading export categories include: corn, rice, vegetable oils, tree nuts, and soybeans. U.S. services exports to Saudi Arabia totaled \$9.9 billion in 2015 (latest data available); services imports totaled \$1.1 billion, resulting in a trade surplus of \$8.8 billion. Leading services exports from the U.S. to Saudi Arabia were in the travel, maintenance and repair services, and financial services sectors. For the first quarter of 2017, U.S. exports continued roughly on pace vis-à-vis 2016 levels, while the long-time trade deficit has moved into trade surplus, given Saudi Arabia's continued demand for imports and declining value of Saudi crude exports to the United States.

Market Challenges

Inflation:

Saudi inflation increased to 4.4 percent year-on-year, reflecting the impact of consumer price increases resulting from subsidy reductions for fuel, electricity and water attributable to the SAG's 2016 austerity measures.

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 express approval from the Council of Ministers, which is rarely granted. In 2016, Saudi Arabia established the Saudi Center for Commercial Arbitration (SCCA), with arbitration rules that conform to internationally recognized standards and principles. The SCCA offers comprehensive and efficient dispute resolution services to both domestic and foreign firms. Some firms have already started incorporating the SCCA by reference in their contracts. SCCA arbitration awards can be enforced in local courts as long as they comply with Shari'a law.

Counterfeiting:

The SAG has shown improvements in combatting the proliferation of counterfeit products in recent years, with increased resources devoted to marketplace enforcement and stricter penalties for copyright and trademark violators. However, enforcement often remains uneven: stakeholders cited a decrease in overall counterfeit goods seizures over the course of 2016 amid changes in SAG leadership, while copyright enforcement remains hampered by an insufficient number of inspectors. Moreover, manufacturers of consumer products and automobile spare parts are particularly concerned about the availability in Saudi Arabia of cheap counterfeit products, often produced in China.

Standards and labeling:

Saudi Arabia adheres to standards developed both by the Saudi Arabian Standards Organization (SASO) and by the Gulf Standards organization (GSO), an umbrella group serving the six countries of the Gulf Cooperation Council (GCC). While the GSO continues to push for standards harmonization across the GCC, SASO retains significant authority for developing, elaborating on, and enforcing standards for Saudi Arabia specifically. The SAG mandates that a Certificate of Conformity must accompany all consumer goods exported to Saudi Arabia. Labeling and marking requirements are compulsory for any products exported to Saudi Arabia. Industrial standards and conformity assessments remain a significant trade barrier affecting U.S. manufacturers, particularly in the automotive sector, with some new standards appearing with little warning.

Delayed Payments:

Companies which have significant experience with government procurement in Saudi Arabia report they have carried Saudi government receivables for years. The problem has become more visible since the sustained fall in oil prices commenced in 2014 and the SAG's introduction of austerity measures. The SAG continued to delay payments to major contractors throughout 2016, though made progress by setting aside and distributing \$28 billion the 4th quarter of 2016 to settle many outstanding arrears. U.S. companies should contact the U.S. Commercial Service at the Embassy in Riyadh or Consulates in Dhahran or Jeddah if payment delays persist.

Unsolicited Contracts (Scam)

In recent months, the U.S. Commercial Service in Saudi Arabia has noticed an uptick in the number of U.S. firms receiving unsolicited but seemingly attractive business proposals from scam artists. Businesses should be

particularly wary of unverified Saudi “companies” and/or government entities promising lucrative business deals and demanding staggered payments to progress through a non-existing procurement process. Perpetrators of sophisticated internet scams use Saudi Arabia’s wealth and admiration for American products and services to lure unsuspecting U.S. companies and citizens with “419” type scams (named for a Nigerian law aimed at combating financial crimes). U.S. businesses should verify the identity of any potential “partner” and the veracity of proposals before committing any resources. If they have doubts, they are encouraged to contact the Commercial Service office in the U.S. Embassy in Riyadh or U.S. Consulates in Dhahran or Jeddah for verification assistance.

Saudization

The Saudi government is adopting progressively stricter quotas for hiring Saudi nationals. U.S. companies report increasing difficulties obtaining visas for expatriate professional employees. Firms also may face challenges in finding sufficient numbers of qualified Saudi nationals to fill particular jobs.

Market Opportunities

Saudi Arabia’s Vision 2030 and the National Transformation Program suggest a paradigm shift from a public sector-driven economy to one driven by the private sector as the main engine for economic growth and job creation. We anticipate significant areas of opportunity for U.S. businesses and industry, including in: workforce development; IT/big data/geospatial information systems; health care services; electricity generation (including renewables) and distribution/transmission; mining sector; and entertainment and tourism. The “*Leading Sectors for US Exports & Investments*” section of this document describes additional, traditionally attractive sectors for U.S. business.

Saudi Arabia has the largest Gulf Region’s largest IT market, valued at approximately \$4.6 billion. In addition, the NTP outlines \$4 billion in ICT initiatives over the next five years. Important growth sectors include cyber security, smart grid, and command/control of major infrastructure utilizing geospatial IT systems.

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

number of cities benefiting from public transport projects from 11 to 16 by 2020.

Saudi Arabia currently relies on subsidized oil for approximately half of its electricity generation (which cuts directly into the country's oil export earnings) and is eager to upgrade its entire power sector to reduce oil consumption. Domestic consumption had been growing at a yearly rate of 7–9 percent for last several years due to a rapidly increasing population and a drive to industrialization, but slowed in 2016 as a result of electricity price increases. The state-owned Saudi Electricity Company (SEC) plans to privatize all of its power stations, starting in late 2017. The SEC and the generation companies that it spins off will be looking to boost generation capacity, replace outdated distribution infrastructure, implement smart grid technology, and promote international connectivity. To meet increased demand, the Kingdom needs to more than double its power generation capacity, supplemented by new investments in solar and wind projects, from 77GW in 2014 to 156GW by 2040. This translates into adding 5GW of capacity at a cost of \$5 billion annually during that period. Likewise, the government plans to invest \$4 billion annually to upgrade its distribution infrastructure.

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

The Saudi healthcare market is expected to continue to provide excellent opportunities for U.S. firms. Under the new leadership of a dynamic, market-oriented Health Minister, the Saudi healthcare sector is expected to open up further to public-private partnerships. Saudi Arabia is also facing increased demand for healthcare services to treat non-communicable diseases, such as cardiovascular disease and diabetes. U.S. e-health and hospital management solutions, pharmaceuticals, and medical devices will continue to find solid opportunities in this sector.

Market Entry Strategy

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 the purposes of monitoring business opportunities, navigating import and standards testing regulations, and identifying public sector sales and contract opportunities. For complete information and regulations on registering a

business in Saudi Arabia, please visit the [Saudi Arabia Government Investment Agency \(SAGIA\)](#).

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

Political Environment

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

Selling US Products & Services

Using an Agent to Sell US Products and Services

Traditionally, only [GCC](#) citizens and companies (from Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and the UAE) have been allowed to engage in trading and retail activities in the Kingdom, including real estate; without a local Saudi partner. In June 2016, however, the SAG's Council of Ministers formally approved full foreign ownership of retail and wholesale businesses, thereby removing the former 25 percent local ownership requirement. To date, over half a dozen companies have taken advantage of the new regulation, including several U.S. firms.

American exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies. Nonetheless, we recommend that all new-to-market companies consider finding a qualified local partner through one of our matchmaking services.

Agent/distributor relations are governed by the Commercial Agency Regulations of the Ministry of Commerce and Investment (MOCI). Even though it is no longer legally required, we recommend that U.S. companies seeking to do business with Saudi government agencies appoint a Saudi service agent. The sales commission paid to the Saudi service agent is justified by the relatively quick and easy access to the appropriate government decision-maker. The [U.S. Commercial Service in Saudi Arabia](#) can help U.S. companies find a reputable Saudi account executive (service agent). Sales commissions are entirely negotiable between the U.S. party and the Saudi agent or distributor, but typically range from 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 should clearly be spelled out in any agency or distribution contract.

Terminating an agent/distributor agreement can be difficult even though Saudi policy has changed to permit registration of a new agreement over the objections of an existing distributor. While most prospective Saudi agents and/or distributors generally prefer exclusive agency contracts, 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 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”](#) matchmaking service. 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 Law*, is based on the Koran and Hadith (sayings of the Prophet) and differs considerably from the U.S. judicial system. 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. U.S. firms are strongly encouraged to seek in-country legal counsel to evaluate risk and navigate the complex investment environment.

U.S. firms contemplating an agency or distribution agreement with a Saudi entity are strongly urged to consult with a local attorney and have a legally binding contract drawn up, 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 [U.S. Embassy website](#).

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 constitutes an exclusive and tailored orientation and briefing on sector-specific and on the broader Saudi market, a profile of prospective Saudi partners, interpretation services during meetings, the expertise of a Commercial Specialist assigned to accompany you to your meetings, and assistance in developing follow-up strategies. The [International Company Profile](#) provides background information on potential partners. These services are available for a fee to U.S. companies exclusively.

Establishing an Office

The procedures to establish an office in Saudi Arabia differ according to the type of business undertaken. To establish an office in Saudi Arabia, a foreign company must submit to the Ministry of Commerce and Investment a copy of its articles of association as incorporated in the country of origin; a copy of its commercial registration; a written approval by the board of directors of the company, its chief executive officer/president, or a similar entity related to their decision to open a subsidiary office; the name of the city where the office will be established; and the name of the subsidiary's manager. All the aforementioned documents have to be attested by the Saudi Embassy in Washington, D.C. The most common and direct method is simply to appoint an agent/distributor who can set up the office under its own commercial registry. The agent/distributor agreement should be registered with the [Ministry of Commerce and Investment](#). The Commercial Agency regulations govern the conduct of the agent/distributor.

Types of offices:

- **Technical and Scientific Service Office:** This type of office requires a license from the Ministry of Commerce and Investment. This approach preserves the independence and identity of the foreign company and provides for more leeway in managing and marketing the company's products and/or services. Technical and scientific service offices are not allowed to engage directly or indirectly in commercial activities, but they may provide technical and advisory support to Saudi distributors, as well as conduct market surveys and product research.
- **Branch Office:** Saudi Arabia's [Foreign Investment Law permits](#) international companies to own 100 percent of projects and property required for the project itself, while enabling them to retain the same incentives given to national companies. A branch office involves a more direct presence than a commercial agent. Branch offices are largely restricted to an administrative role and may not engage in trading activities. Nevertheless, a branch office can be very useful as a liaison presence for a U.S. company. A branch office offers the benefits of a physical presence without the formal requirements of a joint venture company. A U.S. company can open an independent branch office without a Saudi partner. Its parent company must accept full responsibility for all work undertaken by the branch office in Saudi Arabia.
- **Liaison Office:** Establishing a liaison office is normally granted only for companies that have multiple contracts with the government and require a local office to oversee contract implementation. Representative offices are

not allowed to engage in direct or indirect commercial activities in the Kingdom.

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

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

The Saudi Companies Law, which came into effect in 2016, is the principal body of legislation governing the conduct of companies in the Kingdom. The law recognizes eight forms of companies. The most common forms are limited-liability companies (LLC), joint stock companies, general partnerships, and limited partnerships. The less common company forms are partnerships limited by shares and joint ventures. Apart from the above, *Shari'a* Law specifies a number of other types of companies, which cannot, however, be used by foreign investors. In practice, foreign companies usually establish LLCs. 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. Under the NTP, Saudi Arabia aims to double the number of limited liability companies to 104,000 by 2020.

Partnerships and joint stock companies are established in exceptional cases because of their complexities, purposes for which they are suited, and costs. Certain costs of doing business in Saudi Arabia are substantially lower than those in the West. Commercial and industrial rents average \$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 skills and experience.

Franchising

Saudi Arabia is about one-fifth the size of the United States and has a total population of about 32 million (2017). The Saudi economy is growing at an average rate of 1.46 percent annually. Saudi Arabia is the largest retail market in the Gulf with an estimated 83 percent of the population living in urban areas, where the majority of franchise outlets are located. The franchise market in Saudi Arabia has witnessed remarkable growth in the past decade with many successful American, European and local franchise concepts taking root. Many of the brand names are already well entrenched in the market. Most of the franchise concepts are focused in the restaurant, food and beverage and retail sectors. Catching on the trend, many local Saudi franchise developers have managed to promote Saudi concepts with some of them having gone international. Franchising is perceived to be an ideal business model for small and medium-sized enterprises (SMEs) in Saudi Arabia.

Various factors suggest a positive outlook for franchising in Saudi Arabia, including a high per capita GDP of \$19,922 (2016), increased exposure of Saudis to new concepts and brands through overseas travel, and a growing youth population with nearly half the total population below the age of 24. Additionally, the influx of more than 11 million religious tourists annually and high internet penetration enable continued growth in the retail sector. The advent of online ordering and home delivery for both food and non-food items created a channel for local companies to expand their reach and boost sales.

Research by BMI (a global leader in economic analysis and research) shows that total household spending in the retail sector stood at \$246 billion in 2015; expanding population and a substantial spending power dovetail for a positive impact on the Saudi retail sector, which is expected to grow to \$359 billion by 2020. From a franchise perspective, food topped the list of spending, accounting for more than 17 percent, about \$42 billion, followed by clothing and footwear at 5.66 percent, or more than \$13.9 billion.

Shopping tops the list of pastime activities in Saudi Arabia and the Saudi market is a relative paradise for shoppers. Saudis will usually visit a mall at least once a week and growth in the construction of shopping malls is boosting the franchising sector; many of the same franchises have a presence in almost every mall. Many of the brand names are already well entrenched in the market, including many American and non-American franchises. The majority of those franchises are held by a number of local and regional companies, including Al Hokair Fashion Retail, Olayan, Saudi Catering & Contracting Co., Shahia Food Ltd. Co., Kuwait Food Company (Americana), Naghi Group, Al Safwa Food Group, Arabian Entertainment Co. Ltd., M.H. Alshaya Co.,

Landmark Group, and Al Sawani Group, among others. Many Saudi entrepreneurs have already turned their local concepts into successful franchises, including, among others, Herfy, Kudu, Shawarmer, Coffee Day, Dr. Café, Munch Bakery, Burgerizzr, Aani & Dani, and Maestro Pizza.

Since the oil-boom of the 1970s, Saudi Arabia has been a prime destination for franchisors offering innovative models in the food and non-food sectors, and since then the concept has gained in acceptance and popularity. Many of Saudi Arabia's Vision 2030 and NTP reform objectives and priorities provide avenues for growth. Franchising is a popular and successful approach to establish consumer-oriented businesses in Saudi Arabia. Franchising opportunities exist in many business categories, including apparel, laundry and dry cleaning services, automotive parts and servicing, restaurants, mail and package services, printing, and convenience stores. There are no verified figures for the number of franchise outlets and brands in Saudi Arabia, but industry sources estimate that there are more than 300 foreign companies with franchisees in Saudi Arabia. Although there is no specific legislation governing franchises, a ministerial order was issued in 1992 allowing the Saudi Commercial Agency Law to apply to franchise businesses. We recommend that U.S. franchisors consult with an attorney familiar with Saudi law before establishing, changing, or terminating a franchise agreement. U.S. companies also must factor in the conservative nature of Saudi society in developing operating procedures in the country.

Direct Marketing

Direct marketing is not widely practiced in Saudi Arabia. Personal relations between vendors and customers play a more important role than in the West. Furthermore, many forms of direct marketing practiced in the United States are unacceptable due to Islamic precepts regarding gender segregation and privacy at home. Limitations in the Saudi postal system are also a constraint, though a new mail delivery system called *Wasel* delivers mail and parcels to residences. Direct marketing has been conducted on a very limited basis using unsolicited mail campaigns and fax, catalog sales (with local pick-up or delivery arranged), and commercials on satellite television providing consumers with a local telephone number to arrange delivery. Direct marketing through instant messaging is also gaining in popularity among franchisees and others to promote their products and increase sales.

Joint Ventures/Licensing

Under the current Foreign Investment Law, a foreign investor may either set up its own project or do so in association with a local investor (at present, only registered entities, and not individual investors, are being approved.). If the

registered entity option is chosen, foreign investors most commonly structure their enterprise as a limited liability company. The minimum capital of an LLC with foreign participation is SAR 100,000 for most projects, SAR 1,000,000 for industrial projects, and SAR 25,000,000 for agricultural projects. SAGIA may require higher or lower capital levels depending on its assessment of project requirements. While under the old Companies Law, limited liability companies were required to have at least two shareholders, the current law allows single member LLCs. After issuance of a SAGIA license, the LLC must be registered with the Ministry of Commerce and Investment Commercial Registry.

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

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

To manufacture products regulated by SASO, the Saudi authority for establishing product standards for imports and locally manufactured goods, SASO's approval may be required. The Communication Information Technology Commission (CITC) has authority over imported telecommunications and IT products and services. The CITC has taken an increasingly 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 percent financing for approved industrial projects with payback periods as long as 15 years. Market intelligence is available to prospective investors through the SIDF.

Other Saudi Arabian Government entities that may be involved in the process of establishing a business presence in Saudi Arabia include: the Ministry of Foreign Affairs (visas); the Ministry of Interior (residence permits and

industrial safety and security approvals); the Ministry of Labor (Saudi labor regulations and hiring quotas); the Royal Commission for Jubail and Yanbu (if the project is in those industrial cities); the General Organization for Social Insurance (social insurance and disability payments for Saudi employees); and the Technical and Vocational Training Corporation (training programs for Saudis).

Selling to the Government

Foreign companies interested in operating in Saudi Arabia without a Saudi agent can open offices and appoint representatives to pursue business opportunities directly with various government agencies and departments. Foreign companies interested in bidding on a government project must make themselves known to that specific government agency/ministry offering the project. When a project becomes available, the government agency/ministry selects bidders from a list of prequalified/known companies and invites them to bid for that particular project.

The Saudi Government Contracting and Procurement Law states that all qualified companies and individuals will be given equal opportunities and will be treated equally. The law also affirms that all government bids must be announced in the official gazette *Umm al-Qoura* (Arabic), in two local newspapers, as well as in electronic media. There is no central tender board in Saudi Arabia. Every government agency has its own full contracting authority. The Ministry of Finance operates a central government procurement portal where all government tenders are listed. The system was established, among other things, to standardize the government procurement process and procedures, promote fairness and transparency, and enable the sharing and exchange of data and information between the government and the private sector.

Foreign companies can provide services to the Saudi government directly without a Saudi service agent, and can market their services to public entities through an office that has been granted temporary registration. Foreign suppliers to 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 Investment within 30 days of contract signing.

Most Saudi defense contracts are negotiated outside these regulations on a case-by-case basis. Contractors must subcontract 40 percent of the value of any government contract, including support services, to firms 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 percent 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 percent price preference over non-GCC products in all government procurements in which foreign suppliers participate. In addition, several royal decrees strongly favoring GCC nationals in the award of government procurement contracts have been issued. Foreign suppliers that participate in government procurement are required to establish a training program for Saudi nationals.

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

Distribution & Sales Channels

As a practical matter, U.S. companies seeking sales of goods and services to the Saudi Government are encouraged to appoint a reputable local agent or distributor with experience in the sector. U.S. companies may consider signing up for the Commercial Service's [Gold Key Service](#) to identify prescreened, trustworthy candidates. There are three major regions in Saudi Arabia: the Western Region, anchored by the commercial city of Jeddah; the Central Region, where the capital city of Riyadh is located; and the Eastern Province, where the oil and gas industry 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 major city has a distinct business community and

cultural flavor, and there are only a few truly “national” companies dominant in more than one region.

American exporters may find it advantageous to appoint different agents or distributors for each region having significant market potential. Multiple agencies and distributorships may also be appointed to handle diverse product lines or services, although this may have its own drawbacks. U.S. firms, particularly in the franchise sector, often choose to appoint a master franchisor or distributor for countries of the Gulf region, which includes Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, and the UAE. While there is no statutory requirement that distributorships be granted on an exclusive basis, it is the policy of the Saudi Ministry of Commerce and Investment that all arrangements be exclusive with respect to either product line or geographic region.

Express Delivery

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

Selling Factors & Techniques

Expatriate managers have had a strong influence in introducing advanced selling techniques into a market that relied heavily on word-of-mouth and established buying patterns until a few years ago. Saudi consumers are increasingly becoming more discerning and sophisticated. Although preliminary contact and exchanges can be handled electronically, no serious commitment is likely to be made without a face-to-face encounter and negotiation. Exchange of business cards, usually printed in English on one side and Arabic on the other, is customary in first meetings. American business visitors should bring a sufficient supply of business cards to share with contacts during their visits.

Saudis are gracious hosts and will try to put a visitor at ease, even during arduous business dealings. Many upper and middle class Saudis were educated in the United States or in Europe, are comfortable in English, and receptive to doing business with foreigners. Financing and credit facilities may be offered as part of a sales proposal, usually after a solid relationship has been established. The 2003 [Capital Market Law \(CML\)](#) created the [Saudi Stock Exchange](#) (Tadawul), as well as the [Capital Market Authority](#) (CMA). The CMA is charged with overseeing and regulating the Saudi Stock Exchange and ensuring that Saudi Arabia’s capital markets operate fairly, transparently, and efficiently. The CML also established a new regulatory framework designed to encourage greater participation in the financial market. In addition it established Tadawul as the exclusive securities market in Saudi Arabia.

The CML provided the basis for the establishment of two committees to settle securities disputes: the Committee for the Resolution of Securities Disputes (CRSD) and the Appeals Panel. The CRSD has jurisdiction over disputes falling under the provisions of the Capital Market Law, the rules and regulations issued by the CMA, and the Stock Exchange. The Appeals Panel hears appeals against decisions issued by the CRSD. A decision issued by the CRSD may be appealed to the Appeal Panel within thirty days of the notification date. The CML also created the Securities Deposit Center (SDC), which is operated by Tadawul. SDC 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 and Inspection, and the Corporate Finance, Enforcement and Market Supervision division.

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

Many Saudi companies handle numerous product lines (sometimes even competing product lines), making it difficult to promote all products effectively. Saudi agents typically expect the foreign supplier to assume some of the market development costs, such as hiring 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 periodic visits each year to support their Saudi distributor.

There are licensing restrictions limiting who can offer certain professional services, including law, medicine, accounting and financial services, architecture and engineering and other similar professions. Having a Saudi joint-venture partner is a requirement for any entity or individual to practice the above-mentioned professional services.

eCommerce

Electronic Commerce in Saudi Arabia is projected to reach \$5.7 billion in 2017, as increasing numbers of Saudis gain access to the Internet. There are nearly 70 million website hits per month and user growth continues to expand at an estimated 9.3 percent per annum. Current e-commerce market share data show that souq.com, with a 13 percent market share, is the largest e-commerce entity

in the Kingdom. Sukar.com (8 percent), Namshi (7 percent), and MarkaVIP (5 percent) Fashion, with an estimated market volume of \$1.7 billion, constitutes the largest segment.

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

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

Trade Promotion & Advertising

[The U.S. Commercial Service in Saudi Arabia](#) organizes a number of annual trade promotion events aligned with Saudi market needs and priorities, such as leading Saudi buyer delegations to participate in [International Buyer Program \(IBP\)](#) shows in the United States, bringing U.S. trade missions to Saudi Arabia to introduce U.S. firms to opportunities and decision makers in the Kingdom, and promoting U.S. products and services at local and regional trade events. Trade promotion events take place from September through June, with most of the exhibitions held in the modern exhibit centers in Saudi Arabia’s three major cities: [Riyadh](#), [Jeddah](#) and [Dhahran](#). Smaller exhibition facilities are also located in regional centers, and often operate in cooperation with or under the sponsorship of a local chamber of commerce. Most chambers have a proactive approach to promote trade and organize shows and presentations for individual companies or groups, and have been eager to attract American and other Western suppliers.

Advertising:

Companies seeking to develop advertising and/or promotional campaigns will find highly experienced advertising agencies in the Kingdom. These agencies can design and deploy locally-appropriate and effective campaigns using print media, radio, or television. A sampling of these agencies includes: Porter Novelli, Akeel Saatchi and Saatchi, Hill and Knowlton Strategies, Asda'a Burson-Marsteller, and TERAACS Saudi Arabia. Advertising, especially on satellite television, is rapidly expanding, but commercials have to conform to religious and ethical codes and local customs. With some minor exceptions, it is not culturally or religiously acceptable to show the female human form in the media. The Saudi monopoly on television broadcasting was broken with the introduction of satellite television, which also forced TV advertising rates to come down.

Saudi companies have opted to run commercials through international satellite TV channels, such as the Middle East Broadcasting Corporation (MBC) and Arab Radio and Television. Arabic satellite channels that have also gained popularity in the Arab world include: LBC, Future Television, Dubai One TV, Dubai TV, New TV, Channel 2, MBC 2 and MBC 4. Many Saudi companies place commercials on these channels as well as on two pan-Arab news channels, Al-Arabiya and Al-Jazeera.

Newspaper advertising is carried in both the local English and Arabic press, but its effectiveness is somewhat limited by relatively low readership rates. The two local English dailies, [Arab News](#) and the [Saudi Gazette](#), have an average daily circulation rate in the range of 35,000 copies. The leading Arabic newspapers have a daily circulation rate in the range of 70,000 to 100,000. The economic daily Al-Eqtisadiah has rapidly earned a loyal readership of executives and government officials. Other newspapers with lower circulation and regional distribution include: Al-Bilad, AlJazirah, Al-Madina, Al-Nadwa, Al-Yaum, Um Al-Qoura, Al-Watan, Al-Riyadiya (sports only).

Pricing

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

Products are usually imported on a Cost-Insurance-Freight (CIF) basis, and mark-ups depend almost entirely on what the vendor feels the market will bear relative to the competition. There is no standard formula for the mark-up rates for all product lines at different levels in the relatively short distribution chain. Contrary to popular belief, pricing is very important to the average Saudi. Therefore, pricing strategy is important to succeed in the market. Saudi buyers frequently compare prices before making a purchasing decision. For the American supplier, some give-and-take is expected in preliminary negotiations.

Sales Service/Customer Support

Saudi Arabia is a relatively open market, highly competitive. Brand loyalty and established preferences are less developed than in some other countries. Consequently, sales service and customer support are indispensable to win and maintain clients. Saudis view a foreign firm's physical presence in the Kingdom as a tangible sign of a long-term commitment. Prompt delivery of goods from available stock and the presence of qualified support technicians have become more important, and 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 Intellectual Property

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 may be protected differently in Saudi Arabia than in the United States. Third, rights must be registered, protected and enforced in Saudi Arabia, under local laws. For example, 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 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.

Patent registration is generally granted on a first-to-file [or first-to-invent, depending on the country], first-in-right basis. Similarly, registering trademarks is based on a first-to-file [or first-to-use, depending on the country], first-in-right basis. Therefore, you should consider how to obtain patent and trademark protection before introducing your products or services to the Saudi Arabian market. It is vital that companies understand that intellectual

property is primarily a private right and that the U.S. government cannot claim rights on behalf of private individuals in Saudi Arabia. It is the responsibility of the rights' holders to register, protect, and enforce their rights (where relevant), retaining their own counsel and advisors. Companies may wish to seek advice from local attorneys or IP consultants who are experts in Saudi Arabian law. The U.S. Commercial Service can provide a list of local lawyers upon request.

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

It is always advisable to conduct due diligence on potential partners. A 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. 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 organizations, both Saudi Arabia or U.S.-based that can be tapped as a resource, these include:

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

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 SAG 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 accession to 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 Saudi Patent Office (SPO) 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 Investment, copyrighted products with the Ministry of Culture and Information, and patents with King Abdulaziz City for Science and Technology (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 combat pirated printed material, recorded music, videos, and software. These

efforts included stepping up raids on shops selling pirated goods. 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. The country has also just announced plans for establishing a new IPR self-funded agency with consolidated enforcement power and streamlined procedures. Saudi Arabia has not signed and ratified the WIPO internet treaties.

IP Resources

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

- For information about patent, trademark, or copyright issues -- including enforcement issues in the US and other countries -- call the STOP! Hotline: **1-866-999-HALT** or visit the [STOPfakes website](#).
- For more information about registering trademarks and patents (both in the U.S. as well as in foreign countries), contact the U.S. Patent and Trademark Office (USPTO) at: **1-800-786-9199**, or visit the [USPTO website](#).
- For more information about registering for copyright protection in the United States, contact the U.S. Copyright Office at: **1-202-707-5959**, or visit the [Copyright website](#).
- For more information about how to evaluate, protect, and enforce intellectual property rights and how these rights may be important for businesses, please visit the “Resources” section of the [STOPfakes website](#).
- For information on obtaining and enforcing intellectual property rights and market-specific IP Toolkits visit the [STOPfakes website](#). The toolkits contain detailed information on protecting and enforcing IP in specific markets and also contain contact information for local IPR offices abroad and U.S. government officials available to assist SMEs.

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

Raed Al-Hout
Intellectual Property Specialist for the Middle East & North Africa
Embassy of the United States P. O. Box 77

Safat 13001, Kuwait
Office Phone: +965 2259 1247
Email: Raed.Al-Hout@trade.gov

Due Diligence

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

Local Professional Services

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

- [U.S. Embassy – Riyadh](#)
- [U.S. Consulate General – Dhahran](#)
- [U.S. Consulate General - Jeddah](#)

Principle Business Associations

Some important websites to keep in mind:

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

Limitations on Selling U.S. Products and Services

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: agricultural seeds and live animals; books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment and radio-controlled model airplanes; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artifacts. There are health and sanitation regulations for all imported foods. For beef and poultry imported from the United States, Saudi Arabia has agreed to recognize a two-certificate approach: (1) an official Food Safety Inspection Service (FSIS) export certificate issued for beef and poultry, and (2) a producer or manufacturer self-certification to cover any additional requirements not related to food safety or animal health issues, such as animal protein-free feed declaration. Moreover, the government has also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards. Companies can request a copy of the labeling requirements by contacting the Saudi Arabia Standards Organization (SASO) at telephone (966-11) 452-0132 or fax (966-11) 452-0196.

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

Selling on the Web Resources

For additional information please visit the following web sites:

- [Ministry of Commerce and Investment](#)
- [Ministry of Finance](#)
- [Saudi Arabian Monetary Authority \(SAMA\)](#)
- [Saudi Arabian General Investment Authority \(SAGIA\)](#)
- [Saudi Arabian Standards Organization \(SASO\)](#)
- [Saudi Customs Authority](#)
- [Gulf Cooperation Council Patent Office](#)
- [Saudi Aramco](#)
- [Saudi Industrial Development Fund \(SIDF\)](#)
- [Saline Water Conversion Corporation](#)
- [Saudi Electricity Company](#)
- [National Water Company](#)
- [Saudi Telecommunications Company](#)
- [King Abdulaziz City for Science and Technology \(KACST\)](#)
- [Riyadh Exhibitions Company](#)

- [Al-Harithy Company for Exhibitions \(Jeddah\)](#)
- [Dhahran International Exhibitions Company](#)
- [Business News](#)

Leading Sectors for US Exports & Investments

Oil and Gas

Overview

The Kingdom of Saudi Arabia has the second-largest proven oil reserves in the world (about 266 billion barrels), coming after Venezuela. The Saudi Arabian Oil Company (Saudi Aramco) continues to identify new fields, expand existing fields, and enhance production. Three new oil fields and two new non-associated gas fields were discovered in 2015. Maximum sustainable crude production capacity is 12million barrels per day, according to Saudi Aramco, and Saudi Arabia plans to maintain that capacity through 2020. In 2016, Saudi Aramco produced 10.5 million barrels per day of crude oil, and total petroleum and natural gas hydrocarbon production rose by 3 percent.

Saudi Aramco continually engages in oil exploration and development to compensate for declining fields elsewhere; the company plans for long-term production regardless of the current price of oil. As the company's largest oil processing facility and the largest crude oil stabilization plant in the world, Abqaiq is the main oil processing center for Arabian Extra Light and Arabian Light crude oils, with a capacity of more than seven million barrels per day (bpd). Saudi Aramco plans to boost oil production at its Marjan offshore oilfield by 300,000 bpd, and expanding production from its Zuluf and Safaniya offshore oilfields is part of the company's long-term plans.

Saudi Aramco aims to nearly double its gas production to 23 billion standard cubic feet per day (scf/d) over the next decade. In its early phase, the Fadhili gas plant is expected to process 2.5 billion scf/d from onshore and offshore fields and is on track to come on-stream by 2019. The Wasit gas plant currently extracts and processes up to 2.5 billion scf/d of non-associated sour gas from the offshore Arabiyah and Hasbah fields.

More offshore exploration is also under way. Saudi Aramco currently operates at least 16 offshore fields. In its capital investment program for 2012-18, Saudi Aramco allocated \$8 billion for the development of six offshore facilities out of a total operating budget of \$60 billion. Whether bidding on Saudi Aramco procurement and contracting (EPC) contracts or becoming a Saudi Aramco supplier, companies must first go through Saudi Aramco's extensive pre-qualification process. Note that Saudi Aramco's In-Kingdom Total Value Add program imposes localization requirements that differ by contract and sector. IKTVA aims to double Saudi Aramco's domestic spending, from 35 percent of expenditures to 70 percent by 2021.

Sub-Sector Best Prospects

Saudi Aramco plans to invest at least US \$140 billion in oil, gas and petrochemical projects over the next five to six years. According to the Chairman of Saudi Aramco and Minister of MOEIMR Khalid Al-Falih, investment will be directed towards new gas and oil plants to meet growing energy demand and to increase petrochemical production. The National Transformation Program highlights the following initiatives it intends to carry out in this sector over the next five years:

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

Opportunities

Saudi Aramco's planned expansion projects throughout Saudi Arabia will generate continued demand over the next five years for billions of US dollars of 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, 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 and actuators; wellhead valves; and thousands of other items related to the oil and gas industry. Saudi Aramco and its various Saudi contractors are extremely receptive to U.S. products and services.

Web Resources

- [Saudi Aramco](#)
- [Aramco Services Company](#), Procurement and Logistics Department
Houston, TX, (713) 432-5555, stratsourcing@aramcoservices.com,

Energy

Overview

Saudi Power Sector

The Saudi power sector is on a growth trajectory and racing to keep up with growing electricity demand. Domestic consumption rose at an unprecedented yearly rate of 7-9 percent until 2015. Due to heavily subsidized domestic oil prices, Saudi Arabia currently relies on liquid petroleum for approximately 60

percent of its electricity generation. As a result, yearly increases in electricity demand are cutting directly into the country's oil export volume and export earnings. To reduce consumption of oil in the generation of power, Saudi Arabia is eager to upgrade its entire power sector. Apart from increasing its non-oil generation capacity, it is looking to replace its outdated distribution infrastructure, implement smart grid technology, and promote international grid connectivity.

Saudi Arabia faces a huge task in expanding its power generation. It is estimated that the Kingdom needs to increase power generation capacity from 77GW in 2014 to 156GW in 2040 - more than doubling its supply. This translates into installing 5GW capacity and distribution infrastructure each year through 2020. To achieve this, the government is looking to make a yearly investment of approximately \$5 billion in generation and \$4 billion in distribution. Moreover, Saudi Arabia intends to privatize all electricity generation by 2020. The newly privatized power generation companies are expected to need substantial investment to increase efficiency, meet environmental standards, and replace aging power plants.

The major power sector players in Saudi Arabia are:

- **Ministry of Energy, Industry, and Mineral Resources (MOEIMR)** is the government agency that handles policy and planning in the power sector.
- **Saudi Electricity Company (SEC)** is a government-owned entity (over 80 percent of shares) that currently provides most of Saudi Arabia's electricity, with a generation capacity of 69GW in 2015. It also carries out all transmission and distribution.
- **Saudi Aramco** is the government-owned company that manages Saudi Arabia's oil and gas production. It is involved in power generation alongside SEC.
- **Electricity and Co-Generation Regulatory Authority (ECRA)** is the Kingdom's independent regulatory body for Saudi Arabia's energy sector.
- **King Abdullah Center for Atomic and Renewable Energy (KACARE)** was established by royal decree in 2010. It focuses mainly on nuclear energy and technology localization in the burgeoning renewable energy sector.
- **Power and Water Utility Company (MARAFIQ)** is a government-owned entity that currently provides most of the power to the two industrial cities of Jubail and Yanbu, found in the Eastern province and the Al-Madinah Province, respectively.

Power Distribution and Grid

Some segments of Saudi Arabia's current grid are outdated and inefficient. There is a plan to replace old substations, transformers, and other infrastructure to reduce energy wastage. MOEIMR expects most of this improvement to take place between 2016 and 2020, with operations continuing to 2023. What's more, there is a plan to link the Central and Western regions, with \$4 billion to be invested in distribution projects annually.

The Kingdom of Saudi Arabia maintains 16 percent is the 12th largest consumer of generated electricity. The main feed stocks are crude and gas. The country is predicted to work towards greater efficiency and diversification of electricity generation, including alternative and renewable energy. At the same time, grid modernization and better connectivity should ensure that the Kingdom is able to meet peak demand at all times. Given the growth and diversification of the Saudi's economy and the country's desire to diversify the power mix, the Kingdom of Saudi Arabia continues to be the most important market for electricity generation technology and equipment in the Middle East. "Made in the USA" technologies are highly respected and sought after, offering promising opportunities for U.S. companies.

Sub-Sector Best Prospects

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

The National Transformation Program (Saudi's reform agenda) highlights the following initiatives it intends to carry out in this sector over the next five years:

- Expand fuel efficiency in power generation; and
- Increase percentage of power plant electricity generation through strategic partners from 27 percent to 100 percent by 2020;
- Increase power generation capacity of 3.45 GW from a baseline of zero; and
- Eliminate subsidies on electricity and water.

Opportunities

Alternative Energy

In its 2015 strategic plan, MOEIMR announced its plan to move away from oil and instead add more natural gas and renewable sources to its energy mix. In 2017, the MOEIMR formed the Renewable Energy Development Office with the

responsibility for tendering out 9.5 GW of mainly PV solar and wind by 2023, with the intermediate goal of 3.45 GW by 2020. As renewable energy comes online, there will be increased demand for integration technology into the national grid.

Smart Grid/Distribution & Transmission

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

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

Energy Efficiency

Energy subsidies cost the Saudi Arabian government over \$70 billion in 2015. The government aims to eliminate energy subsidies by 2020, entailing higher electricity costs for consumers. These higher costs are expected to result in a fast-growing demand for technologies, services, and products related to energy efficiency. The government is forming an energy service company (a "Super ESCO") to implement projects in public facilities and support capacity building and project development activities of new private-sector ESCOs.

Web Resources

- [Ministry of Energy, Industry, and Mineral Resources](#)
- [Renewable Energy Project Development Office](#)
- [Saudi Electricity Company](#)
- [Saudi Aramco](#)
- [Saline Water Conversion Corporation](#)
- [National Water Company](#)
- [Electricity & Co-Generation Regulatory Authority](#)
- [Saudi Arabian Standards Organization \(SASO\)](#)
- [Saudi Industrial Development Fund \(SIDF\)](#)

Mining and Minerals

Overview

The Saudi mining sector is expanding, as the third pillar of the Saudi economy, at a projected rate of 9 percent and provides a growing opportunity for U.S. companies. To put it in a geological context, the Arabian Shield is equivalent in size to the Canadian Shield, roughly 1/3 the size of Saudi Arabia; its landscape consists mainly of out crops, wherein rocks are exposed near the surface. Ongoing mining projects in the Kingdom for minerals such as bauxite, copper, gold, iron, lead, silver, tin, zinc and a number of non-metallic minerals are estimated at nearly \$16 billion.

Significant recent changes in Saudi Arabia's mining law has created the conditions to allow greater access for foreign companies looking to invest in the Kingdom's mining sector. The new laws allow for companies to work either with Saudi's parastatal Saudi Arabian Mining Co (Ma'aden) or through joint ventures with local companies. Also, there exist sizable domestic, regional and neighboring markets in the Middle East and Asia for high grade, industrial raw materials from Saudi Arabia.

The NTP set robust goals for the mining sector, increasing mining's contribution to the Saudi economy by half by 2020, to \$26 billion per year, and adding 25,000 new jobs to the sector. In 2017, the government is expected to come out with a new national mining strategy, including both better data for prospective investors and an easier path to entering the sector. Major known minerals include gold, phosphates and bauxite, but additional opportunities are expected with the launch of the new strategy.

Sub-Sector Best Prospects

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

- Feldspar and feldspathic sand;
- High purity quartz that has potential for further upgrading to produce fused quartz;
- Cultured quartz, silicon and polysilicon;
- White mineral fillers such as talc, silica, wollastonite, and magnesite;
- Limestone, with upgrading to produce ground calcium carbonate (GCC) and products such as lime, hydrated lime, and dolime;

- Basalt, with upgrading to products such as basalt fiber, composite materials, and tiles; and
- Bentonite.

Opportunities

Development of mineral wealth is creating significant infrastructure demands, including the building of the 1,300 kilometers North-South Railway Project, estimated at US\$3-4 billion, linking the mining and processing in areas such as the Al-Jawf phosphate mine, via Al-Zabirah, to Riyadh, then to Jubail. Each area is generating major infrastructure projects in support of mining activity which is providing opportunities for U.S. companies in the power, transport, communications and construction sectors.

Web Resources

- [Ministry of Energy, Industry, and Mineral Resources](#)
- [Saudi Arabian Mining Company](#)

Medical Equipment

Overview

Spending in the Saudi healthcare sector was \$22.4 billion in 2016. Indeed, healthcare and education remain fundamental to the government's 2017 budget, receiving a combined 36 percent budget allocation. The budget envisions the completion of 38 new hospitals, two medical cities and refurbishing of various healthcare facilities. The Saudi private healthcare sector is experiencing dramatic growth, but private spending still only accounts for 21 percent of total healthcare expenditures.

The healthcare sector contributed \$20.8 billion to the Kingdom's GDP in 2015. The sector is projected to grow by 13.7 percent by 2025. This growth is fueled by urban expansion, especially in Makkah, Riyadh and the Eastern province. Saudi Arabia, like other countries in the Arabian Gulf, continues to exhibit negative lifestyle trends which are affecting morbidity statistics. Non-communicable diseases such as diabetes, cardiovascular disease and cancer have become the main causes of death among Saudis; their incidence is rising due to a sedentary lifestyle, obesity, high tobacco use, and poor dietary choices. Type-2 diabetes has a 14.4 percent prevalence rate and 2.5 million people are expected to be diabetic by 2030. The latest World Health Organization (WHO) figures indicate that 33.7 percent of Saudi adults are obese and 68.2 percent are overweight.

The market for healthcare and medical equipment in Saudi Arabia is driven by government initiatives and lifestyle trends. While the government currently

accounts for almost 80 percent of healthcare expenditures, privatization is creating opportunities for medical service delivery in the areas of dialysis, radiology, oncology, cardiovascular care and other outpatient services. The Saudi Ministry of Health plans to privatize 295 hospitals and 2,259 health centers by 2030. Among the first assets to be offered will be one of Saudi Arabia's top hospitals, King Faisal Specialist Hospital and Research Centre in Riyadh. As a consequence of risky driving habits and weak enforcement, the Kingdom has one of the world's highest rates of traffic accidents, which generates demand for emergency room equipment and specializations like reconstructive surgery.

The Saudi market for medical devices is estimated at just under \$2 billion and is growing annually at roughly 10 percent. Greater awareness of health issues and a growing consumption of healthcare services sustain a strong market for medical equipment. Saudi Arabia is encouraging a domestic manufacturing base for these devices and instruments but currently manufactures low value commodities such as bandages, gloves, syringes and furniture. Imports represent approximately 90 percent of the market, with American products accounting for 21 percent of total imports.

Sub-Sector Best Prospects

Best Prospects include:

- Education and training services for physicians, nurses and technical staff;
- Information technology and big data management services related to the digitization of patient records and billing information;
- Hospital management and joint ventures with Saudi partners;
- Investment in pharmaceutical manufacturing facilities for vaccines, sterile injectables, plasma, generics and other pharmaceuticals;
- Provision of support services and investments to establish local capabilities in bioequivalence centers, cold chain logistics, outpatient imaging and contract research organization (CROs);
- Provision of health insurance; and
- Home healthcare and rehabilitation.

In addition, medical equipment related to traffic accidents such as emergency room equipment, rehabilitation equipment, diagnostic equipment, electro-medical equipment, orthopedic and dental appliances and prosthesis are in demand. Moreover, the GCC releases an annual tender for billions of dollars for the following products and services: renal dialysis supplies; oral and dental care; laboratory supplies; orthopedic and spinal surgery supplies;

rehabilitation equipment; cardiovascular devices; linens and medical uniforms; ophthalmology supplies; ENT supplies; medicines; vaccines; chemicals; insecticides; and radio-pharmaceuticals.

Opportunities

New projects in the 2015 Ministry of Health budget included the construction of three hospitals, three blood bank centers, 11 primary health care centers, and 10 comprehensive care clinics. Hospital beds currently number around 64,000 for all hospitals in Saudi Arabia and are expected to grow to 119,000 beds by 2020. In addition, a private group of investors is developing a 250,000 square meter medical village in Riyadh, consisting of eight 130 bed hospitals and 60 outpatient clinics.

The NTP also highlights the following initiatives it intends to carry out in this sector over the next five years:

- Expand privatization of government services;
- Incorporate health IT and digital records and increase percentage of patients with a digital health record from 0 to 70 percent by 2020;
- Double the number of qualified Saudi nurses by 2020;
- Increase the number of licensed medical facilities from 40 to 100 by 2020; doubling the percentage of local pharmaceutical manufacturing from 20 percent to 40 percent; and
- Invest in academic programs related to nursing, medicine, surgery, dentistry, oncology, organ transplant, cardiovascular disease, neuroscience and genetic disorders.

In addition, a private group of investors is developing a 250,000 square meter medical village in Riyadh, consisting of eight 130 bed hospitals and 60 outpatient clinics.

Web Resources

Saudi government Web links:

- [Ministry of Health](#)
- [Saudi Food and Drug Administration](#)
- [Saudi Commission for Health Specialties](#)
- [Saudi Health Council](#)
- [Council of Cooperative Health Council](#)

Events:

- [MEDICA](#), November 13 – 16, 2017, Dusseldorf, Germany
- [Greater New York Dental Meeting GNYDM](#), November 26 – 29, 2017, New York, NY

- [Arab Health 2018](#), January 29 – February 1, 2018, Dubai, UAE
- [Saudi Health 2018](#), April 22 – 24, 2018, Riyadh, Saudi Arabia; Saudi American Healthcare Forum SAHF 2018, April 25 – 26, 2018, Riyadh, Saudi Arabia

Pharmaceuticals

Overview

The Kingdom of Saudi Arabia accounts for 59.4 percent the purchases of pharmaceuticals were products in the Gulf region. Saudi Arabia's expenditures on pharmaceuticals were valued at around \$6.9 billion in 2016 with industry estimates suggesting a 10 percent annual growth rate. Per capita spending on pharmaceutical was approximately \$268 in 2016 and is expected to reach nearly \$400 by 2020.

With Saudi Arabia's Vision 2030 and the NTP focusing on job creation and economic diversification, the SAG is very interested in developing the life sciences industry and pharmaceuticals in particular, as a driver of economic growth. Major factors affecting the pharmaceutical market are the Kingdom's growing population, the increase in per capita spending on health care services, and the propensity to purchase more expensive patented products. Already in 2015, European, U.S., and Indian pharmaceutical companies have launched production facilities -- especially, at the King Abdullah Economic Industrial Valley -- producing a full range of products including antibiotics, diabetic treatments, cardiovascular drugs, and anticoagulants.

Sub-Sector Best Prospects

Pharmaceuticals including diabetic care, cardiovascular drugs, antibiotics, and generics offer the best prospects.

Opportunities

With the change in the Saudi Arabia trade paradigm that is focusing more on job creation and economic diversification, the export and shipping of pharmaceutical products into the Saudi market no longer translates into commercial success. Local production, technology transfer, conducting clinical trials locally, and the training/education of the Saudi labor force are becoming the new normal in the life sciences/pharmaceutical products industry. As the Ministry of Health is still the major financier and provider of healthcare services in the Kingdom, it will continue to dictate requirements for the pharmaceutical industry to operate.

Web Resources

- [Ministry of Health](#)

- [Saudi Arabia Food and Drug Administration](#)

Construction and Mining Equipment

Overview

Following the crash in oil prices in 2015 and the associated drop in government revenue, the SAG canceled many projects, construction activities slowed down significantly, and many contractors reported experiencing payment delays. The ambitious \$7.8 billion project to build the King Abdullah Financial District (KAFD) in Riyadh is a prime example of mega projects that came under renewed government scrutiny. Since 2015, the KAFD project has faced serious challenges, including project delays, cost-overruns, and withholding of payments to contractors and workers. These challenges, coupled with questions about the future viability of the financial district, have triggered a review of the publicly-funded project by the government. However, the SAG has recently shown signs of interest to revive the project. Ownership of the project is expected to transfer from the Public Pension Fund (the original owner) to the Public Investment Fund (PIF), and some construction activity has resumed under a revised project plan.

Under the revised plan, the project is expected to open in sequential phases, starting with Phase I, comprising a small area of the project housing some office, residential and retail space, and a conference center. Phase II will likely see the opening of the core financial plaza, expected to house the various financial and banking institutions. The revised plan also incorporates strategies to convert projected excess office space into residential quarters. As a sign of progress, a few prominent tenants have signed lease agreements, including: the Saudi Capital Markets Authority (to occupy the tallest 75-story tower), the Saudi Stock Exchange (Tadawul), and Samba Bank among others. According to the PIF, Wyndham, Intercontinental, and Indigo are slated to open five-star hotels within the district.

As an additional sign of progress, the SAG has, beginning in late 2016, started repaying debts owed to contractors that squeezed their finances and hurt business confidence. Despite these challenges, the construction equipment market in Saudi Arabia is expected to grow to approximately \$4.8 billion by 2017, according to a new report from the World Market Intelligence. Population growth and a modest recovery in oil revenues are the key dynamics stimulating both public and private sector investment in housing construction and infrastructure projects.

The Saudi government has channeled a significant portion of its pre-2015 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.

Airports in Riyadh, Jeddah, Medina, Nijran, and Tabuk are expected to be upgraded and expanded at a cost of \$10 billion to meet the growing number of passengers, and the requirements of new domestic airlines. The General Authority of Civil Aviation (GACA) 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. The King Abdullah Economic City (KAEC) is another mega project considered the largest in the Middle East. When completed, KAEC will have a seaport, industrial valley, central business district, financial island, resort area, educational zone, residential area and other projects. The Kingdom Tower mega-project under construction in Jeddah will rise one kilometer high. Valued at \$1.2 billion, it will be by far the tallest tower ever built. At over 3,280 feet and with a total construction area of 5.7 million square feet, the Kingdom Tower will be the centerpiece and first construction phase of the \$20 billion Kingdom City development in Jeddah.

Industry sources anticipate that the Government of Saudi Arabia would continue to finance transportation, healthcare, strategic, and residential/non-residential infrastructure work in the Kingdom. Projects that have yet to be awarded would likely be pushed back on timeline or be potentially scaled back in terms of scope of work.

Sub-Sector Best Prospects

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 percent over the next two decades. The telecom sector is being developed, and the water sector is being upgraded, to include more desalination plants, better drinking water networks, and broadened pipeline networks. Hundreds of projects are creating unprecedented demand for the latest construction industry machinery,

technology and tools, from the world's leading companies. Water will remain a key demand in these expansions.

The NTP calls for increasing the percentage of treated water produced through strategic partners from zero to 20 percent and to triple the percentage of desalinated water produced through strategic partners to 52 percent by 2020. Saudi Arabia plans to increase the percentage of cities receiving water and sewerage services by the National Water Company from 40 -percent to 70 percent by 2020 and to increase the percentage of citizens covered by water services to 92 percent, and by sewerage to 65 percent by 2020.

The construction element related to power supply expansion alone is estimated at nearly \$1.2 billion. In total, current infrastructure and public sector building programs are valued at some \$40 billion. The Ministry of Education has outlined a \$4.5 billion plan to build another 4,000 schools. The NTP lists the following priority initiatives in the next five years:

- Build light and medium industries in Ras Abu Gamis and Bani;
- Triple the percentage of desalinated water by 2020;
- Increase the percentage of treated water from 0 to 20 percent by 2020;
- Increase the percentage of cities receiving water and sewerage services from 40 to 70 -percent by 2020;
- Increase percentage of citizens with access to water services to 92-percent, and sewerage to 65 percent by 2020;
- Increase the percentage of Saudi homeownership from 47 to 52 percent by 2020;
- Encourage private sector real estate developers through issuance of fast track licenses and provide necessary financing;
- Develop government land for large scale residential projects to supply affordable housing;
- Increase the number of cities with public transportation plans from 11 to 16 by 2020;
- Upgrade the national railway network, enhance efficiency of ports, and increase private sector participation in railway projects from 5 to 50 percent by 2020; and
- Develop five new tourism and cultural heritage sites throughout the Kingdom by 2020, including in Farasan Islands, Okaz City, Al-Ras Al-Abyad Beach, Ola City Development, and Uqair Development.

Opportunities

There are attractive opportunities for U.S. companies in the following areas: earth-moving machinery and equipment; construction tools; construction

equipment; excavation and earth drilling equipment; construction chemicals; safety and security equipment; tools and 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; and training services for skilled workers such as civil, electrical and mechanical engineers.

Web Resources

- [Ministry of Municipal & Rural Affairs \(MOMRA\)](#)
- [General Authority of Civil Aviation](#)
- [Saudi Railway Organization/](#)
- [Saudi Arabia Mining Company \(Ma'aden\)](#)
- [Saudi Ports Authority](#)
- [Saudi Aramco](#)
- [Saudi Industrial Development Fund \(SIDF\)](#)
- [Royal Commission for Jubail and Yanbu](#)
- [Saline Water Conversion Corporation](#)
- [National Water Company](#)
- [Saudi Arabian Standards Organization \(SASO\)](#)
- [Saudi Arabian General Investment Authority](#)
- [Riyadh Chamber of Commerce and Industry](#)

Safety & Security

Overview

Saudi Arabia, which enjoys strong security partnership with the United States, has by far the largest military expenditures (including military aircraft) among the GCC nations. Industry experts estimate that total Saudi defense expenses to reach \$83.5 billion (SR313.13 billion) in 2016–2017. U.S. arms sales to Saudi Arabia, which including 84 new F-15SA fighters, 70 Apache helicopters, 36 Little Birds, and 72 Black Hawks, represents a considerable improvement in the Saudi offensive capabilities and will result in increased interoperability with U.S. forces.

Defense and security received \$50.9 billion (SR191 billion), the second highest allocation in the SAG's 2016 budget. These funds are used to purchase equipment, weapons, ammunition, installations, and facilities to boost capabilities. The United States remained the top defense exporter in 2016, ahead of Russia, France, Britain and Germany.

Due to current threats and conflicts in the region and ongoing hostilities in Yemen, defense and security spending in Saudi Arabia has risen dramatically and is unlikely to slow in the near term. With the increase in military aircraft purchases comes an increase in demand for equipment maintenance, repair and overhaul (MRO) services, and training. The United States remained the top defense exporter in 2016, ahead of Russia, France, Britain and Germany.

Sustained low oil prices and the imposition of government-led economic transformation and austerity measures are having adverse impacts on some civilian and military projects. However, due to current threats and conflicts in the region and ongoing hostilities in Yemen, defense and security spending in Saudi Arabia has risen dramatically and is unlikely to slow in the near term.

Opportunities

Despite sustained low oil prices, Saudi Arabia still enjoys a strong economy. It has built advanced and strategic infrastructure that must be safeguarded, requiring sophisticated security systems. In addition to major downstream petroleum facilities and desalination plants, the Kingdom must secure eight major seaports, four international airports, and more than 25 domestic airports.

The security market in Saudi Arabia continues to develop rapidly. With the sustained slump in oil prices since 2015, the government has embarked on an economic reform agenda that includes privatization of government-owned and operated entities in various sectors. The government's privatization plan is expected to entail security upgrades within the electricity, telecommunications, air-travel, water, oil and gas, railways and petrochemical sectors. The Kingdom is forecasted to procure \$14 billion worth of security systems and services over the next three years.

Sub-Sector Best Prospects

Some of the best prospects in the homeland safety and security market include:

- Surveillance, detection, and communication equipment and systems;
- Perimeter security and access control systems;
- Security check point equipment (fences, crash barriers, cameras, access points);
- Contraband detection systems, including scanning systems;
- Consulting services in security planning and human resource development;
- Cyber security software, services and equipment; Emergency response systems and equipment; and
- Command and control equipment and systems.

Web Resources

- [Ministry of Interior](#)
- [Ministry of Finance](#)
- [General Authority of Civil Aviation](#)
- [Saudi Aramco](#)
- [Royal Commission for Jubail and Yanbu](#)
- [Saudi Ports Authority](#)
- [Saudi Electricity Company](#)
- [National Water Company](#)

Agricultural Sector

Overview

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

Information and Communication Technology (ICT)

Overview

Radiotelephony:

The Kingdom of Saudi Arabia telecommunications connectivity includes nearly 4 million fixed line connections and 52.7 million mobile/cellular sets in use. The telecommunications network is modern and combines microwave radio relays, coaxial cables, and fiber-optic lines. Mobile and cellular subscriptions continue to increase rapidly. The Kingdom is connected to Asia, Europe, the Middle East, and the United States via submarine cable networks SEA-ME-WE 3 and 4 and FLAG. For satellite communications the country has five Intelsat, one Arabsat, and one Immarsat in operation.

Broadcast and Media:

The Saudi media sector appears set for strong growth due to continued population growth and economic development. The media market in the kingdom is diverse, with 12 daily newspapers and over 130 specialist publications on offer at newsstands. There are nine government controlled TV stations and six broadcasting stations. Although restrictions still remain, media outlets have been debating more social issues in recent years, including women's rights and the treatment of children and servants. The sector remains hampered by a lack of proper figures for radio and TV viewers and print circulation, though publishers are becoming better at targeting different segments of the population. There are nine government controlled TV stations and six broadcasting stations. These entities are managed and overseen by the

Saudi Ministry of Culture and Information, the Saudi Broadcasting Corporation and the Saudi Commission for Audiovisual Media. The Saudi General Commission for Audiovisual Media is a newly established entity has a monitoring role over the visual content displayed through websites like YouTube in compliance with local customs and social values. The Commission plans to set new conditions that impose greater control over contents of "YouTube."

The local TV channels remain state-owned and are not widely popular, but Saudis have become avid viewers of, and investors in, pan-Arab satellite channels. Internet penetration in the kingdom is at around 60 percent, though this is likely to rise in the future and represents a strong potential market for media outlets. Private TV stations cannot operate from Saudi soil, but the country is a major market for pan-Arab satellite and pay-TV. Saudi investors support major networks such as the Middle East Broadcasting Center MBC.

The MBC Group, based in Dubai, is the first private free-to-air satellite broadcasting company in the Arab World, based in Dubai. Bahrain-based Orbit Showtime and Rotana Group in Dubai are yet other networks. Rotana Group, also known simply as Rotana, is the Arab World's largest entertainment company.

There were 17.4 million internet users by 2014 (Internetlivestats.com). The NTP has a five year goal to increase the percentage of internet users from 64 to 85 percent in the next five years and provide broadband services across the country. The authorities openly acknowledge that widespread filtering takes place. It targets "pornographic," Islam-related, human rights and political sites. Changes to the press law in 2011 brought all forms of electronic publishing under its scope.

Major suppliers of broadcasting and related subsystems are Harris from the United States and Thomson from France, and King Abdul Aziz City for Science and Technology (KACST), and the major satellite operators are Arab Satellite Communications Organization (intra-Arab entity), Nile Sat (Egypt) Suhail (Qatar) and Thuraya (UAE).

Note on Social Media:

Saudi Arabia is one of the largest social media markets in the Middle East. The popularity of social media has been boosted by the high rate of smartphone ownership. With 2.4 million users, Saudi Arabia is home to more than 40 percent of all active Twitter users in the Arab region, says the Dubai School of Government (2014). Among the top Twitter users are clerics and members of the royal family. The country also accounts for 10 per cent of all Facebook

users in the Arab region and has the highest per-capita YouTube use of any country in the world.

Broadcasting Services of the Kingdom of Saudi Arabia is a state-owned broadcaster that operates four TV networks, including news channel Al-Ikhbariya. Channel 1 is an Arabic language station and Channel 2 is in English. The English channel provides full-length films, short features and programs from European and American television sources. Saudi TV Channel 2 is a 24-hour news and entertainment channel that broadcasts reports and stories from all over the world. Channel 3 is a sports channel, Channel 4 is a satellite news channel. Saudi Radio Station broadcasts a range of programs in Arabic, English and French.

Sub-Sector Best Prospects

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

Best Prospects include:

- DSL access switches, enabling multi-service transmission equipment;
- Fiber-optic satellite links;
- Wideband transceivers;
- Network protocol software and systems;
- Broadband wireless access systems “ Wi Max with 2.5 and 3.5 GHz “ with two type 16D and 16 E; and
- Education and training in satellite technology systems, repair/maintenance of telecom handsets, hardware/software development.

Opportunities

KACST, a government owned science and research entity, is gearing up to invest heavily to expand Saudi Arabia’s growing satellite industry and has already launched several satellite manufacturing ventures and space research projects. It has reportedly earmarked \$2.14 billion for new investments in science, technology and innovation in the Kingdom. Saudi Arabia has successfully launched more than 12 satellites, all of which were built domestically by local scientists. According to KACST the region's satellite revenues reached over \$1.3 million in 2014-15.

KACST has been involved in the manufacturing of satellites for the past ten years. Six satellites were successfully launched from the Baikonur base in Kazakhstan on a Russian-Ukrainian missile in 2007, bringing the total number

of Saudi satellites in orbit to 12. The country's first two communication satellites were launched in 2000. The NTP highlights the following initiatives Saudi Arabia intends to carry out in this sector over the next five years:

- Provide broadband services to all regions;
- Increase percentage of internet users in KSA from 64 to 85 percent; and
- Double the IT industry's contribution to non-oil GDP.

Web Resources

- [Communications and Information Technology Commission](#)
- [Ministry of Communication and Information Technology](#)
- [National Center for Digital Certification](#)
- [e-Government program \(YASSER\)](#)
- [Mobily](#)
- [STC](#)
- [Zain](#)

Automotive

Overview

Saudi Arabia is the largest auto and auto parts market in the Middle East, accounting for an estimated 40 percent of all vehicles sold in the region. Saudi Arabia imported approximately 1 million vehicles (passenger cars, commercial vehicles and light trucks) in 2016. The Kingdom is the largest importer of U.S. automotive products and parts in the region, with some of these imports being re-exported. Currently, there is a small amount of local auto parts and truck production, but no light vehicle production. The majority of vehicles and parts sold in the country are imported. Aftermarket parts for off-road vehicles and SUV's have excellent potential in Saudi Arabia. About 12 million vehicles roam the Kingdom's roads on a daily basis. To be successful, manufacturers have to provide full support for dealers in terms of advertising, sales, and customer service, and training.

The Saudi government is seeking to develop a domestic automotive industry, and has encouraged global vehicle manufacturers to establish local operations in an effort to create jobs for Saudi's growing youth and facilitate the transfer of technology and skills. Saudi Arabia's industrial standards and conformity assessments are a significant market barrier for U.S. exporters. The Saudi Arabia Standards Organization (SASO) has issued numerous industry standards and regulations that create burdensome documentation and complicated import requirements that result in customs clearance delays and enforcement inconsistencies. Most used auto parts cannot be imported into Saudi Arabia, but

reconditioned engine and transmission parts are exempt if they comply with certified standards. Enforcement of intellectual property protection and anti-counterfeiting measures are improving in the Kingdom. SASO has directed manufacturers and their agents in the Kingdom to strictly follow new safety regulations for new cars to be marketed in the Kingdom beginning in 2017. SASO stated that safety standards should conform to the guidelines set out in the GCC technical regulations for automobiles. Under these new regulations, front – seat air bags for passengers, smart braking system and anti-lock brakes are required.

In 2014, SASO signed memorandums of understanding (MoUs) with a large number of light vehicle manufacturers to establish Saudi corporate average fuel economy (CAFE) standard. The first stage of the Saudi CAFE applies on all imported light vehicles, new or used. The Saudi CAFE system's aim is to improve the fuel economy average of light vehicles across the Kingdom by four percent annually, from the current level of 12 km per liter of fuel to more than 19 km per liter by 2025.

Saudi Customs has a mandatory directive applicable to all imported products that requires country of origin marking, either by embossing/engraving or a non-removable label (marking on packaging material is insufficient).

Certificate of Origin must include similar information and is required for all shipments arriving at Saudi ports. In addition, Saudi Customs requires that imported cars and other light vehicles shouldn't have a manufacturing date in excess of five (5) years. For big/heavy trucks, it requires manufacturing date of less than 10 years. The Saudi Customs requires that imported cars and other light vehicles cannot have manufacturing date older than five years and big/heavy trucks cannot have a manufacturing date older than 10 years. The Saudi Customs also prohibits the importation of salvaged cars and vehicles formerly used as police/emergency cars, taxis, and rental cars.

Opportunities

The drop in the price of oil has resulted in government budget cuts, and the government has increased gas prices. However, this price increase has not affected car prices. The Saudi Government is working on legislation to create a healthy balance of SUVs and passenger vehicles (Saudi roads are awash with SUVs). The Saudi government is also working on an incentive program for dealers to encourage them to import fuel efficient vehicles, such as sedans and mid-size SUV's.

Sub-Sector Best Prospects

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

- Tires and tubes
- Workshop tools
- Service equipment
- Body and chassis parts
- Automobile transmission and drive train and spare parts
- Automotive chemicals, lubricants, oils, adhesives
- Car batteries
- Maintenance and diagnostic equipment
- Brakes and emission systems tools
- Car accessories, electronics & electrical components

Web Resources

- [Saudi Ministry of Commerce and Industry](#)
- [Saudi Arabia General Investment Authority](#)

For more information on opportunities in this sector, please contact the following Commercial Specialists at the U.S. Commercial service in Saudi Arabia:

- Abuelgasim Mukhtar (Riyadh): Abuelgasim.Mukhtar@trade.gov
- Mohammed Shujauddin (Dhahran): Mohammed.Shujauddin@trade.gov
- Wasif Shah (Jeddah): Wasif.Shah@trade.gov

Travel, Tourism, and Entertainment

Overview

The Saudi Commission for Tourism and National Heritage (SCTH) is the government arm entrusted with developing and strengthening the country's tourism sector and preserving its antiquities. As part of its ambitious socio-economic reform agenda and to expand entertainment options for its citizens and visitors, the SAG established the General Authority for Entertainment (GAE) in 2016. The GAE is responsible for entertainment related activities in the Kingdom and for laying out plans and programs for the development of the entertainment industry. According to the GAE, entertainment options to be developed must adhere to customs and traditions of the country and support growth in local tourism. Toward this end, the GAE is expected to work in collaboration with the private sector and create job opportunities for the young, particularly women.

In conformity with the plan to increase the number of visitors to Saudi Arabia, the Ministry of Hajj has been renamed as the Ministry of Hajj and Umrah, an indication of a new focus on religious tourism. Umrah, also known as the lesser pilgrimage, is seen as a potentially lucrative opportunity for the

Kingdom, which hosted around eight million Umrah pilgrims from around the world last year. Saudi Arabia wants to increase that number to 15 million by 2020.

The United States Department of Commerce's National Travel and Tourism Office, in its last statistical reporting (June 2015) noted that in 2014, 275,770 citizens traveled to the United States on holiday. The Travel and Tourism Office also confirms in its 2014 Middle East report, that the majority of travelers from the Kingdom and the Middle East region visit the Mid-Atlantic States with New York being the number one destination in the United States. A full statistical analysis is available at the [International Trade Administration website](#).

Opportunities

The Saudi Commission for Tourism and National Heritage (SCTH) is the government arm entrusted with developing and strengthening the country's tourism sector and preserving its antiquities. The commission has hired consulting firms to develop plans and strategies for tourism and entertainment destinations, including parks, through a mix of government funding and private sector investment. As part of this initiative, the Kingdom plans to develop a large-scale entertainment city outside the capital city of Riyadh with resorts, golf courses, car racing tracks and a theme park. The aim is to tap into huge numbers of Saudi that leave the country in search of entertainment and to attract regional visitors. The GEA has expressed interest in exploring relationships with U.S. companies and individuals who have expertise in conceptualizing, planning and developing and managing entertainment, cultural and tourism destinations. It is particularly interested in city planning and development strategies that integrate tourism and entertainment and in training and capacity building for its staff.

Sub-Sector Best Prospects

U.S. Service providers in this sector should be aware that the National Transformation Program (Saudi Arabia's ambitious reform program) intends to carry out the following priorities over the next five years:

- Develop five new tourism and cultural heritage sites throughout the Kingdom by 2020, including in Farasan Islands, Okaz City, Al-Ras Al-Abyad Beach, Ola City Development, and Uqair;
- Complete phase I of the Cultural Heritage Development Project; and
- Increase the number of tourists to the Kingdom from 64.5 million to 82 million by 2020.

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

- Consulting in tourism development and management
- Consulting in entertainment development and management
- Consulting in concession development and operations
- Planning, development, and operation of public entertainment, historical, cultural, and traditional attractions
- Events planning and promotion
- Training and human resource development
- Preservation and conservation of artifacts and heritages
- Raising cultural and heritage awareness
- Conducting cultural exchanges and promoting understanding

Web Resources

- [The Saudi Commission for Tourism and National Heritage \(SCTH\)](#)
- [The General Authority for Entertainment \(GAE\)](#)
- [Ministry of Culture and Information](#)
- [Saudi Arabian Cultural Mission \(SACM\)](#)

Customs, Regulations & Standards

Import Tariff

As a member of the Gulf Cooperation Council (GCC), Saudi Arabia applies the GCC common external tariff of 5 percent 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 percent tariff on 207 products, in some cases to protect local industries. Certain textile imports are among the products on which the 12 percent 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 percent, while tariffs on over 90 percent of agricultural products will be set at 15 percent or lower.

Import Tariffs on Food/Agricultural Products

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 ad-valorem is applied when local production of a food or agricultural product exceeds a self-sufficiency level. Currently, a 40 percent import duty rate applies to fresh, dried/processed dates and 25 percent on wheat flour. Poultry imports face a mixed tariff; 20 percent or SAR 1.00 (\$0.267) per kilogram, whichever is higher. Imports of rice, baby milk and animal feed (soybean meal, feed corn, barley, rice, sorghum, palm kernel meal, wheat bran, alfalfa, hay, sugarcane molasses, rice bran, and sunflower meal, oats, canola meal, fish meal, alfalfa pellets, soy bean hulls, sunflower hulls, and rice bran) are subsidized while coffee, tea and fresh red meat enter the country duty-free. Saudi Arabia has no tariff rate quota (TRQ) requirement. In April 2017, the country began levying a 50 percent excise tax on soft drinks and a 100 percent tax on cigarettes, tobacco products, and energy drinks.

Trade Barriers

In 2005, Saudi Arabia became the 149th country to join the World Trade Organization (WTO). As part of its 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 heavily 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 SAG has liberalized the wholesale, retail, and

franchise sectors, allowing foreign investors to establish joint ventures and retain a 51 percent share – 100 percent in the case for retail. The foreign partner's capital requirement is set at \$5.3 million (SAR 20 million) or more and its equity share can be increased to 75 percent after 3 years from the contract date.

Non-Saudis may establish all types of industrial enterprises and can also trade in the products they manufacture. Restrictions on individual professions are in force, limiting who can practice law, medicine, accounting and financial services, architecture and engineering and other similar professions. A Saudi joint-venture partner is a requirement for any entity or individual to practice the above-mentioned professional services. In 2016, Saudi Arabia lifted a four-year ban on U.S. beef due imposed in 2012 after an atypical case of bovine spongiform encephalopathy (BSE), commonly known as mad cow disease, in California. Other irritants include implementation of new standards without warning or consultation with the business community and lack of recognition of U.S. standards. A new cell phone policy requiring the registration of finger prints by the owner has caused some confusion among the U.S. business community.

Commercial Disputes Settlement

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

In recent years, however, the SAG has demonstrated interest in improving the quality of commercial legal proceedings and access to alternative dispute resolution mechanisms. Local attorneys indicate that the quality of final judgments in the court system has improved, but that cases still take far too long to litigate. In 2012, the SAG updated certain provisions in Saudi Arabia's domestic arbitration law, paving the way for the establishment of the Saudi

Center for Commercial Arbitration (SCCA) in 2016. Developed in accordance with international arbitration rules and standards, including those set by the American Arbitration Association's International Centre for Dispute Resolution and the International Chamber of Commerce's International Court of Arbitration, the SCCA offers comprehensive arbitration services to firms both domestic and international. Less than a year old, the SCCA has already accepted three arbitration cases filed by Saudi firms against other Saudi firms. The SCCA reports that both domestic and foreign law firms have begun to include referrals to the SCCA in the arbitration clauses of their contracts. Awards rendered by the SCCA can be enforced in local courts, though judges remain empowered to reject enforcement of provisions they deem non-compliant with Shari'a law.

Business Visas

Business visitors and foreign investors normally require a Saudi sponsor to enter the country. They can apply through SAGIA for a visitor visa at the Saudi Embassy or Consulates in the United States. Recently, Saudi Arabia has begun implementing a decree stating that sponsorship for certain business visas are no longer required. Based on new expedited procedures, a visitor's visa should be granted within 24 hours of completed visa application. While most business visas allow a single entry for a period of up to three months, the Saudi Embassy in Washington has begun issuing a 5-year multiple entry visas 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

Companies who have significant experience with government contracts here report they have carried SAG receivables for years. The problem has become more visible following the sustained decline in oil prices over the last three years and ongoing government austerity measures. The SAG continued to delay payments to major contractors throughout 2016, though made progress by setting aside \$28 billion and making some payments to clear arrears starting in October 2016. U.S. companies should contact the U.S. Commercial Service at the Embassy in Riyadh or Consulates in Dhahran or Jeddah if payment problems persist.

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. Manufacturers

estimate that as much as 50percent of consumer goods in the Saudi market are counterfeit products. In order to restrict the entry of counterfeit products, the Saudi Customs 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. However, locally produced or smuggled counterfeit products abound in the market due to lack of effective enforcement.

Arab League Boycott

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

Import Requirements & Documentation

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

- Certificate of origin;
- Commercial invoice (in triplicate) which must state the country of origin, name of the carrier, brand and quantity of goods, and description of the goods including weight and value;
- 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 Investment](#)). Certain items such as antiques, Arabian horses, livestock, or subsidized items need special approval to export, *e.g.*, feed additives require a Certificate of Analysis that needs to be authenticated. 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.

Labeling/Marking Requirements

Please refer to Standards sub-section below.

U.S. Export Controls

The U.S. Department of Commerce's [Bureau of Industry and Security](#) (BIS) is charged with the implementation of U.S. export control policy on dual-use commodities, software, technology, and commodities on the Control Commodities List. The sale of arms and ammunitions is managed through a Foreign Military Sales (FMS) program of the U.S. Department of Defense. The U.S. Military Training Mission (USMTM), a unit of the Defense Security Cooperation Agency, provides training, advice and assistance to the Saudi Ministry of Defense in a variety of areas, including the management of the Kingdom's Foreign Military Sales (FMS).

Temporary Entry

For temporary entry of goods for promotional purposes (e.g., at trade shows), 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 United States. The invoice should clearly state that the goods are being imported for exhibition purposes only and that they 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 trade show 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.

Prohibited & Restricted Imports

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

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

also does not allow importation of cars older than five years, salvaged cars, used police cars, taxis and rental cars. For additional information, please review requirements on the [SASO](#) and [Saudi Customs](#) websites.

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

Customs Regulations

The Department of Customs at the Ministry of Finance appraises all merchandise moving through Saudi customs ports. Moreover, the Saudi Food & Drug Authority ([SFDA](#)) is 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, the two main seaports in Jeddah and Dammam, and three land entry points in Batha (UAE border), Hadithah (Jordanian border), and King Fahd Causeway (on the Bahrain border). The land entry point on the Saudi Arabia-Qatar border is closed until further notice.

Import valuation is primarily used for collection of import duties and often does not reflect the actual transaction value. Saudi customs valuation procedures are not WTO-consistent, nor are they based on invoice value. Minimum prices are used, and customs agents rely on their own experience and local prices, as well as some contact with manufacturers, to assess import tariffs. For statistical purposes, the valuation of imported merchandise is the Cost-Insurance-Freight (CIF) value or carriage and insurance paid (CIP) if merchandise is imported by intermodal container. The value of exported merchandise is based on Free On Board valuation (FOB). The Saudi tariff nomenclature is consistent with the Harmonized System. Saudi Customs' decisions are appealable and an appeals committee, under the leadership of 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 inside 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 SAG 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 percent and 15 percent on over 90 percent of agricultural products.

[Saudi Customs Authority](#)

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Trade Standards

Overview

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

Over the course of 2016, Saudi Arabia continued to revise technical regulations for a variety of products based solely on standards developed by the International Organization for Standardization and International Electrotechnical Commission. Saudi Arabia has excluded other international standards, such as those developed by U.S.-domiciled organizations through open, transparent and consensus-based processes, many of which may meet or exceed Saudi Arabia's standards. Saudi Arabia's exclusion of these other international standards, which are often used by U.S. manufacturers, creates significant market access restrictions for industrial and consumer products exported from the United States.

While standards are set by SASO, the Saudi [Ministry of Commerce and Investment](#) laboratories carry out testing of all processed and packaged food items at various ports of entry. The Saudi Ministry of Municipality and Rural Affairs' Environmental Control Department tests foodstuffs at the point of sale for product safety standards. Although SASO has an advisory, rather than enforcement role, it coordinates its activities among different enforcement agencies in the country to control product quality and standards.

Saudi Arabia is the most influential member of the GCC, which includes five other countries in the Arabian Peninsula: United Arab Emirates, Kuwait, Bahrain, Oman, and Qatar. As a group, the GCC strives to create a common set of standards. [SASO](#) is the only Saudi organization responsible for setting national standards for commodities and products, measurements, testing methods, meteorological symbols and terminology, commodity definitions, safety

measures, and environmental testing, as well as other -requirements approved by the organization's Board of Directors.

The U.S. point of inquiry is the [National Center for Standards and Certification Information \(NCSCI\)](#), located at the National Institute of Standards and Technology (see Information Sources below).

Standards

SASO has over 20,500 standards, and is actively pursuing the promulgation of hundreds of new standards currently in various 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 its Quality Assurance Department. Saudi Arabia's residential electric power system of 127/220 volts, 60 Hertz, is unique and has caused export problems for many American firms. However, SASO will accept electrical products as low as 120 volts, 60 Hertz. The SAG is moving to make 220 Volts the only accepted standard. SASO has shown increasing reluctance in recognizing standards set by American Society for Testing and Materials (ASTM), National Electrical Manufacturers Association (NEMA), American National Standards Institute (ANSI), Underwriters Laboratories (UL), and National Fire Protection Association (NFPA) standards. It would be prudent for U.S. companies to consider this matter seriously in planning to do business in Saudi Arabia. There may be many cases where procurement agencies will insist on purchasing and placing orders only in compliance with ISO 9000 or the U.S. equivalent. We advise reaching a clear understanding with the Saudi purchaser before proceeding with shipment

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

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

The SFDA was established by the Council of Ministers in January, 2003, as an independent body that directly reports to the King. The SFDA's objectives are to ensure the safety of food for human and animal consumption and the safety, efficacy, and security of drugs, biologics, medical devices, dietary supplements,

etc. Saudi food standards are based mainly on *Codex Alimentarius* regulations and to some extent on European and U.S. standards but modified to reflect local conditions.

National Institute of Standards and Technology (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 states. **Notify U.S.** is a NIST-provided 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 the [NIST website](#).

Conformity Assessment

Under the International Conformity Certification Program (ICCP) Saudi Arabia regulates the quality and safety of 76 products. SASO is in charge of implementing and monitoring the ICCP and it does so through an agreement with Intertek, a multinational inspection, product testing and certification company headquartered in London, United Kingdom. Currently, conformity assessment can be requested through a number of Conformity Assessment Bodies (CABs) such as: Bureau Veritas, SGS, and TUV.

Under its WTO Agreement on Technical Barriers to Trade, 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 Investment](#) is responsible for the CoC program.

Product Certification

The [Saudi Arabian Standards Organization](#) SASO has its own certification organization for locally manufactured products, and 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 Investment implements the CoC program, which should be abolished under Saudi Arabia's WTO accession commitments.

In general, U.S. agricultural and food exports to Saudi Arabia enjoy market access with a few exceptions, including stringent requirements for poultry and

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

In addition, the SFDA has not yet lifted temporary import bans that it imposed in 2015 on U.S. poultry and egg products from U.S. states that initially confirmed the presence of highly pathogenic avian influenza (HPAI) in their poultry farms, despite OIE's declaration that the states are free of the influenza. The states affected by the ban include: Montana, North Dakota, South Dakota, Wisconsin, Iowa, Oregon, California, Washington State, Idaho, Minnesota, Missouri, Kansas, Arkansas, Nebraska and Indiana. The temporary ban imposed on the individual state is effective until these states are officially declared free from HPAI. The SFDA's temporary bans exclude poultry and products that are thermally treated and certified by a competent authority (FSIS) to be free from HPAI. The FSIS Export Library for Saudi Arabia lists the names of U.S. states that are ineligible for exporting uncooked poultry and their products to Saudi Arabia because of the outbreak of HPAI.

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

Accreditation

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

Publication of technical regulations

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

Labeling and Marking

Labeling and marking requirements are compulsory for any products exported to Saudi Arabia. SASO is responsible for establishing labeling and other marketing guidelines. The Ministry of Commerce and Investment implements SASO guidelines through its inspection and test laboratories at ports of entry into the Kingdom. Companies have to pay special attention to labeling requirements, particularly for food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items. All food products, whether imported for commercial purposes, display, or for sampling, must be fit for human consumption and should meet established shelf life requirements. The product(s) must have a label or sticker showing statutory information such as product name, country of origin, ingredients, producer's name and address, production and expiry/use by dates, instructions for use, in Arabic and English languages (samples imported must be labeled at least in English). It is vital that American exporters adhere to SASO quality standards and labeling regulations to avoid rejection of products at a Saudi port of entry.

Quality control laboratories at ports of entry may reject products that are in violation of existing standards and laws. Products that do not meet established SASO standards are either re-exported to the country of origin or destroyed at the importers expense. Companies can request a copy of the labeling requirements by contacting SASO by phone at (+966-11) 452-0132 or by fax at (+966-1) 452-0196.

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) no longer bans imports of food products with less than half of shelf life remaining. The method for writing production and expiry dates is to put the day of the month first, followed by month and year. Use of the system commonly followed in the United States, where the month is shown first, is not acceptable in Saudi Arabia. American manufacturers are urged to discuss labeling requirements with their designated representative or distributor before shipment to Saudi Arabia.

Contact Information

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Trade Agreements

Saudi Arabia is a member of the GCC, which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods among member states. The member states also agreed that they would switch to a single currency by January 1, 2010 at the latest, which has not materialized as yet and the common market proposal is still being worked out. Saudi Arabia is also a member of the League of Arab States. The League has agreed to negotiate an Arab Free Trade Zone.

In 2003, the United States signed a Trade and Investment Framework Agreement (TIFA) with Saudi Arabia. A TIFA is typically an umbrella agreement for ongoing structured dialogue between the United States and foreign governments on economic reform and trade liberalization. The agreement promotes the establishment of legal protections for investors, improvements in intellectual property protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations. TIFA

negotiations on a wide variety of trade and trade policy issues occur every one to two years.

Licensing Requirements for Professional Services

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

Web Resources

The following include web resources pertaining to trade regulations, customs, and standards related to Saudi Arabia.

- [Saudi Customs](#)
- [Saudi Arabian Standards Organization \(SASO\)](#)
- [GCC](#)
- [Communications and Information Technology Commission \(CITC\)](#)
- [Ministry of Commerce and Investment](#)
- [Gulf Cooperation Council \(GCC\)](#)
- [Bureau of Industry and Security \(BIS\)](#)
- [Export Controls Information](#)
- [Red flag Indicators](#)
- [Know Your Customer Guidance](#)
- Confidential Enforcement Lead/Tip
- [National Institute of Standards and Technology \(NIST\)](#)
- [NIST Global Standards Information](#)
- [Standards Information Center \(National Center for Standards and Certification Information: NCSCI\)](#)
- [NCSCI Notify U.S.](#)
- [American National Standards Institute \(ANSI\)](#)

Investment Climate Statement

Executive Summary

Saudi Arabia offers a relatively attractive and stable market for investment, particularly for investors able to overcome initial barriers imposed on foreigners. Following years of high economic growth, a period of sustained low oil prices has prompted the Saudi Arabian government (SAG) to embark upon an ambitious series of socio-economic reforms, collectively known as “Vision 2030.” Aimed at diversifying the Saudi economy and securing more private sector jobs for a growing population, Vision 2030 also offers attractive opportunities for foreign investors in several sectors, including healthcare, housing, education, energy, mining, and entertainment.

In support of its reform efforts, the SAG took a number of positive steps in 2016 to improve its investment climate. In June, the Council of Ministers formally approved full foreign ownership of retail and wholesale businesses, thereby removing the former 25 percent local ownership requirement. The SAG also took steps in 2016 toward privatizing many state-owned entities across a range of sectors, including civil aviation, education, energy, and healthcare. Further, the SAG sought to attract foreign investment in entirely new sectors, including renewable energy and entertainment. Last, with the launch of the Saudi Center for Commercial Arbitration in late 2016, foreign investors now have access to a new, cost-effective avenue for alternative dispute resolution.

At the same time, economic pressures to generate non-oil revenue and provide more jobs for Saudi citizens have led the SAG to implement measures that may prove harmful to the country’s investment climate, including significant fee hikes for business visas; new fees levied on firms employing expatriates (as well as on expatriates’ dependents); tighter labor quotas; more stringent localization policies; higher utility costs; and the approval of the country’s first value-added tax, set to be implemented in early 2018. In addition, due to an ongoing budget crunch, the SAG continued to accrue arrears to private sector firms over the course of 2016—a problem it only partially addressed with a late-2016 payment of \$28 billion to contractors.

In theory, foreigners are permitted to invest in all sectors of the economy, except for specific activities contained in a “negative list” that currently excludes three industrial sectors and 12 service sectors, among them upstream petroleum and real estate investment in Mecca and Medina. Other than hiring quotas and training requirements for Saudi citizens, the government does not currently impose conditions on most forms of investment, such as locating in

a specific geographic area (except for some restrictions on the distribution of retail outlets and the location of industrial activities), committing to specific percentages of local content or local equity (except for government contractors), substitution for imports, export requirements or targets, or financing only by local sources. However, over the course of 2016, the SAG has increasingly signaled its intent to introduce new local content requirements for foreign firms in a bid to stimulate domestic manufacturing, create jobs for Saudi nationals, and transfer technology and know-how.

Overall, Saudi Arabia continues to offer an attractive but often challenging climate for American investors. At the same time, new taxes and fees, tightened labor quotas, and potential new local content requirements could significantly alter the status quo in the coming year.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2016	62 of 175	Transparency International
World Bank's Doing Business Report	2017	94 of 190	The World Bank
Global Innovation Index	2016	49 of 128	The Global Innovation Index
U.S. FDI in partner country (\$M USD, stock positions)	2014	\$10,064	Bureau of Economic Analysis

Measure	Year	Index or Rank	Website Address
World Bank GNI per capita	2015	\$23,550	The World Bank

1. Openness To, and Restrictions Upon, Foreign Investment

Policies Towards Foreign Direct Investment

Attracting foreign direct investment remains a critical component of the SAG’s broader program to diversify an economy overly dependent on oil exports and promote employment opportunities for a growing youth population. As such, the SAG seeks foreign investment that explicitly promotes economic development, transfers foreign expertise and technology to Saudi Arabia, creates jobs for Saudi nationals, and/or expands Saudi’s non-oil exports. The government encourages investment in nearly all economic sectors, with priority given to transportation, education, health, information and communications technology, life sciences, and energy, as well as in four new “Economic Cities” that are at various stages of development. The Economic Cities are large-scale and self-contained developments in different regions focusing on particular industries, e.g., information technology. In early 2017, the SAG expressed renewed interest in developing its nascent renewable energy sector, offering foreign investors valuable opportunities to participate in the market and ultimately sign power purchase agreements. Overall, prospective investors will find Saudi Arabia relatively attractive for its economic stability, large market (the largest in the Gulf region with a population of over 30 million), sound infrastructure, and well-regulated banking system.

The Saudi Arabian General Investment Authority (SAGIA) governs and regulates such investment in the Kingdom, issues licenses to prospective investors, and works to foster and promote investment opportunities across the economy, particularly in energy, education, transportation, health, life sciences, and knowledge-based industries. Established originally as a regulatory agency, SAGIA has increasingly shifted its focus to investment promotion and assistance, offering potential investors detailed guides and a catalogue of current investment opportunities on the [SAGIA website](#).

Despite Saudi Arabia’s overall welcoming approach to foreign investment, some structural rigidity remains. As noted earlier, foreign investment is banned in three industrial sectors and 12 service sectors, among them real

estate in Mecca and Medina, some subsectors in printing and publishing, audiovisual services, land-transportation services excluding intra-city rail transport, and upstream petroleum. The complete “negative list” can be found at www.sagia.gov.sa. Additionally, older laws remaining on the books prohibit or otherwise restrict foreign investment in some economic subsectors not on the “negative list” above, including many areas of healthcare.

Foreign investors must also contend with a local content requirement of subcontracting 30 percent of the value of their government contracts to local firms, a requirement to hire increasingly larger proportions of Saudi nationals at higher costs, an increasingly restrictive visa policy for foreign workers, and enforced segregation of the sexes in nearly all business and social settings. Further, over the course of 2016, the SAG has increasingly signaled its interest in introducing new local content requirements for foreign firms, in a bid to stimulate domestic manufacturing, hire more Saudi nationals, and transfer technology and knowhow. Last, foreign and domestic contractors also reported severe payment delays from the Saudi government over the course of 2016, a problem stemming from the SAG’s 2015 decision to freeze payments to major contractors in the wake of a budget crunch induced by sustained low oil prices.

Limits on Foreign Control and Right to Private Ownership and Establishment

Saudi Arabia fully recognizes rights to private ownership and establishment of private business. As outlined above, the SAG does exclude foreign investors from some economic sectors and places some limits on foreign control. With respect to energy, Saudi Arabia’s largest economic sector, foreign firms are barred from investing in the upstream petroleum sector, but the SAG permits foreign investment in the downstream energy sector, including refining and petrochemicals. There is significant foreign investment in these sectors. ExxonMobil and Shell are both 50 percent partners in refineries with Saudi Aramco. ExxonMobil, Chevron Texaco, and Shell, as well as several other international investors, have formed joint ventures with the Saudi Basic Industries Corporation (SABIC) to build large-scale petrochemical plants that utilize natural-gas feedstock from Aramco’s existing operations at Ras Tanura. Aramco selected the Dow Chemical Company in 2006 as its partner in a \$20 billion joint venture to construct, own, and operate a chemicals and plastics production complex in Saudi Arabia’s Eastern Province.

With respect to other non-oil natural resources, the national mining company, Maaden, has a \$12 billion joint venture with Alcoa for bauxite mining and aluminum production and a \$7 billion joint venture with the leading American fertilizer firm Mosaic and SABIC to produce phosphate-based fertilizers.

Joint ventures almost always take the form of limited-liability partnerships, to which there are some disadvantages. Foreign partners in service and contracting ventures organized as limited-liability partnerships must pay, in cash or in kind, 100 percent of their contribution to authorized capital. SAGIA's authorization is only the first step in setting up such a partnership.

Professionals, including architects, consultants, and consulting engineers, are required to register with, and be certified by, the Ministry of Commerce and Investment (MCI), in accordance with the requirements defined in the Ministry's Resolution 264 from 1982. These regulations, in theory, permit the registration of Saudi-foreign joint-venture consulting firms. As part of its WTO accession commitments, Saudi Arabia generally allows consulting firms to establish a local office without a Saudi partner. However, offices practicing law, accounting and auditing, design, architecture, engineering, or civil planning or providing healthcare, dental, or veterinary services must have a Saudi partner, and the foreign partner's equity cannot exceed 75 percent of the total investment. A recent legal challenge to the MCI's right to license joint venture law offices based on the contention that jurisdiction should properly rest with the Ministry of Justice has resulted in suspension of the issuance of new licenses, pending resolution of the jurisdictional issue.

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

The SAG has also signaled its possible intention to begin enforcing offset requirements for major investments. In 2014, the SAG issued a royal decree requiring all foreign companies fulfilling contracts valued at over SR 400 million (\$107 million) to implement a 40 percent offset requirement across all economic sectors. Previously unenforced outside of the defense sector, the

offset mandate appeared in an early 2016 tender issued by the Gulf Cooperation Council (GCC) Health Ministers' Council for contracts with the Saudi Ministry of Health, signaling the SAG's intention to apply the requirement more broadly. Although the matter has yet to be clarified officially, a number of SAG investment and offset officials have indicated informally that the 40 percent offset requirement will apply across all sectors.

Other Investment Policy Reviews

Saudi Arabia completed its second [WTO](#) review in late 2015, which included investment policy.

Business Facilitation

In addition to applying for a license from SAGIA as described above, foreign and local investors must register a new business via the MCI, which has begun offering online registration services for limited liability companies at the [MCI website](#). Though users may submit Articles of Association and apply for a business name within minutes on MCI's website, final approval from the ministry can often take a week or longer. Applicants must also complete a number of other steps in order to start a business, including obtaining a municipality (Baladia) license for their office premises and registering separately with the Ministry of Labor and Social Development, Chamber of Commerce, Passport Office, Tax Department and the General Organization for Social Insurance. From start to finish, registering a business in Saudi Arabia takes a foreign investor on average two to three months from the time an initial SAGIA application is complete, placing the country at 147 of 190 countries in terms of ease of starting a business, according to the World Bank. With respect to foreign direct investment, the investment approval by SAGIA is a necessary, but not sufficient, step in establishing an investment in the Kingdom. There are a number of other government ministries, agencies, and departments regulating business operations and ventures.

Though Saudi officials have stated their intention to attract foreign small- and medium-sized enterprises (SMEs) to the Kingdom, no formal mechanism yet exists to facilitate investment and business operations by foreign SMEs. In 2016, the SAG released a new Companies Law designed in part to promote the development of the SME sector, which allows one person, rather than the previous minimum of two, to form a corporation, though in very limited cases. It also substantially cuts the minimum capital and number of shareholders required to form a joint stock company (from five previously to two). In fall 2015, the SAG announced the establishment of a new Saudi SME Authority,

housed within the MCI, but the organization has yet to announce any initiatives targeted at foreign entrepreneurs.

Outward Investment

In 2016, Saudi Arabia announced a number of high-profile outward investments via its Public Investment Fund, including a \$3.5 billion stake in Uber and an agreement with Japanese Softbank Group Corp. to jointly create a \$100 billion technology investment fund. Saudi Arabia does not restrict domestic investors from investing abroad.

2. Bilateral Investment Agreements and Taxation Treaties

Saudi Arabia has signed bilateral trade and investment agreements with over 20 countries. The United States and Saudi Arabia signed a Trade and Investment Framework Agreement (TIFA) in 2003, building upon an agreement on secured private investment with the United States that has been in place since February 1975. The United States and Saudi Arabia last held TIFA consultations in January 2017.

Saudi Arabia is a founding member of the GCC, which also includes Bahrain, Kuwait, Oman, Qatar, and the United Arab Emirates. While still under development, the GCC Customs Union ensures the free movement of labor and capital within the bloc. The GCC currently maintains a free trade agreement (FTA) with Singapore, and is in the process of negotiating one with China. Saudi Arabia does not have a bilateral taxation treaty with the United States, though maintains double taxation agreements with 40 countries as of 2017.

3. Legal Regime

Transparency of the Regulatory System

Few aspects of the SAG's regulatory system are transparent, although Saudi investment policy is less opaque than many other areas. Saudi tax and labor laws and policies 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.

Stakeholder consultation is inconsistent: some Saudi organizations are scrupulous about consulting businesses affected by the regulatory process, while others tend to issue regulations with no consultation at all. Proposed laws and regulations are not always published in draft form for public comment. Some government agencies permit public comments through their websites. The processes and procedures for stakeholder consultation are not

generally transparent or codified in law or regulations. There are no private-sector or government efforts to restrict foreign participation in the industry standards-setting consortia or organizations that are available. There are no informal regulatory processes managed by NGOs or private-sector associations.

International Regulatory Considerations

Saudi Arabia adheres to standards developed both domestically by, the Saudi Arabian Standards Organization (SASO), and by the Gulf Standards Organization (GSO), an umbrella group serving the six countries of the GCC. While the GSO continues to push for standards harmonization across the Gulf, SASO maintains significant agency in developing, elaborating on, and enforcing standards for Saudi Arabia specifically.

Over the course of 2016, Saudi Arabia continued to revise technical regulations for a variety of products based solely on standards developed by the International Organization for Standardization and International Electrotechnical Commission. Saudi Arabia has excluded other international standards, such as those developed by U.S.-domiciled organizations through open, transparent and consensus-based processes – and which may meet or exceed Saudi Arabia’s standards. Saudi Arabia’s exclusion of these other international standards, which are often used by U.S. manufacturers, creates significant market access restrictions for industrial and consumer products exported from the United States.

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

Legal System and Judicial Independence

The Saudi legal system is derived from the legal rules of Islam, known as sharia law. Efforts to codify these laws, begun in 2010, remain incomplete. Saudi commercial law, meanwhile, is still in its developmental stage. In 1994 Saudi Arabia ratified the 1958 New York Convention 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 (ICSID) Convention. In 2012, the SAG revised its arbitration law to update certain provisions. Currently, the MCI is leading a new effort to overhaul commercial laws, a project that entails drafting new laws while modernizing current ones. In 2016, Saudi Arabia took a significant step in improving its dispute settlement regime with the establishment of the Saudi Center for Commercial Arbitration (see “Dispute Settlement” below).

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

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

As with any investment abroad, it is important that U.S. investors take steps to protect themselves by thoroughly researching the business record of the proposed Saudi partner, retaining legal counsel, complying scrupulously with all legal steps in the investment process, and securing a well-drafted agreement. Even after a decision is reached in a dispute, enforcement of a judgment can still take years. The Embassy recommends consulting with local counsel in advance of investing to review legal options and appropriate contractual provisions for dispute resolution.

Laws and Regulations on Foreign Direct Investment

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

SAGIA periodically reviews the list of activities excluded from foreign investment (see Policies Toward Foreign Direct Investment) and submits its reviews to higher authorities for approval. Although these sectors are off limits to 100 percent foreign investment, foreign minority ownership in joint ventures with Saudi partners may be allowed in some sectors. Foreign investors are no longer required to take local partners in many sectors and may own real estate for company activities. They are allowed to transfer money from their enterprises outside of the country and can sponsor foreign

employees, provided that “Saudization” quotas are met (see Labor Section below). Minimum capital requirements to establish business entities range from zero to SR 30 million (\$8 million) depending on the sector and the type of investment.

Investors are not required to purchase from local sources or export a certain percentage of output, and their access to foreign exchange is unlimited. In order to benefit from waivers from Saudi customs duties, however, foreign manufacturers must prove that no local materials are available. Further, in line with the SAG’s bid to diversify its economy and provide more private sector jobs for Saudi nationals, the government has increasingly signaled its interest in introducing local content requirements for foreign firms. Aramco’s “In-Kingdom Total Value Added” program, for example, strongly encourages the purchase of goods and services from a local supplier base and aims to double Aramco’s percentage of locally-manufactured energy-related goods and services to 70 percent by 2021.

SAGIA’s Investor Service Center (ISC) offers detailed information on the investment process, provides licenses and support services to foreign investors, and coordinates with government ministries to facilitate investment. According to SAGIA, the ISC must grant or refuse a license within five days of receiving an application and supporting documentation from the prospective investor. SAGIA established and posted licensing guidelines in 2012 and 2015, but many companies looking to invest in Saudi Arabia continue to work with local representation to navigate the slow and often bureaucratic licensing process. However, foreign investors report increased efficiency over the last year in obtaining a license, with an approval time averaging one week compared to over a month in the past.

SAGIA has traditionally issued foreign investment licenses for seven broadly-defined activities: industrial, trading, agricultural, contracting, real estate, specialized and non-specialized services, and consulting. In 2015, SAGIA reduced the license categories to three sectors, each with its own regulations and requirements: services, which comprise a wide range of activities including real estate, trading, consulting, IT, healthcare, and tourism; industry; and contracting. Foreign firms must describe their planned commercial activities in some detail and will receive a license in one of these sectors at SAGIA’s discretion. Depending on the type of license issued, foreign firms may also require the approval of relevant competent authorities, such as the Ministry of Health or the Saudi Commission for Tourism and Antiquities.

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

SAGIA has agreements with various SAG agencies and ministries to facilitate and streamline foreign investment. These agreements permit SAGIA to facilitate the granting of visas, establish SAGIA branch offices at Saudi embassies in different countries, prolong tariff exemptions on imported raw materials to three years and on production and manufacturing equipment to two years, and establish commercial courts. To make it easier for businesspeople to visit the Kingdom, SAGIA can sponsor visa requests without involving a local company. Saudi Arabia has implemented a decree providing that sponsorship is no longer required for certain business visas. While SAGIA has set up the infrastructure to support foreign investment, many companies report that the process remains cumbersome and time-consuming.

Competition and Anti-Trust Laws

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

Expropriation and Compensation

The Embassy is not aware of the SAG ever having expropriated property from foreign investors without adequate compensation. There have been no expropriating actions in the recent past or policy shifts that would suggest that the SAG will initiate such actions in the near future. Some small to medium-sized foreign investors, however, have complained that their investment licenses have been cancelled without justification, causing them to forfeit their investments.

Dispute Settlement

ICSID Convention and New York Convention

The Kingdom of Saudi Arabia ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1994. Saudi Arabia is also a member state of the ICSID Convention, though under the terms of its accession it cannot be compelled to refer investment disputes to this system

absent specific consent, provided on a case-by-case basis. Saudi Arabia has yet to consent to the referral of any investment dispute to the ICSID for resolution.

Investor-State Dispute Settlement

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

International Commercial Arbitration and Foreign Courts

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

In recent years, however, the SAG has demonstrated interest in improving the quality of commercial legal proceedings and access to alternative dispute resolution mechanisms. Local attorneys indicate that the quality of final judgments in the court system has improved, but that cases still take far too long to litigate. In 2012, the SAG updated certain provisions in Saudi Arabia's domestic arbitration law, paving the way for the establishment of the Saudi Center for Commercial Arbitration (SCCA) in 2016. Developed in accordance with international arbitration rules and standards, including those set by the American Arbitration Association's International Centre for Dispute Resolution and the International Chamber of Commerce's International Court of Arbitration, the SCCA offers comprehensive arbitration services to firms both domestic and international. Less than a year old, the SCCA has already accepted three arbitration cases filed by Saudi firms against other Saudi firms. The SCCA reports that both domestic and foreign law firms have begun to include referrals to the SCCA in the arbitration clauses of their contracts.

Awards rendered by the SCCA can be enforced in local courts, though judges remain empowered to reject enforcement of provisions they deem non-compliant with sharia law.

Bankruptcy Regulations

A 1996 royal decree put Saudi Arabia's current bankruptcy law, the Regulation on Bankruptcy Protective Settlement, into effect. Articles contained in the law allow debtors to conclude financial settlements with their creditors through committees in each municipal or regional Chamber of Commerce and Industry or through the Board of Grievances. Ordinary creditors may utilize the law's provisions, except in the case of privileged debts and debts which arise pursuant to the settlement procedures. The Ministry of Commerce and Investment is revising the bankruptcy law to update key provisions and address several deficiencies in the Saudi bankruptcy regime. Potential investors should note that the "resolving insolvency" indicator most negatively affects Saudi Arabia's World Bank "Doing Business" ranking; its rank for this indicator is 169th out of 190 countries measured.

4. Industrial Policies

Investment Incentives

The government does not currently impose conditions on investment, such as locating in a specific geographic area (except for some restrictions on the distribution of retail outlets and the location of industrial activities), committing to specific percentages of local content or local equity (except for firms contracting with the government), substitution for imports, export requirements or targets, or financing only by local sources. Nonetheless, the Saudi Industrial Development Fund (SIDF), an entity that reports to the Minister of Energy, Industry, and Mineral Resources, will provide additional incentives and better loan terms to foreign investors who set up their manufacturing facilities in the underdeveloped provinces of Jizan, Hail, and Tabuk.

The government uses its purchasing power to encourage foreign investment, requiring offsetting investments equivalent to 40 percent of a program's value for defense contracts exceeding SR 400 million (\$107 million) and may be expanding offsets to non-defense ministries and agencies. In addition to defense offsets, the SAG is also seeking foreign direct investment in various key sectors, such as oil, power generation, railways, and others, with the aim of fostering job creation.

Research and Development

American and other foreign firms are able to participate in SAG-financed and/or -subsidized research-and-development programs. Many of these programs are run through the King Abdulaziz City for Science and Technology (KACST), which funds much of the Kingdom's R&D programs. KACST's budget, however, has been drastically reduced as a result of the SAG's ongoing fiscal difficulties.

Foreign Trade Zones/Free Ports/Trade Facilitation

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

Performance and Data Localization Requirements

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. While not required to procure from local sources, investors may avoid import duties on raw materials only if they can demonstrate to the satisfaction of the MCI that the materials are not available locally. There is no requirement that the share of foreign equity be reduced over time. Investors are not required to disclose proprietary information to the SAG as part of the regulatory approval process, except where issues of health and safety are concerned.

The government encourages recruitment of Saudi employees through a series of incentives and limits placed on the number of visas for foreign workers available to companies. The largest groups of foreign workers come from Bangladesh, Egypt, India, Pakistan, the Philippines, and Yemen. Some two million Syrian nationals are reported to reside in the Kingdom, which allows them to work locally pending resolution of the conflict in their home country.

The SAG announced in 2002 it would ease restrictions on the issuance of visas to foreign businesspeople to allow greater access and decreed in 2005 that sponsor requirements for business visas would be lifted. Difficulties remain regarding the Saudi visa procedures, however, despite the government's announcement that foreign business visitors will no longer be required to provide invitation letters from Saudi businesses to receive visas. In November 2007, Saudi Arabia declared that it would begin issuing U.S. business visitors five-year, multiple-entry visas at Saudi embassies, consulates, and ports of entry, though the Kingdom's implementation of this policy had proven

sporadic up until early 2016. Today, the Saudi electronic visitor visa system now defaults to five year visas for all U.S. citizen applicants. “Business visas” are routinely issued to U.S. visitors who do not have an invitation letter from a Saudi company, and the visa applicants must provide evidence that they are engaged in legitimate commercial activity. “Commercial visas” are issued by invitation from Saudi companies to applicants who have a specific reason to visit a Saudi company.

In fall 2016, the SAG implemented a series of significant visitor fee increases for expatriates whose countries do not have reciprocity agreements with Saudi Arabia, doubling the cost of a single-entry business visit visa to \$533. (U.S. citizens are exempt from such increases on the basis of a 2008 U.S.-Saudi visa reciprocity agreement.) The SAG also imposed on the same date an increased exit and reentry visa fee for all foreign workers residing in the Kingdom, including U.S. citizens, increasing the cost of a visa to exit and reenter the country by roughly \$347 for one year and \$694 for two years.

Data Storage

Other than a requirement to retain records locally for ten years for tax purposes, there is no requirement regarding data storage or access to surveillance.

5. Protection of Property Rights

Real Property

The Saudi legal system protects and facilitates acquisition and disposition of all property, consistent with Islamic practice of upholding private property rights. Non-Saudi corporate entities are allowed to purchase real estate in Saudi Arabia in accordance with the foreign-investment code. Mortgages do exist, although the recording system is reportedly unreliable. Other foreign-owned corporate and personal property is protected by law. The Embassy knows of no cases of government expropriation or nationalization of U.S.-owned assets in the Kingdom without adequate compensation. Saudi Arabia does have a system of recording security interests, and has plans to modernize an archaic land registry system. In 2015, the SAG approved a new 2.5 percent annual tax on the value of undeveloped urban vacant land zoned for residential or commercial use, with collection set to begin in January 2018. The measure is intended to stimulate construction to remedy a housing shortage and concentrate development within current city limits, with tax proceeds applied toward public housing construction. For more information, please refer to Saudi Arabia's data in the World Bank Group's ["Doing Business 2015: Going Beyond Efficiency" publication](#).

Intellectual Property Rights

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

The current Law on Patents, Layout Designs of Integrated Circuits, Plant Varieties and Industrial Designs has been in effect since September 2004. The patent office continues to build its capacity through training, has streamlined its procedures, hired more staff, and reduced its backlog. Patents are available for both products and processes. The term of protection was increased from 15 to 20 years under the 2004 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 and its Implementing Regulations and the Patent Law Treaty adopted by the Diplomatic Conference in Geneva on June 1, 2000.

In September 2009, the King approved a mechanism to protect Exclusive Marketing Rights (EMR) for certain pharmaceutical products that had lost patent protection when Saudi Arabia transitioned to a new TRIPs-compliant patent law in 2004. EMR protection in Saudi Arabia expires on the same date the patent expires in the United States or the European Union, and companies report that they have received EMR protection for accepted applications. Recent steps by the Saudi FDA (SFDA) to license locally-manufactured cheaper generic versions of patent-pending drugs within their five year regulatory data protection period have created significant concern among U.S. industry stakeholders due to the commercial loss resulting from this abrogation of their patent and data protection.

The SAG revised its Copyright Law in 2003 and is seeking to impose stricter penalties on copyright violators. In January 2010, the Ministry of Culture and Information referred the first-ever copyright-violation case to the Board of Grievances for deterrent sentencing. The SAG has stepped up efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores, including relatively frequent raids on shops selling pirated goods,

but many pirated materials are still available in the marketplace. The Ministry employs only a handful of investigators/inspectors nationwide and lacks the resources for effective copyright enforcement. The use of pirated software increases possible cyber-security vulnerability in some systems, and may have played a role in a major cyber failure in 2012 at Aramco. An Islamic religious edict (“fatwa”) stating that software piracy is “forbidden” has not been backed up by strong enforcement efforts. Much of the software utilized by the Saudi government itself is reportedly unlicensed or “under-licensed” (in which insufficient licenses are procured for the total number of users).

Comprehensive data on seizures of counterfeit goods is not available, but the SAG does make public announcements in local media when large seizures are made. Saudi Customs, for example, reported that it had seized a total of 41 million counterfeit goods worth \$83 million in the fourth quarter of 2016 alone.

The Rules for Protection of Trade Secrets came into effect in 2005. Trademarks are protected under the Trademark Law. Saudi Arabia has one of the best trademark laws in the region, and the Saudi Customs Authority has significantly stepped up its enforcement efforts. Saudi Arabia 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 official documents into Arabic. Saudi Arabia has not signed or ratified the WIPO internet treaties.

For additional information about treaty obligations and points of contact at local IP offices, please see [WIPO's country profiles](#).

Saudi Arabia was removed from USTR's Special 301 report in 2010 following improvements in the Kingdom's IPR enforcement regime. Saudi Arabia is not listed in USTR's notorious markets review.

Resources for Rights Holders

Embassy point of contact:

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6. Financial Sector

Capital Markets and Portfolio Investment

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

Prior to 2015 the CMA only permitted foreign investors to invest in the Saudi stock market through indirect “swap arrangements,” through which foreigners had accumulated ownership of one per cent of the market. In June 2015, the CMA opened the stock market to qualified foreign investors, though to date only large financial institutions have met the stringent requirements for entry. In 2016 these standards were lowered to allow additional foreign investors to qualify for market entry, reducing the minimum requirement of assets to have under management from \$5 billion to \$1 billion. To prevent foreign entities from becoming a majority shareholder of a Saudi Arabian company, the CMA has capped foreign ownership of traded companies at 49 percent.

In 2013, the Saudi Arabian Monetary Agency (SAMA), the central bank, enhanced and updated its 1995 Circular on Guidelines for the Prevention of Money Laundering and Terrorist Financing. The enhanced guidelines are more compliant with the Banking Control Law, the Financial Action Task Force (FATF) 40 Recommendations, the nine Special Recommendations on Terrorist Financing, and relevant UN Security Council Resolutions. In 2015 Saudi Arabia obtained observer status to the FATF and pending a successful mutual evaluation will gain full member status in 2018.

Historically, credit was widely available to both Saudi and foreign entities from commercial banks and was allocated on market terms. The 2016 accumulation of government arrears combined with the monthly domestic bond offerings created a late-2016 tightening of liquidity in the banking system. Subsequent contractor payments and suspension of domestic bond sales combined with an injection of capital from SAMA returned liquidity levels to near normal by early 2017. In addition to large-scale supplemental programs, credit is available from several government institutions, such as the SIDF, which allocate credit based on government-set criteria rather than market conditions. Companies

must have a legal presence in Saudi Arabia in order to qualify for credit. The private sector has access to term loans, and there have been a number of issuances of sharia compliant bonds, known as “sukuk,” but there is no fully developed corporate bond market.

As part of the economic reforms initiated for accession to the WTO, Saudi Arabia liberalized licensing requirements for foreign investment in financial services. In addition, the government increased foreign-equity limits in financial institutions from 40 percent to 60 percent to entice further foreign investment.

Money and Banking System

In the last few years, the SAG has taken steps to increase foreign participation in its banking sector by granting operating licenses to foreign banks. As of 2017, SAMA had granted 12 foreign banks licenses to operate in the Kingdom: Gulf International Bank, Emirates NBD, National Bank of Bahrain, National Bank of Kuwait, Muscat Bank, Deutsche Bank, BNP Paribas, J.P. Morgan Chase N.A., National Bank of Pakistan, State Bank of India, T.C.ZIRAAT BANKASI A.S., Industrial and Commercial Bank of China (ICBC). The Cabinet further approved the licensing of a branch of Qatar National Bank, although according to SAMA's website the license “has not started yet.” 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.

Foreign Exchange and Remittances

Foreign Exchange

Other than withholding taxes ranging from five percent for technical services and dividend distributions to 15 percent for transfers to related parties and 20 percent or more for management fees, 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. Bulk cash shipments greater than \$10,000 must be declared at the point of entry or exit. Since 1986, when the last devaluation occurred, the official exchange rate has been 3.75 Saudi riyals per US dollar. Transactions take place using rates very close to the official rate.

Remittance Policies

Saudi Arabia is the second most remitting country in the world, and remitted almost \$41 billion in 2016 (a three percent drop from the 2015 amount). There are currently 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. While there have been no recent changes, the SAG actively debated over the course of 2016 a tax on expatriates' remittances ranging from two to six percent. Although the SAG announced in January 2017 that it had shelved the idea, the SAG's implementation of taxes and fees in other areas to generate non-oil revenue suggest the remittance tax proposal could appear again in the future.

The Ministry of Labor and Social Development has also begun to progressively implement a "Wage Protection System" designed to verify that workers are being properly paid according to their contracts; under this system, employers are required to transfer salary payments from a local Saudi bank account to employees' local bank account, rather than paying some workers offshore as has been common in the past. 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. Saudi Arabia is a member of Middle East and North Africa Financial Action Task Force (MENA-FATF) and an observer member of the FATF.

Sovereign Wealth Funds

The Kingdom does not have an official sovereign wealth fund, but several organizations have attributes of such a fund. In practice, SAMA acts as the Kingdom's principal sovereign wealth fund, holding the majority of the Kingdom's foreign assets. SAMA, whose holdings stood at about \$536 billion at the end of 2016, invests the Kingdom's surplus oil revenues primarily in low-risk liquid assets, such as sovereign debt instruments and fixed-income securities.

The Kingdom established a Public Investment Fund (PIF) in 1971 to channel oil wealth into economic development. The PIF's role has grown and evolved over time; it currently invests approximately 95 percent of its assets in the domestic market and holds the government's shares in many partially privatized state-owned enterprises (SOEs), including SABIC, the National Commercial Bank, Saudi Telecom Company, and others. The PIF was removed from the Ministry of Finance's control in 2015 and placed under the authority

of the Council for Economic and Development Affairs. In 2008, the Kingdom established the Saudi Arabian Investment Company (also known as Sanabil al-Saudia), which is wholly owned by the PIF. The fund began with \$5.3 billion of startup capital and makes direct equity investments in Saudi-based companies, employing a long-term investment strategy similar to traditional sovereign wealth funds. The General Organization for Social Insurance (GOSI), which oversees the Kingdom's private-sector workers' pension contributions, owns stakes in most leading publicly traded Saudi firms. In 2009, GOSI formed Hassana Investment Company, an investment vehicle similar to the PIF's Sanabil. PIF and GOSI are the two leading institutional investors in the Saudi stock market.

In April 2016, Deputy Crown Prince Mohammed bin Salman announced his intention to build the PIF into a \$2 trillion global investment fund, relying in part on proceeds from the planned initial public offering of some portions of Aramco's business lines (currently set for 2018). In 2016, the PIF made headlines with a record \$3.5 billion investment in ride-hailing Uber, followed by an agreement with Japanese SoftBank Group Corp. to jointly create a \$100 billion technology investment fund.

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

7. State-Owned Enterprises

SOEs play a leading role in the Saudi economy, particularly in water, power, oil, natural gas, and petrochemicals. Aramco, the world's largest producer and exporter of crude oil and a large-scale oil refiner and producer of natural gas, is 100 percent SAG-owned, and its revenues typically account for around 85-90 percent of the SAG's budget. The SAG has announced that it is planning an Aramco initial public offering (IPO) of up to five percent in 2018. The SAG claims that the company is valued at \$2 trillion, which would make a five percent IPO the largest in history. Saudi Arabia's leading petrochemical company, SABIC, is 70 percent owned by the SAG. SABIC's Chairman is a member of the royal family and also the chair of the Royal Commission of Jubail & Yanbu; four additional members of SABIC's seven-member board are SAG officials. The SAG tends to be similarly well-represented in the leadership of other SOEs. State-owned Saudi Arabian Airlines (Saudia) competes against Fly Nas, a private, low-cost carrier, but enjoys substantial discounts on aviation fuel. The SAG has yet to initiate accession procedures to join the Government Procurement Agreement, as agreed during the Kingdom's accession process to the WTO.

Privatization Program

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

As a result of the privatization strategy, the Saudi Telecommunications Company (STC) floated a minority stake (approximately 20 percent) on the stock market in January 2003, netting close to \$4 billion in proceeds. An additional 10 percent has since been offered for private ownership. The initial public offering (IPO) of 50 percent of the formerly state-owned National Company for Cooperative Insurance 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 2015, as part of Saudi Arabia's renewed efforts to transform and diversify its economy in the wake of sustained low oil prices, the SAG announced that it had identified over 25 additional sectors for privatization in the coming years, chief among them civil aviation, technology, and healthcare. The Kingdom's new privatization strategy began in earnest in January 2016, when the General Authority for Civil Aviation (GACA) announced that it would privatize management and operations of all 27 airports within the Kingdom by 2020, beginning with King Khalid International Airport (KKIA) in Riyadh in 2016. (Although the SAG did not fully privatize KKIA in 2016, it did award operation and management for the airport's new domestic terminal to a semi-private foreign firm—the Dublin Airport Authority. In May 2017, the SAG announced that it had awarded a license to operate Jeddah's King Abdulaziz International Airport to Singapore-based Changi Airports International. Meanwhile, the SAG has spun off air navigation services into a new state-owned enterprise with the aim of eventually privatizing the service.) Foreign entities will be allowed to invest in Saudi airports without a Saudi partner, and local investment in some airports will be capped at 25 percent to allow foreign operators a majority holding in operating contracts, according to GACA.

The SAG has also signaled its intention to privatize large portions of its healthcare industry and energy sector. In January 2016, then-Minister of Health Khalid al-Falih announced plans to double private-sector participation in healthcare within five years, expecting to attract nearly \$11 billion in investment during the same period. After the former minister of commerce assumed leadership at the Ministry of Health, the new minister continued plans to develop pilot projects for privatization. The same month, Deputy Crown Prince Mohammed bin Salman, Chair of the Kingdom's Council on Economic and Development Affairs (set up in early 2015 to exercise authority over the SAG's 22 economic ministries and agencies), expressed support for a potential IPO of Aramco, Saudi Arabia's state-owned oil enterprise. The SAG has announced that it is planning an Aramco initial public offering (IPO) of up to five percent in 2018. The SAG claims that the company is valued at \$2 trillion, which would make a five percent IPO the largest in history. Separately, the Saudi Electricity Company (SEC) has declared its intent to privatize all of its power generation plants starting in late 2017.

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

8. Responsible Business Conduct

There is a dawning awareness of corporate social responsibility (CSR) in Saudi Arabia. The SAG sees CSR primarily as a component of its competitiveness vis-à-vis global economies and has knit CSR promotion into its goal of becoming a top-ten economy. In July 2008, SAGIA, the King Khalid Foundation, and the international NGO AccountAbility jointly established the Saudi Arabian Responsible Competitiveness Index, a ranking of companies' CSR contributions. The results led to the granting of the King Khalid Responsible Competitiveness Award in several categories at the annual Global Competitiveness Forum. In 2013, the Jeddah Chamber of Commerce and Industry launched the first annual summit entirely dedicated to CSR, the third iteration of which took place in December 2015. In general, the Embassy believes that the SAG and major corporations are fully aware of CSR but does not believe CSR currently has a broad impact on consumer perception.

The government encourages foreign and local enterprises to follow generally accepted CSR principles, including the OECD Guidelines for Multinational Enterprises.

9. Corruption

Saudi Arabia has limited legislation aimed at curbing corruption. The Tenders Law of Saudi Arabia, approved in 2004, has improved transparency in the government procurement process through the publication of tenders. Ministers and other senior government officials appointed by royal decree are forbidden from engaging in business activities with their ministry or organization while employed there. While regulations issued in 1992 carry heavy penalties for public officials who offer or receive bribes, there is no prohibition against bribery in the private sector. There are few cases of prominent citizens or government officials being tried on corruption charges.

Foreign firms have identified corruption as a barrier to investment in Saudi Arabia; nevertheless, authorities have only taken modest steps toward combating it. In April 2007, King Abdullah established the National Authority for Combating Corruption that was to report directly to the king, but there was little tangible follow-through to empower this institution. The General Auditing Bureau is also charged with combating corruption. In 2011, King Abdullah reconstituted the Authority as the National Anti-Corruption Commission (“Nazaha”) under new and more energetic leadership. The Commission regularly publishes news of its investigations on its website (<http://www.nazaha.gov.sa/en/Pages/Default.aspx>), and some evidence suggests the organization has not shied away from influential players whose indiscretions may previously have been ignored. The Commission’s ability to monitor corruption in the Kingdom’s judicial system, however, remains limited: in 2015, the Minister of Justice announced that the Commission had no authority to inspect judges within the country. Globally, Saudi Arabia ranks 62nd out of 176 countries in Transparency International’s Corruption Perceptions Index 2016.

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

Resources to Report Corruption

The National Anti-Corruption Commission’s physical address by post, telegram, or in person:

National Anti-Corruption Commission
P.O. Box (Wasl) 7667

Elalia-Hiaelghader
Riyadh 2525-13311
The Kingdom of Saudi Arabia
Fax: 012645555

Through the “Complainant Service” on the website of the [National Anti-Corruption Commission](#).

10. Political and Security Environment

The Department of State issues regular travel warnings to apprise U.S. citizens about the security situation in Saudi Arabia and frequently reminds U.S. citizens of recommended security precautions. Significant enhancements in the capacity and capability of Saudi security and intelligence forces have greatly improved the security environment, but it is important to note that there is an ongoing security threat from transnational terrorist organizations such as the Islamic State (ISIS) and Al Qaida in the Arabian Peninsula. 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. According to the Warning, there continue to be reports of threats against U.S. citizens and other Westerners, as well as locations frequented by them. There have been multiple attacks on mosques which were directed or inspired by the ISIS in the past year. Furthermore, there are ongoing security concerns related to the crises in neighboring countries such as Yemen and Iraq.

11. Labor Policies and Practices

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

Beginning with the 1969 Labor and Workman Regulations, Saudi Arabia has pursued a number of localization schemes to combat unemployment among Saudis, which the CIA World Factbook estimated at 11.7 percent for Saudi males in 2016, and nearly 33 percent for Saudi women. Other estimates put the unemployment rate at as high as 25 percent, while estimates of youth unemployment among Saudis aged 15-25 approach 30 percent. In 2011, the Ministry of Labor and Social Development laid out a sophisticated plan known

as “Nitaqat,” under which companies are divided into sectors, each with a different set of quotas for Saudi employment based on company size. Each company is determined to be in one of four strata based on actual percentage of Saudi employees, with platinum and green strata for companies meeting or exceeding the quota for their sector and size, and yellow and red strata for those failing to meet it. Expatriate employees in red and yellow companies can move freely to green or platinum companies, without the approval of their current employers, and green and platinum companies have greater privileges with regard to securing and renewing work permits for expatriates.

The Ministry of Labor and Social Development has announced the goal of reducing the expatriate population from approximately 30 percent currently to 20 percent of the total population. Over the last year, the SAG has taken additional measures to strengthen the “Nitaqat” program and require the hiring of Saudi nationals. In 2016, the Ministry of Labor and Social Development introduced new rules requiring all mobile phone stores in the Kingdom – which were formerly mostly owned and operated by expatriates – to be fully staffed by Saudi nationals, a policy that resulted in numerous store closures across the country. Likewise, efforts are underway to ensure Saudi employment in retail businesses catering to women.

Many elements of “Nitaqat” have garnered criticism from the private sector, but the SAG claims it has substantially increased the percentage of Saudi nationals working in the private sector over the last several years. In 2013, the Ministry of Labor and Social Development along with Ministry of Interior launched an ongoing campaign to deport illegal and improperly documented workers, which has resulted in higher labor costs for many businesses. In addition, all companies operating in the Kingdom, regardless of sector or size, are now obliged to pay \$640 per year for each expatriate employee in excess of the number of the company’s Saudi employees—a fee expected to increase annually. Numerous employers, particularly in construction and other blue-collar services sectors, have vehemently criticized the SAG’s labor policies, but it appears the SAG will continue to enforce them.

Saudi Arabia’s labor law, enacted in 2005, 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. In 2015, the SAG published 38 amendments to the existing labor law with the aim of supporting the “Saudization” of the economy by expanding Saudi employees’ rights and benefits. Domestic workers are not covered under the provisions of the latest labor law, but separate regulations covering domestic workers were issued in

2013, guaranteeing at least nine hours of rest per day, one day off a week, and one month of paid vacation every two years.

Overtime is normally compensated at time-and-a-half rates. The minimum age for employment is 14. The SAG does not adhere to the International Labor Organization’s convention protecting workers’ rights. A July 2004 decree addresses some workers’ rights issues for non-Saudis, who can appeal to specialized committees within the Ministry of Labor and Social Development regarding wage non-payment and other issues. Penalties issued by the ministry include banning infringing employers from recruiting foreign and/or domestic workers for a minimum of five years.

12. OPIC and Other Investment Insurance Programs

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

13. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

Economic Data	Host Country Statistical Source		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2015	\$646,002	2015	\$646,002	The World Bank
Foreign Direct Investment	Host Country Statistical Source		USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner	N/A		2014	\$10,064	

	Host Country Statistical Source	USG or International Statistical Source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
country (\$M USD, stock positions)				
Host country's FDI in the United States (\$M USD, stock positions)	N/A	2014	\$13,300	FDI Markets
Total inbound stock of FDI as % host GDP	N/A	2015	1.02%	UN Conference on Trade and Development

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (<i>US Dollars, Millions</i>)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	\$169,206	100%	Total Outward	\$63,251	100%
Kuwait	\$16,761	10%	N/A	N/A	N/A
France	\$15,981	9%	N/A	N/A	N/A
Japan	\$13,160	8%	N/A	N/A	N/A
United Arab Emirates	\$12,601	7%	N/A	N/A	N/A
China, P.R.: Mainland	\$9,035	5%	N/A	N/A	N/A

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

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

Table 4: Sources of Portfolio Investment

Coordinated Portfolio Investment Survey data are not available for Saudi Arabia.

14. Contact for More Information

Economic Section and Foreign Commercial Service Offices

Embassy of the United States of America

P.O. Box 94309

Riyadh 11693, Saudi Arabia

Phone: +966 11 488-3800

Trade & Project Financing

Methods of Payment

How Do I Get Paid? (Methods of Payment): An irrevocable letter of credit (L/C) is the instrument normally used for Saudi imports. Open account, cash in advance and documentary collections are also acceptable if both parties agree. Maximum or minimum credit terms are not required. Export Credit Insurance for political and commercial risk is available from the [U.S. Export-Import Bank](#) in Washington, D.C

The [Saudi Credit Bureau \(SIMAH\)](#) is Saudi Arabia's first comprehensive consumer-credit bureau. SIMAH was established in 2004 under the Saudi Arabia's banking and operating regulations established by the Saudi Arabia Monetary Agency (SAMA). The providing of consumer and corporate financial information is not allowed for non-banking institutions.

Debt collection is usually undertaken by a number of law firms. A representative list of lawyers is available through the [U.S. Commercial Service](#).

Banking Systems

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

There are 13 domestic banks licensed in Saudi Arabia: The National Commercial Bank (NCB), the Saudi British Bank (SABB), Saudi Investment Bank, Alinma Bank, Banque Saudi Fransi, Riyadh Bank, SAMBA Financial Group, Saudi Hollandi Bank, Al Rajhi Bank, Arab National Bank, Bank Al Bilad, and Bank Al Jazira. Foreign banks licensed to operate branches in Saudi Arabia include Gulf International Bank (GIB), Emirates (NBD), National Bank of Bahrain (NBB), National Bank of Kuwait (NBK), Muscat Bank, Deutsche Bank, BNP Paribas, J.P. Morgan Chase, the National Bank of Pakistan (NBP), State Bank of India (SBI), and the Industrial and Commercial Bank of China.

In the financial services sector, the Capital Market Authority (CMA) licensed 91 foreign and local companies to provide financial and brokerage services. Major companies include BNP Paribas, Credit Suisse, Deutsche Securities, Goldman Sachs, JP Morgan, KKR, Societe Generale, and UBS among others.

Regulatory Oversight

SAMA maintains its banking regulations on-line, which commercial banks and financial institutions must follow. Information on the regulatory environment of the banking and financial sector can be found at the [SAMA website](#). For an overview of SAMA, information can be found at this [web link](#). For information related to the financial markets and the stock exchange, please see the web link of the [Capital Market Authority](#).

Foreign Exchange Controls

Saudi Arabia imposes no foreign exchange restrictions on capital receipts or payments by residents or nonresidents, beyond a prohibition against transactions with Israel. Although officially linked to the IMF's Special Drawing Rights, Saudi Arabia in practice pegs its currency, the Saudi riyal (SAR), to the U.S. dollar. Saudi Arabia set its official currency exchange rate at SAR 3.75 = \$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 Article IV consultation with Saudi Arabia, the Executive Board of the International Monetary Fund (IMF) concluded that Saudi Arabia faces important challenges stemming from the decline in oil prices. The report highlighted the need for continued fiscal adjustment and reforms to strengthen and transform the Saudi Arabian economy. It commended the authorities' bold reform plans. The IMF agreed that the pegged exchange rate continues to remain appropriate. The report noted that "the exchange rate peg to the U.S. dollar is the best option for Saudi Arabia given the current structure of its economy, and emphasized that a continued fiscal adjustment is needed to support the peg. It further noted that Saudi Arabia should review the peg periodically to ensure it remains appropriate, given the desired evolution of the economy away from its current reliance on oil."

U.S. Banks & Local Correspondent Banks

Currently, 13 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. SAMA has granted licenses to J.P. Morgan Chase, Goldman Sachs, and KKR Morgan Stanley, Merrill Lynch, and Goldman Sachs to operate in Saudi Arabia. Similarly, the Deutsche Bank, BNP-Paribas, the State Bank of

India, the National Bank of Pakistan, T.C.ZIRAAT BANKASI A.S., and Industrial and Commercial Bank of China (ICBC) have received license from SAMA to operate in Saudi Arabia.

Project Financing

Project Finance Institutions:

- **The U.S. Export-Import Bank (EX-IM Bank):** Saudi Arabia is the third-largest export market for EX-IM financing. The EX-IM Bank has provided trade finance support for chemical projects, energy projects, electricity generation, and water. EX-IM is looking at supporting additional major projects in the Kingdom. For additional information on the Export-Import Bank, please visit the [EX-IM Bank website](#).
- **The International Finance Corporation (IFC, a member of the World Bank Group):** IFC's strategy in Saudi Arabia focuses on promoting selective business and supporting the country's financial markets (particularly housing finance, insurance, and leasing), infrastructure development, and lending to SMEs as ways to support job creation and economic growth. For additional information, please visit the [IFC website](#).
- **Saudi Industrial Development Fund (SIDF):** provides financial assistance in the form of medium and long-term loans to investors in industry development. It also offers technical, administrative, financial and marketing advice to borrowers.
- **Saudi Agricultural Bank:** a public credit institution, specializing in providing finance for various agricultural activities in all regions of the Kingdom. Its mission is to assist in the development of the agricultural sector and the enhancement of its production efficiency by introducing up-to-date, state of the art, scientific and technical methods through soft interest-free loans to farmers to enable them secure industry prerequisites, such as machinery, irrigation pumps, agricultural equipment, livestock and poultry keeping and fish farming equipment.
- **Saudi Credit Bank:** provides interest-free loans to small enterprises, and employers to encourage them to run their own businesses independently. The bank operates twenty-six branches throughout Saudi Arabia.
- **Public Investment Fund (PIF):** The Public Investment Fund funded numerous projects in important sectors of the Saudi Arabian economy, including petroleum refineries, petrochemical industries, pipelines and storage, transportation, energy, minerals, water desalination and

infrastructural facilities. It has also participated in the capital funding of a number of bilateral and Pan Arab corporations.

- **Islamic Development Bank:** fosters the economic development and social progress of member countries and Muslim communities. It participates in equity capital and grants loans for productive projects and enterprises, besides providing financial assistance to member countries in other forms for economic and social development.
- **Saudi Fund for Development:** offers foreign development assistance, including financing for Saudi exports to qualified companies.
- **Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC):** provides Export Credit guarantees on exports to member states and to companies owned/partly owned by member states. In addition, the corporation provides investment insurance and guarantees against country risks to member states.

REGIONAL ORGANIZATIONS

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

Financing Web Resources

- [Export-Import Bank of the United States](#)
- [Country Limitation Schedule](#)
- [OPIC](#)
- [U.S. Trade and Development Agency](#)
- [SBA's Office of International Trade](#)
- [USDA Commodity Credit Corporation](#)
- [U.S. Agency for International Development](#)
- [USDA Commodity Credit Corporation](#)
- [International Finance Corporation \(World Bank\):](#)
- [Arab Fund for Economic and Social Development](#)
- [Arab Industrial Development and Mining Organization](#)
- [Arab Monetary Fund](#)

- [Council of Saudi Chambers of Commerce and Industry](#)
- [Inter-Arab Investment Guarantee Corporation](#)
- [Islamic Corporation for the Insurance of Investment and Export Credit:](#)
- [Islamic Development Bank](#)
- [Saudi Orix Leasing Corporation](#)
- [Saudi Agricultural Bank](#)
- [Public Investment Fund](#)
- [Saudi Arabian Monetary Authority](#)
- [Saudi Fund for Development](#)
- [Saudi Industrial Development Fund](#)
- [Saudi Investment Bank](#)
- [Saudi Credit Bank](#)
- [Saudi Stock Exchange \(Tadawul\)](#)

Business Travel

Business Customs

The website of the U.S. Commercial Service in Saudi Arabia has a section on Saudi Culture, Customs, and Business Etiquette. For more information, please visit the [Export.gov website](#).

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.

- [U.S. Embassy & Consulates in Saudi Arabia](#)
- [U.S. Department of State: Travel](#)
- [U.S. Department of State: Business](#)

While modern Saudi Arabia has adopted numerous business methods and styles of the West, many cultural differences remain. Most important is that business will generally only be conducted after a degree of trust and familiarity has been established. Considerable time may be spent exchanging courtesies, and several visits may be needed to establish a business relationship. Business visitors should arrange their itineraries to allow for long meetings, as traditional Saudis often maintain an “open office” in which they will sign papers, take telephone calls and converse with friends or colleagues who drop by. Tea and traditional Saudi coffee are usually offered. One to three cups of Saudi coffee should be taken for politeness, after which the cup may be wiggled between thumb and forefinger when returning it to the server to indicate that you do not need more.

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

Shoes are often removed before entering a Saudi living room (*majlis*). If you are invited to the home of a Saudi for a party or reception, a meal is normally served at the end of the evening, and guests will not linger long after finishing. Be observant and adapt your behavior to the customs of your host.

Dress is conservative for both men and women. Men should not wear shorts or tank tops, while women are advised to wear loose-fitting and concealing clothing with long skirts, elbow-length sleeves and modest necklines. There is strict gender separation in the Kingdom and restaurants maintain separate sections for single men and families. Wives are often excluded from social gatherings or are entertained separately.

Travel Advisory

Current travel warnings and advisories can be found on the [U.S. State Department's site](#). Travelers should check this link for any updates to the security situation before leaving the United States.

The Department of State warns U.S. citizens about the security situation in Saudi Arabia and reminds U.S. citizens of recommended security precautions. The Department of State urges U.S. citizens carefully to consider the risks of traveling to Saudi Arabia. It is important to note that there remains an ongoing security threat due to the continued presence of terrorist groups, some affiliated with Al-Qaida, who may target Western interests, housing compounds, hotels, shopping areas and other facilities where Westerners congregate. These terrorist groups may employ a wide variety of tactics and also may target Saudi government facilities and economic/commercial targets within the Kingdom. Significant improvements in the capacity and capability of Saudi security and intelligence forces have greatly improved the security environment. Although much improved, the situation remains fragile. Saudi authorities have announced that 34 terrorist attacks, some resulting in significant loss of life, occurred in Saudi Arabia in 2016. These included three coordinated bombings on July 4, 2016, in Medina, Qatif, and near the American Consulate General in Jeddah.

The State Department issues consular information for every country of the world with information on such matters as the health conditions, crime, unusual currency or entry requirements, any areas of instability and the location of the nearest American embassy or Consulate in the subject country. For consular information related to travel to Saudi Arabia, information can be found on [U.S. Embassy in Saudi Arabia](#) and the [Department of State websites](#).

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

entering or exiting vehicles, and ensure that travel documents and visas are current and valid.

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

All travelers are encouraged to register their trip online through the [Smart Traveler Enrollment Program \(STEP\) website](#).

Updated information on travel and security in Saudi Arabia may also be obtained from the Department of State by calling 1-888-407-4747 from within the United States and Canada or, from outside the United States and Canada on a regular toll line at 1-202-501-4444. These numbers are available from 8:00 am to 8:00 p.m. Eastern Time, Monday through Friday (except U.S. federal holidays). For additional information, consult the Department of State's Country Specific Information for Saudi Arabia, and Worldwide Caution. U.S. citizens who require emergency services may telephone the Embassy in Riyadh at (966) (11) 488-3800, the Consulate General in Jeddah at (966) (12) 667-0080, or the Consulate General in Dhahran at (966) (13) 330-3200.

Visa Requirements

A valid, unexpired passport and a visa are required for entry into Saudi Arabia. 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. Some visas may require a sponsor, and all must be obtained prior to arrival. In compliance with the 2008 U.S.-Saudi Arabia visa reciprocity agreement, Saudi Arabia now regularly issues U.S. citizens five-year, multiple-entry visas at Saudi embassies, consulates, and ports of entry that allow the visitor to stay general for 180 days. "Business visas" are routinely issued to U.S. visitors who do not have an invitation letter from a Saudi company, and the visa applicants must provide evidence that they are engaged in legitimate commercial activity. "Commercial visas" are issued by invitation from Saudi companies to applicants who have a specific reason to visit a Saudi company.

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

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 “commercial visa” a U.S. applicant is required to submit a letter of invitation from a sponsoring entity in Saudi Arabia. The invitation letter must be in Arabic, the American applicant may present a copy of the original letter at the port of entry, and the letter must be on the sponsoring organization’s letterhead and must bear an authenticating stamp of the local Saudi Chamber of Commerce. The letter should name the visa applicant, passport number, company name and address, approximate dates of visit, and reason for visit (*e.g.*, business meetings).

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

If the American applicant does not have a Saudi sponsor, the U.S. Commercial Service offices in Saudi Arabia can advise on how to make initial contacts with potential sponsors. Please note that the U.S. Embassy and Consulates-General cannot sponsor private American citizens for Saudi visas. Please visit the following website to get contact details of our three posts in [Saudi Arabia](#).

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.

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

- U.S. companies that require travel of foreign businesspersons to the United States should be advised that most foreign nationals require a visa to enter the United States. Information on applying for a U.S. nonimmigrant visa is available on the [U.S. Embassy website](#). Visas should apply through the [Global Support Services website](#).

General travel information and travel advisories are available at the [State Department travel website](#).

Currency

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

Telecommunications/Electric

Telephone

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

Mobile Telephone

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

Internet

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

Media

Saudi Arabia exercises tight media control and criticism of the government, the royal family, and religious tenets are not tolerated, although there are signs of some relaxation of these controls. The state-run Broadcasting Service of the Kingdom of Saudi Arabia (BSKSA) is responsible for all broadcasting in the Kingdom. The Minister of Culture and Information oversees radio and TV operations. Viewers in the country's eastern region can pick up TV stations from relatively liberal Gulf neighbors. The government blocks access to websites that it deems offensive. Newspapers tend to follow the lead of the state-run news agency on whether or not to publish stories on sensitive subjects.

Press

The main newspapers include *Al-Jazirah*, *Al-Riyadh*, and *Okaz*. English-language dailies include [Arab News](#) and the [Saudi Gazette](#).

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

Electric

Saudi Arabia uses 220 Volt and 60 Hz AC electricity.

Transportation

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

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

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

Health

Good modern medical care and medicines are available in several hospitals and health centers in major Saudi cities, but only adequate medical care may be available in the outlying areas. Most Western expatriates in major Saudi cities find in-country medical care adequate for routine care and minor surgery. In recent years, however, medical care has evolved in Saudi Arabia with sophisticated types of treatment, such as open-heart surgery, kidney transplants and cancer treatment, being undertaken. Only a few drugs available in the United States are not available in Saudi Arabia.

Many local hospitals and healthcare companies are vying to partner with American healthcare providers. In 2005, for example, the Cleveland Clinic set up a joint venture medical center in Jeddah, the International Medical Center, and worked on several joint initiatives, including e-health, teleconferencing, consultations and continuing education programs. In 2014, the Johns Hopkins University Hospital, in conjunction with Saudi Aramco, started offering health care services for Saudi Aramco employees. A yellow-fever certificate is required for travelers coming from afflicted countries. A meningitis vaccine is recommended before coming to Jeddah and the Western Region, especially during the annual Muslim pilgrimage rituals of Hajj and Umrah.

There is a risk of malaria throughout the year in most of the southern region and in certain rural areas of the western region, except for Mecca and Medina. There are periodic outbreaks of Middle East respiratory syndrome coronavirus (MERS-CoV) in Saudi Arabia. Travelers can check the latest health information with the U.S. Centers for Disease Control and Prevention in Atlanta, Georgia. A hotline at 800-CDC-INFO (800-232-4636) and the [CDC website](#) give the most recent health advisories, immunization recommendations or requirements, and advice on food and drinking water safety for regions and countries of the world. The CDC publication “Health Information for International Travel” can be found at the [CDC website](#).

Local Time, Business Hours and Holidays

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

Business hours vary in different parts of the country. Saudi companies usually close for 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., often staying open until late in the evening.

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

Work Week:

U.S. Embassy: 08:00 - 17:00 Sun.- Thurs.

Saudi Government: 08:00 - 14:30 Sun. - Thurs.

Banks: 09:00 - 17:00 Sun. - Thurs.

Businesses: 08:00 - 12:00 and 16:00 - 20:00 Sun. - Thur.

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

The *Eid al-Fitr* holiday occurs at the end of the holy month of Ramadan (month of fasting). The next *Eid al-Fitr* holiday will begin on or about June 25-28, 2017.

Eid al-Adha celebrates the time of year when pilgrims arrive from around the world to perform the pilgrimage to Mecca, or *Hajj*. The next *Eid al-Adha* holiday will begin on or about September 1-5, 2017.

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

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

The complete list of U.S. and local holidays observed by the U.S. Embassy and Consulates General in Saudi Arabia can also be found on [U.S. Embassy website](#).

Temporary Entry of Materials or Personal Belongings

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

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

Travel Related Web Resources

- [Travel advisories and warnings](#)
- [United States Embassy](#)
- [U.S. Commercial Service in Saudi Arabia](#)
- [U.S. Embassy Riyadh warden messages](#)
- [Consular information on Saudi Arabia](#)
- [Royal Embassy of Saudi Arabia in Washington, DC](#)
- [World Health Organization \(WHO\) traveler and vaccination information](#)
- [Centers for Diseases Control and Prevention \(CDC\) traveler information](#)
- [Saudi Arabian Airlines](#)

- [Saudi Railways Organization \(SRO\) passenger rail service](#)