Doing Business In Saudi Arabia: A Country Commercial Guide for U.S. Companies

Chapter 1: Doing Business In Saudi Arabia

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- Saudi economic performance is expected to remain strong in 2008, though rising inflation may hamper the government's plans to expand and improve basic infrastructure. Nonetheless, the Saudi Government expects spending at $109 billion and revenues at $120 billion for the 2008 fiscal year, producing a surplus of $11 billion, double the surplus of $5.3 billion projected in the 2007 budget.
- Saudi Arabia's real GDP slowed to 3.5 percent owing to a decline in oil production; the private sector, however, maintained a healthy growth in 2007 at 5.9 percent, spurred by investments in petrochemicals and new Economic Cities.
- The 2007 actual surplus stood at $47.6 billion, helping to reduce government domestic debt by $26.4 billion to $71.2 billion and increasing SAMA's holding of foreign assets to $301 billion, 36 percent more than in 2006.
- Saudi Arabia's imports are expected to increase by more than 23 percent reaching $82 billion in 2007, while Saudi exports will hit an all-time high of $230 billion, 9.6 percent more than in 2006.
- Saudi Arabia was the U.S. 14th largest trading partner in 2007. U.S. exports registered more than 36 percent growth at $10.4 billion in 2007, and U.S. imports increased by more than 12 percent, from $31.7 billion in 2006 to $35.6 billion in 2007.

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- Inflation has more than doubled in 2007, reaching 4.1 percent and is expected to pick up to an average of 4.7 percent in 2008. On January 28, 2008, the Saudi Government reacted with a program to fight inflation by increasing subsidies, reducing bottlenecks in the economy, and providing for a modest civil service pay raise.
- Additionally, the local currency, the Saudi Riyal, was already under pressure and is bound for more pressure in 2008, but the SAMA policy and that of the Saudi Government is to maintain the exchange rate peg to the U.S. dollar. In an effort to maintaining price stability and to combat rising inflation, SAMA raised the commercial banks' Statutory Reserve Ratio from 7 percent to 9 percent, and again from 9 to 10 percent during the fourth quarter of 2007.
- Still, economic growth will be hampered by shortage of skilled labor and extravagant building materials cost.

- Commercial Disputes Settlements: The enforcement of foreign arbitration awards has yet to be upheld in practice. Government agencies are not allowed to agree to international arbitration without approval from the Council of Ministers, which is rarely granted.
- Business Visas: All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. Notwithstanding, The Council of Ministers issued a resolution on 24/10/1428H (November 5, 2007) approving charging a SR 1,000 ($266.67) fee for multi-entry visit visa for business people and those of similar standing, valid for one year, taking into consideration the principle of reciprocity for countries that levy lower fees or exempt Saudi business people from visa fees. The new resolution is till to be enacted.
- Delayed Payments: Although the Saudi Government is keen to resolve any payment disputes and has reduced its arrearages in the last few years, the problem persists, and U.S. companies should check with the U.S. Embassy or Consulates for information on the current arrearage situation.
- Intellectual Property Protection: Though intellectual property protection has steadily increased in the Kingdom, piracy remains a problem. The application of a new Patent Law is proving to be cumbersome and problematic to foreign patent holders. Enforcement and transparency still lack. The Council of Ministers issued a resolution on 23/11/1428H (December 3, 2007) approving the Law of Trademarks for GCC countries.
- Counterfeiting: Although anti-counterfeiting laws exist, manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products in Saudi Arabia. There is still no clear and transparent mechanism to reduce and stop counterfeit products from entering Saudi Arabia.
- Arab League Boycott: The Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Oman, Qatar, and the United Arab Emirates) announced in the fall of 1994 that its members would no longer enforce the secondary and tertiary aspects of the Arab League Boycott. The primary boycott against Israeli companies and products still applies.
- Government Procurement: Saudi Arabia's government contracts on project implementation and procurement strongly favor Saudi and GCC nationals. However, most Saudi defense contracts are negotiated outside these regulations on a case-by-case basis. Saudi Arabia published its revised government procurement procedures in August 2006. Foreign suppliers that participate in government procurement are required to establish a training program for Saudi nationals.
- Banking: Although the Saudi central bank, SAMA, has granted licenses to a number of foreign financial institutions to open branches in Saudi Arabia, these banks will only be allowed to provide investment banking and brokerage services, if applicable. No new licenses were issued in 2006 and there are currently 16 banks in Saudi Arabia, including five branches of foreign banks.
- Shipping: Saudi Arabia gives preferences to national carriers for up to 40 percent of government-related cargoes with two companies taking advantage of this situation.
- Standards and labeling: As part of the GCC Customs Union, the six Member States are working toward unifying their standards and conformity assessment systems. However, each Member State continues to apply its own standard or a GCC standard. A new ICCP mandates that a Certificate of Conformity must

accompany all consumer goods exported to Saudi Arabia. Labeling and marking requirements are compulsory for any products exported to Saudi Arabia.

- Travel Advisories: Americans visiting Saudi Arabia are advised to check the http://travel.state.gov/travel/cis_pa_tw/tw/tw_932.html for the latest information on travel to Saudi Arabia.

Market Opportunities Return to top

- Initially, only Saudi nationals are permitted to engage in trading activities and only Saudis are permitted to register as commercial agents. These restrictions were recently eased and foreign individuals and companies are allowed to engage in trading activities through a joint venture partnership with a Saudi individual or entity, holding 25 percent of the equity, and which will be raised to 75 percent after three years of incorporation.
- Saudi Arabia—the seventh-fastest reformer globally and second fastest in the region—joined the ranks of the top 25 countries worldwide on the ease of doing business. It had reforms in three of the 10 areas studied. The country has made starting a business more accessible by eliminating what had been, in U.S. dollar terms, the highest minimum capital requirement in the world.
- The 2008 Saudi Government budget is the country's largest, with expenditures at $109.3 billion, 8 percent more than last year's. More than a quarter of the budget will be spent on human resources development, including higher education, technical and vocational training. Additionally, one of the main focuses of this budget will be to boost scientific research and technological development by establishing new research centers at Saudi universities. The new budget entails the construction of more than 2,000 new schools, seven technical institutes for girls, and 16 vocational training centers. Moreover, the new budget includes the construction of eight new hospitals and 250 primary care centers, among other projects.
- An additional subsidy was introduced in December 2007 granting $266.67 (SAR 1,000) per ton on imported rice, and increasing the flat subsidy on baby milk from $0.53 to $3.2 per kilo.
- Being the largest producer and exporter of crude oil, Saudi Aramco, the national oil company, is planning to invest $90 billion over the next five years (2008-2012) to expand crude and refining capacity. By 2009, Saudi Arabia's sustainable oil production capacity will grow to around 12 million barrels per day (bpd), while the company's worldwide refining capacity will almost double from three million bpd to about six million bpd.
- As an offshoot to the expansion in the oil and gas sector, the Saudi petrochemicals industry is also enjoying an unparalleled boom. Saudi Aramco is investing, for the first time, into a $10 billion petrochemical project on the Red Sea, and SABIC, the state-owned petrochemical company, is investing into three massive petrochemical projects due to come on stream in 2008-2009. SABIC plans to boost its chemicals production capacity to 60 million tons per annum (MTA) by 2008. Higher revenues from oil and cheap feedstock have made Saudi Arabia one of the main hubs for investment in this sector.

- Deregulation and privatization are the core themes followed by the Saudi Government to enhance the country's investment climate and help to diversify the economy away from the oil and gas sector. Accordingly, the Saudi Arabian General Investment Authority (SAGIA) is taking the lead to promote foreign investments in four new Economic Cities that are expected to attract close to $80 billion in investments.
    1. The King Abdullah Economic City in Rabigh will focus on promoting energy and transportation related industries
    2. The Prince Abdulaziz bin Mousaed Economic City in Hail will be designed around transportation and related logistical services
    3. The Knowledge Economic City in Madinah will include a Technology and Knowledge-Based Industries zone, an advanced IT studies institute, an interactive museum on the life of Prophet Muhammad (PBUH), a center for Islamic civilization studies, a campus for medical research and biosciences, an integrated medical services zone, a retail zone, a business district, and residential zones
    4. The fourth economic city in the southern city of Jizan will have an industrial zone, a logistics service center, an energy/desalination plant, a residential zone and a seaport
    5. Two more cities are being planned, one in Haqal and another in Ras Azzor.
- Specifically, SAGIA's vision for the Economic Cities is to contribute between a quarter and a third of the aspired national growth rate, to create over a million jobs, and to become home to 4-5 million residents by 2020.
- The Royal Commission for Jubail and Yanbu (RCJY) is finalizing stage one of the $5.9 billion development of the Jubail 2 Industrial City. Phase two and three are expected to be completed by 2023.
- Other major developments include upgrading King Abdul Aziz International Airport in Jeddah, Madinah International Airport, and Tabuk airport at a total cost of $11.3 billion. Moreover, the General Authority for Civil Aviation plans to build a new airport at Mada'in Saleh and upgrading the facilities at Yanbu Airport.
- The Saudi Railways Organization (SRO) is also vying for building 3,144 km of railroad tracks. Two main projects, the 1,600 km North-South network, which will connects Riyadh-Buraydah-Hail-Qurayyat as well as the mines at the Jalamid and Zabirah to Ras AzZwor at the Arabian Gulf, and the 1,100 km East-West line, which will link the Persian and Red Sea coasts passing through the capital, Riyadh.

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- U.S. exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, but commercial regulations restrict importing for resale and direct commercial marketing within the Kingdom to Saudi nationals and wholly Saudi-owned companies, as well as to Saudi-foreign partnerships where a foreign partner can hold up to 25 percent in equity, which can increase to 75 percent after three years.

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

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Chapter 2: Political and Economic Environment

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

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

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

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Chapter 3: Selling U.S. Products and Services

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U.S. exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, but commercial regulations restrict importing for resale and direct commercial marketing within the Kingdom to Saudi nationals and wholly Saudi-owned companies, as well as to Saudi-foreign partnerships and where the foreign partner holds a 25 percent equity. Nationals from the Gulf Cooperation Council (GCC) countries, which include Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and the UAE, are also allowed to engage in trading and retail activities, including real estate. Agent/distributor relations are governed by the Commercial Agency Regulations of the Kingdom of Saudi Arabia that is administered by the Ministry of Commerce and Industry. These regulations are currently still being revised.

In July 2001, the Council of Ministers cancelled a decree compelling foreign companies with government contracts to appoint a Saudi service agent. The old decree also specified a maximum commission of five percent. Some government contracts, however, will require a minimum requirement to subcontract to Saudi companies. In addition, government contracts will include a clause to develop training programs for Saudis.

Terminating an agent/distributor agreement can be difficult even though Saudi policy has changed to permit registration of a new agreement over the objections of the existing distributor. The U.S. Commercial Service, through the U.S. Export Assistance Centers and overseas posts, offers a variety of services to assist U.S. firms in selecting a reputable and qualified representative. Our International Partner Search will provide you with pertinent information on up to six pre-qualified potential Saudi representatives. This customized search will put you in touch with firms that have expressed an interest in representing your product or service.

Another service is the Gold Key Service, which is a personalized and targeted matchmaking service that combines orientation briefing, a profile of each Saudi prospect, interpreter services for meetings, a local Commercial Specialist to escort you to your meetings, and assistance in developing follow-up strategies.

Saudi law is based on the Islamic Shari'a and differs considerably from U.S. practice. Nonetheless, the Saudi Government has earmarked nearly $2 billion to overhaul its judicial system and court facilities in an effort to streamline the legal process. A Royal Decree M/78 dated October 1, 2007 was promulgated, approving the Charter of Judiciary system, and the Grievances Board Charter, and implementing work mechanisms. U.S. firms contemplating an agency or a distribution agreement are advised to consult with a local attorney.

Establishing an Office

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

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

A third method is to establish a branch office. Under the new Foreign Investment Act, the requirements and procedures for establishing a foreign branch office have been eased. Foreign companies may set up a wholly foreign-owned Saudi branch office to engage in any government contract or private sector work depending on the office license and scope of activities. Foreign companies that are contracted to do work for the Saudi Government must obtain a temporary commercial registration from the Ministry of Commerce and Industry, and then proceed to establish a branch office. Under certain circumstances, a foreign company may apply for a permanent registration if it wishes to engage in permanent business in Saudi Arabia.

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

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

Finally, foreign companies can get a license from the Saudi Arabian General Investment Authority (SAGIA) to set up an industrial or a non-industrial project in Saudi Arabia. SAGIA will license projects under the new Foreign Investment Act, which allows for 100 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 Companies Law is the principal body of legislation governing companies. Saudi company law recognizes eight forms of companies. The most common forms are limited liability companies (LLC), joint stock companies, general partnerships and limited partnerships. The less common company forms are partnerships limited by shares and joint ventures. Apart from the above, Shari'a law specifies a number of other types of companies, which cannot, however, be used by foreign investors.
In practice, foreign companies usually establish LLCs. Partnerships and joint stock companies are only established in exceptional cases.

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

Costs associated with setting up a business in Saudi Arabia went up in 2007. Utilities rates have remained mostly unchanged but office and residential rental rates have more than doubled, especially for prime locations. A general guide to the current costs of office rental is priced based on location and quality of the building and amenities.

It is important to note that the law forbids females in Saudi Arabia, regardless of nationality, to drive motor vehicles. Money should be included in an office budget to provide sufficient cars and drivers for transportation of female family members and staff.

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Franchising is a popular and growing approach for local firms to establish additional consumer-oriented businesses in Saudi Arabia. Although the franchise market is small relative to that in the United States, it is rapidly expanding in several business sectors. According to a local study, the Saudi franchise market is still expanding and expected to grow an average of 10-12 percent annually over the next three years. The same study projects the value of paid fees and royalties at more than SAR 1.2 billion ($323 million). The growth in this sector is based on Saudis' desire to own their own business and a widely held appreciation for Western methods of conducting business. U.S. franchisers command the market and more U.S. brands have recently set a foot in this market, namely, Gap, Krispy Kreme, and TGIF. Still, U.S. companies face growing competition from local and foreign companies in the following sectors: car rental agencies, fast food, and business services.

Franchising opportunities exist in the following business categories: apparel, laundry and dry cleaning services, automotive parts and servicing, restaurants, mail and package services, printing, and convenience stores.

The Commercial Companies' Law applies to any franchise agreement, and the Ministry of Commerce and Industry is the government entity that licenses and approves such agreements. Under the new Foreign Investment Regulations, a foreign franchise owner may apply for a license to establish a company with a 49 percent foreign ownership for the distribution of its franchised product(s) that are locally produced. The Commercial Companies Law, however, will not make a distinction between an Area Developer (Master Franchisee) and a sub-franchisee. Either will be considered as being a local agent/distributor of a foreign principal.

Direct Marketing

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

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

Joint Ventures/Licensing

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Under the Foreign Investment Act, a foreign investor may either chose to set up his/her own project or in association with a local investor. If the latter option is chosen, foreign investors may structure their enterprise as a limited liability company, which is the most commonly used approach. By law, the minimum capital of an LLC with foreign participation is SR 500,000. The required amount is increased to SR 1,000,000 for industrial projects and SR 25,000,000 for agricultural projects. The Board of Directors of SAGIA may reduce the minimum invested capital in projects established in areas specified by it or in export projects or those which require considerable technical experience. Limited liability companies must not have less than two nor more than fifty shareholders. The Ministry of Commerce and Industry approves formation of all joint ventures.

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

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

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

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

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

Selling to the Government

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In July 2001, the Council of Ministers cancelled a decree compelling foreign companies with government contracts to appoint a Saudi service agent. The old decree also specified a maximum commission of five percent. Therefore, foreign contractors wishing to bid for SAG contracts do not need to appoint a local service agent. Several royal decrees that strongly favor GCC nationals apply to Saudi

Arabia's government procurement. However, most Saudi defense contracts are negotiated outside these regulations on a case-by-case basis. Under a 1983 decree, contractors must subcontract 30 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. Foreign suppliers that participate in government procurement are required to establish a training program for Saudi nationals.

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

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

U.S. firms considering sales to the Government should request a briefing from the U.S. Embassy concerning the latest situation on payments and how U.S. firms can protect and secure timely disbursements.

When Saudi Arabia acceded to the WTO in December 2005, it committed to initiate negotiations for accession to the WTO Agreement on Government Procurement (GPA) and to complete its GPA negotiations within one year of becoming a WTO Member. Saudi Arabia became an observer to the GPA in December 2007, but it has not begun negotiations for GPA membership. Saudi Arabia published its revised government procurement procedures to bring them in line with GPA requirements in August 2006; however, it has not yet published revised procedures in English.

Some of the growth sectors include:

- The Oil and Gas Sector: Being the largest producer and exporter of crude oil, Saudi Aramco, the national oil company, is planning to invest $90 billion over the next five years (2008-2012) to expand crude and refining capacity. By 2009, Saudi Arabia's sustainable oil production capacity will grow to around 12 million barrels per day (bpd), while the company's worldwide refining capacity will almost double from three million bpd to about six million bpd. By the end of 2009,the company will invest in five major projects worth $18 billion to enhance its production capacity.

Saudi Arabia is one of the top oil exporting countries, and Saudi oil export revenues were expected to reach $200 billion in 2007.

- Petrochemicals: As an offshoot to the expansion in the oil and gas sector, the Saudi petrochemicals industry is also enjoying an unparalleled boom. Saudi Aramco is investing, for the first time, into a $10 billion petrochemical project on the Red Sea, and SABIC, the state-owned petrochemical company, is investing into three massive petrochemical projects due to come on stream in 2008-2009. Saudi Arabia is a key player in the global petrochemical industry commanding a seven percent global market share, and accounts for 75 percent of GCC petrochemical production. SABIC's output accounts for 95 percent of the domestic petrochemical output, with 17 world-scale manufacturing affiliates in Saudi Arabia, eight of these are joint ventures with foreign partners. SABIC is on a major expansion drive, its total capacity is stated to increase from 43mtpa in 2004 to 64mtpa by 2008 and 100mtpa by 2010. To reach these targets, SABIC has expanded aggressively, both domestically and internationally. However, private investment in the petrochemical sector is also expanding. By 2010, SABIC's share of the domestic petrochemical production is likely to decline to 75 percent. The sector is expected to witness investments of about $41billion between 2004-2009 taking Saudi Arabia's market share in the global petrochemical market to 13 percent.

- Construction: All trends point to massive investments in the construction sector, with billions of dollars of investment still to come in real estate, industry and the hydrocarbons sector. Oil revenue surpluses are boosting the government budget and overall spending. Supply bottlenecks, however, will put a halt and probably scale down some projects. Shortage of skilled labor and rising construction costs will hinder the pace of construction and investments growth. Total capital spending in the 2008 budget has been raised to $44 billion, a slight increase over 2007, reflecting the government commitment to enhance infrastructure but also to control inflation. In the private sector, investments in the industrial sector, especially in petrochemicals, will require construction investments reaching more than $500 billion over the next 10 years depending on the project and construction time frame. Total banks lending to the construction sector went up by more than 14 percent, from $10.1 billion in 2006 to $11.6 billion in 2007.

- Banking: The Saudi banking system remains one of the strongest and most profitable in the region. Total assets of the Saudi banking sector went up more than 24 percent, from $229.6 billion in 2006 to $286.7 billion in 2007. Net income came down more than 14 percent from $9.4 billion in 2006 to $8.06 billion in 2007. Ramifications of the stock market collapse in 2006 have negatively affected the banking sector's profits in 2007and most of the country's banks are now trying to boost income from other sources, particularly retail lending. The difficulty in obtaining a licence to operate in Saudi means that only 12 banks operate, dominated by Al-Rajhi bank, the country's most profitable and one of the world's largest Islamic banks, and National Commercial Bank the largest by asset size in both Saudi Arabia and the whole GCC. A number of international banks have entered the market by taking stakes in domestic firms, such as HSBC's 40 per cent stake in Saudi British Bank (Sabb) and ABN Amro's 40 per cent stake in Saudi Hollandi Bank, which could soon be up for sale. Five GCC banks are licensed to operate in Saudi Arabia, and licenses were also granted to Deutsche Bank, BNP-Paribas, State Bank of India, National Bank of Pakistan, and J.P. Morgan Chase.

So far, only Deutsche Bank and BNP-Paribas are operational. As of the date of this report, the Capital Market Authority has licensed 82 foreign and local companies to provide financial services and brokerage services from dealing and managing portfolios to arranging and advisory services, including Morgan Stanley, Ernst & Young, Merrill Lynch, J.P. Morgan, and Goldman Sachs, among others.

The kingdom's stock market ended 2007 on a confidence note, the Tadawul All-Share Index (TASI) closed at 11,175 compared to 7,933 in 2006. Trading volumes plummeted 20 percent in 2007 bringing down the total value of traded shares to $682 billion, more than half its value in 2006. Overall market capitalization gained in 2007 reaching $519 billion compared to $327 billion in 2006.

- Water & Power: Official statistics show that the demand for water will increase to over 3,000 million M^3 a year by 2010, while the Kingdom will need $50.6 billion in investments to meet its electricity requirements until the year 2015. Ample opportunities for Independent Water and Power Projects (IWPP) are abound and the Saudi Government plans to launch ten independent water and power projects (IWPPs) by 2016 at a total investment of $16 billion. The first phase of this plan entails building four IWPPs (Shuaiba-3, Shuqaiq-2, Ras Al-Zour, and Jubail-3) at a total cost of $8 billion that would be carried out by the private sector on build-operate-transfer basis.

Saudi Arabia will need close to $93 billion in investments in the water and sewage treatment sector and another $91 billion for power projects over the next 20 years.

- Insurance: The Saudi insurance market is the largest in the Arabian Gulf, representing more than 36 percent of the total gross premiums. In 2007, gross premiums stood at $1.86 billion and are expected to more than double by 2012. Industry sources expect the insurance sector contribution to GDP to stabilize at 0.5 percent in 2007, but to grow to almost two percent once the sector is organized and the market mechanisms are in place.

As of the date of this report, there are 18 insurance companies listed on the Saudi stock exchange and 11 companies that were approved to sell insurance policies in Saudi Arabia. So far, the Saudi Arabian Monetary Agency approved the licensing for 32 insurance brokers, eight insurance agents, seven insurance consultants, four surveyors, five insurance administrators, and two actuarial experts.

- Telecommunications: The telecommunications sector continues to be among the most active sectors in Saudi Arabia. There is currently one land line carrier – the Saudi Telecom Company (STC), but the Saudi Council of Ministers has officially approved the right of three consortiums to operate fixed-line licences – Verizon from the US, PCCW from Hong Kong and Batelco from Bahrain receive the green light from the Saudi Government to start building their networks. Currently, STC has about 8 million landline customers, which is expected to grow an average of 15-18 percent in line with the growth in demand for DSL and broadband connections.

Until 2004, STC's Al-Jawal held a monopoly on mobile phones but lost almost 30 percent of the market to Etisalat's Mobily within the first 12 months of the latter entry into the market. The latest available data reveal that total mobile subscribers reached approximately 18 million with a 78 percent market penetration. In June

2007, the Communications and Information Technology Commission awarded the third license to Zain (formerly MTC in Kuwait). The company's bid of $6.11 billion was double Etisalat's Mobily bid. Industry sources expect that the market will be split equally among the three operators and STC will eventually lose some of its market share and profits over the years.

There still is a single hub for Internet data transmission in the country and the King Abdul Aziz City for Science and Technology is the Internet services regulator. ADSL and other broadband technologies will open the door to voice over broadband services in the country, and that will help mitigate the effects of the contracting circuit-switched telephony market. Currently, there are companies licensed to provide data services as well as three licenses for Global Mobile Personal Communications by Satellite.

Distribution and Sales Channels

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There are three major distribution and sales regions in Saudi Arabia: The Western Region, with the commercial center of Jeddah; the Central Region, where the capital city Riyadh is located; and the Eastern Province, where the oil and gas industry is most heavily concentrated. Each has a distinct business community and cultural flavor, and there are only a few truly "national" companies dominant in more than one region.

U.S. exporters may find it advantageous to appoint different agents or distributors for each region having significant market potential. Multiple agencies and distributorships may also be appointed to handle diverse product lines or services. Multiple agencies and distributors can present logistical and management difficulties, so, often U.S. firms, particularly in the franchise sector, choose to appoint a master franchisor or distributor for states of the Gulf region, which includes Saudi Arabia, Kuwait, Qatar, Bahrain, Oman, and the UAE. However, finding a master regional distributor can be just as problematic as dealing with half a dozen or more for some very small countries and markets as the Gulf States often compete in commercial sectors.

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

Selling Factors/Techniques

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

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

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

Financing and credit facilities may be offered as part of a sales proposal, usually after a solid relationship has been established. Recently, the Saudi Government approved the Capital Markets Law, which will regulate the stock market and pave the way for a more sophisticated financial market.

In a significant further opening up of the market, foreign investors will be able to own up to 75 per cent of local companies in the insurance, air and rail sectors as well as in the wholesale and retail trades.

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, U.S. firms should expect to make frequent, periodic visits each year to support their Saudi distributor.

Electronic Commerce Return to top

Internet services are freely available and the main cities have several Internet Service Providers (ISPs) and Internet café's. High speed DSL Internet is also available. States of the Arabian Gulf will increase their IT spending by 11.6 per cent to $8.6 billion during 2008, on the back of rapidly growing investment in software, according to a regional consultancy firm. Saudi Arabia will be the biggest spender at $3.76 billion in 2008.

According to another study, Internet users in Saudi Arabia spent more than $3.2 billion in 2007. Almost half of all Saudi Internet users reported that they purchased products and services online and through their mobile handsets in 2007. The same study estimates E-Commerce users in Saudi Arabia to exceed 3.5 million consumers representing 14.26 percent of the population. The Saudi Government has already passed a number of regulations to control and monitor electronic transactions, namely, regulations for E-Transactions and E-crimes. Additionally, the government has allocated close to $800 million to implement the E-Government initiative. Nevertheless, obstacles are still present, which hinder the rapid and smooth implementation of electronic business in the Saudi market including:

- The unfilled (and ever-increasing) demand for bandwidth

- The relatively high cost of an e-business transaction compared to the cost of conducting a voice transaction
- The social adaptation that is necessary for people to gradually understand and use E-commerce
- Consumer confidence in electronic transactions in a still mainly cash-driven society
- The shortage of skillful people to transform to an electronic business model
- The current shortage of interconnectivity in the region's web sites.

Trade Promotion and Advertising

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Advertising, especially on satellite television, is rapidly expanding. Any commercial has to conform to religious and ethical codes. With some modest exceptions, the female human form is not culturally or religiously acceptable in the media. Saudi monopoly on television broadcasting was infringed with the advent of satellite television, which also forced TV advertising rates to come down.

Saudi companies have opted to run commercials through international satellite TV channels such as the Middle East Broadcasting Corporation (MBC) and Arab Radio & Television (ART). Other Arabic satellite channels that also have proved to be popular in the Arab world include LBC, Future Television, Dubai One TV, Dubai TV, New TV, Channel 2, MBC2, MBC3, and MBC4. Many Saudi companies place commercials on these channels as well as on two pan-Arab news channels, Arabiya and Al-Jazira channels. In addition, two encrypted TV networks each provide approximately 30 channels for an average subscription of $1000 per year. The networks include Orbit Communications and ShowTime.

Newspaper advertising is carried in both the local English and Arabic press, but its effectiveness is somewhat limited by relatively low readership rates. The three local dailies published in English have a circulation in the range of 20,000 to 50,000 copies: Arab News, Saudi Gazette, and Riyadh Daily (Riyadh). The leading Arabic newspapers, with nationwide distribution, have circulation in the 70,000 to 100,000 range: Al Hayat, Asharq Al Awsat, and Okaz.

Other relevant newspapers have lower circulation, and some have only regional distribution: Al Bilad, Al Jazirah, Al Madina, Al Nadwa, Al Riyadh, Al Youm, Um Al Qura, Al Watan, Al-Riyadiya (sports only). Another economic daily, Al Eqtisadiah, has rapidly earned a loyal readership of executives and Government officials.

Numerous trade promotion events take place from September through June, with most of them held in the modern exhibit centers in Saudi Arabia's three major cities, Riyadh, Jeddah, and Dhahran. Smaller exhibit facilities are also located in regional centers, and often operate in cooperation with or under the sponsorship of a local Chamber of Commerce.

Most Chambers have a proactive approach to promotion and trade, organizing shows and presentations for individual companies or groups, and have been eager to attract American and other Western suppliers. The main Chambers of Commerce are listed in Chapter 9 (Contacts, Market Research and Trade Events).

In addition, the Commercial Service (CS) has a very dynamic annual Trade Events Calendar with Trade Missions, Catalog Shows, Domestic, and International Trade Shows. CS Saudi Arabia office is also very active in promoting and recruiting for trade shows in the U.S. under the International Buyer Program (IBP).

Pricing

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The Government maintains a free trade approach and since 1981, the Saudi Arabian Monetary Agency (SAMA), the Central Bank, has pegged the Saudi Riyal to the U.S. Dollar, to facilitate long term planning and minimize exchange risk for the private sector. As such, Saudi importers expect U.S. producers to practice a more stable pricing policy than their foreign competitors. In the last couple years, there have been numerous speculations that the Saudi Government will revalue the Saudi Riyal exchange rate vis-à-vis the U.S. Dollar. The Saudi Arabian Monetary Agency (SAMA) has consistently stated that it has no intention to alter the existing exchange rate. Given SAMA huge stock of foreign assets, Industry sources expect that the Saudi Central Bank will be able to defend the Saudi Riyal peg to the U.S. currency.

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

Contrary to popular belief, pricing is very important to the average Saudi. Therefore, where there are competitive products, Saudi buyers frequently will compare prices before making a decision. For the U.S. supplier, some give-and-take is expected in preliminary negotiations. The asking price is usually lowered slightly to entice the client and to bow to the Saudi penchant for bargaining and personal exchange. As leveraged transactions become the norm, Saudis have come to understand that an attractive financial package can be even more interesting than an up-front low price.

The rate of inflation recently experienced – 8 percent -was inevitable given the rapid growth in the economy and the increasing demand for products and services. During the last quarter of 2007 and the first quarter of 2008, inflation has grown to become a major problem and, while the Saudi Government has always tried to stabilize prices, various factors, both internal and external, came into play that aggravated the situation. Global commodity prices and shortages in supply of Saudi staple foodstuffs, lack of housing, shortage of labor were some of the market forces that have nurtured inflationary pressures.

Sales Service/Customer Support

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Saudi Arabia is a relatively open market, which makes it highly competitive. Brand loyalty and established preferences are less developed than in other countries.

Consequently, sales service and customer support is indispensable to win and maintain new clients.

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

Protecting Your Intellectual Property

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

The Saudi legal system protects and facilitates acquisition and disposition of all property rights, including intellectual property. The Saudi Government has acceded to the Universal Copyright Convention; implementation began in 1994. The Saudi Copyright Law was amended in August 2003 to improve protection and to provide for serious deterrent penalties for violators. The government also endorsed the country’s joining the “Paris Convention for Protection of Industrial Property” and the “Berne Convention for the Protection of Literary and Artistic Works”. Moreover, the highest religious authority in Saudi Arabia has condemned software piracy in a “Fatwa”, a religious edict. Though intellectual property protection has steadily increased in the Kingdom, piracy remains a problem.

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

Patent and Trademarks protection and enforcement remain cumbersome and inconsistent. Both the Additional information on Saudi Arabia’s protection of property rights, trademarks, and patents is addressed in more detail in Chapter 6 (Investment Climate).

Due Diligence

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In 2001, the Commercial Service in Saudi Arabia reinstated the International Company Profile (ICP) reports. The report will provide detailed information on a specific Saudi company and comments based on information from the U.S. Embassy Commercial Section.

Local Professional Services

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There are many firms throughout Saudi Arabia offering professional services to foreign and domestic firms alike. The following websites provide access to various business support networks, including lawyers, translators, and a representative group of other service providers that offer their professional services to U.S. exporters and investors interested in Saudi Arabia.

Business Service Providers
Translators - Riyadh, Saudi Arabia
Lawyers - Riyadh, Saudi Arabia
Hospitals - Riyadh, Saudi Arabia
Tax Assistance - Riyadh, Saudi Arabia
Translators - Dhahran, Saudi Arabia
Lawyers - Jeddah, Saudi Arabia
Tax Assistance - Jeddah, Saudi Arabia
Translators - Jeddah, Saudi Arabia
Physicians List - Jeddah, Saudi Arabia

Web Resources

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Gulf Cooperation Council
International Partner Search
Gold Key Service
Saudi Arabian General Investment Authority
Saudi Arabian Standards Organization
Saudi Industrial Development Fund
Saline Water Conversation Corporation
Water and Electricity Company
Saudi Telecommunications Company
Foreign Credit Insurance Association
Communications and Information Technology Commission
Saudi Aramco
Middle East Broadcasting Corporation
Arab Radio & Television
LBC
Future Television
Dubai TV
New TV
Channel 2
Arabiya
Al-Jazira
www.arabnews.com
www.saudigazette.com.sa
www.asharqalawsat.com
www.alhayat.com
www.alriyadh-np.com
www.al-jazirah.com
www.aleqtisadiah.com
www.okaz.com.sa
www.almadinapress.com
www.alwatan.com.sa
www.recexpo.com
www.acexpos.com
www.dhahran-expo.com
Trade Events Calendar
CS Saudi Arabia
International Buyer Program
Saudi Arabian Monetary Agency
KACST
GCC Patent Office
Commercial Service in Saudi Arabia
International Company Profile
Business Service Providers
Translators - Dhahran, Saudi Arabia
Translators - Riyadh, Saudi Arabia
Lawyers - Jeddah, Saudi Arabia
Lawyers - Riyadh, Saudi Arabia
Tax Assistance - Jeddah, Saudi Arabia
Hospitals - Riyadh, Saudi Arabia
Translators - Jeddah, Saudi Arabia
Tax Assistance - Riyadh, Saudi Arabia
Physicians List - Jeddah, Saudi Arabia

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

Commercial Sectors

Oil & Gas Field Machinery (OGM)

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Saudi Aramco, the world's largest and lowest- cost oil producer, has a daily average output of crude oil of 8.9 million barrels and 8.22 billion cubic feet of gas per day. Saudi Aramco's proven recoverable crude oil and condensate reserves are 259.9 billion barrels. Its gas reserves are estimated at 248.5 trillion trillion cubic feet.

By the end of 2009, Saudi Aramco's production capacity will reach 12 million barrels per day. Industry sources confirmed that by 2009, five major projects valued at $18 billion dollars to increase crude oil production (2.7– 3.05 million b/d), and double its refining size would be completed.

Saudi Aramco is also expanding the capacity of its Master Gas System, the largest natural gas network of its kind. Although Saudi Aramco is producing and processing gas to power the development and diversification of Saudi Arabia's economy, these operations do have a positive international impact. By using gas as the primary fuel and feedstock for domestic industries and utilities, Saudi Aramco is able to redirect crude oil to international markets, helping to meet growing worldwide demand even as it continues to fulfill Saudi Arabia's domestic obligations.

Recently, Saudi Aramco awarded four oil refinery projects worth a total of $23 billion, for the Rabigh integrated refinery, Yanbu-ConocoPhilips project, Jubai-Total refinery, and Ras Tanura integrated refinery.

Industry sources estimate the total value of Saudi Aramco's planned projects for the next 20 years to be around $80 billion dollars.

Data on potential market size data are extremely difficult to estimate, as the Saudi oil industry is experiencing a major boom. Revenues have grown significantly with the increased global price for crude oil and the industry is re-investing in expanding output and in utilizing the most advanced exploration, reservoir management and enhanced recovery technology.

Best Products/Services

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The aforementioned projects throughout Saudi Arabia will generate a demand over the next three years in the hundreds of millions of US dollars in Saudi Arabia for high quality oil and gas industry related products and supplies.

There 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 & 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 US products.

Opportunities Return to top

Saudi Aramco plans to develop the Abu Hadriyah, Manifa, and Khurais oil fields. The company also is investing in expanding refining capacity and increase capacity at the Haradh Gas Plant. Moreover, Also, Al-Khafji Joint Operations, an Aramco joint venture with Kuwaiti Gulf Petroleum Company, also have plans to invest $4 billion over the next five years to upgrade its oil facilities in the neutral zone.

There will be additional opportunities for U.S. firms building oil refineries, investment in the Gas Initiative, and bidding on various Saudi Aramco projects to enhance production levels at its onshore and offshore fields.

Awarded/planned projects are:

- **Hawiayh gas plant expansion.**
    - Start-up date is July 2008
- **Nuayyim oil field development.**
    - Start-up date is December 2008
- **Shaybah oilfield expansion.**
    - Start-up date is December 2008
- **Yanbu natural gas liquids (NGL) plant expansion.**
    - Start-up date is December 2008
- **Yanbu gas plant de-ethanizer column.**
    - Start-up date is December 2008.
- **Khurais oilfield expansion.**
    - Start-up date is June 2009.
- **East-West NGL pipeline enlargement.**
    - Start-up date is December 2009.
- **Manifa offshore oilfield facilities.**
    - Start-up date is mid 2011.
- **Export oil refineries in joint ventures with Conoco-Philips in Yanbu, and Total in Jubail.**
    - Start-up date is in 2nd half of 2011.

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Saudi Aramco

https://www.aramcoservices.com
Companies interested in providing material sources for ASC should contact Material & Vendor Services.
Contact Phone: 713-432-4692
Email: Beatrice.Garza@aramcoservices.com

U.S. Department of Energy
Energy Information Administration
http://www.eia.doe.gov/emeu/cabs/Saudi_Arabia/Background.html

Petrochemicals (CHM)

Overview

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The unprecedented scale of the expansion of petrochemicals production being implemented in Saudi Arabia (and the opportunity for US equipment exporters) makes estimates of market size data extremely difficult.

Major petrochemical projects are being implemented as part of the country's strategy of adding value downstream. The pace of implementation is constrained only by a worldwide shortage of experienced project managers and engineers. Saudi Arabia, flush with funds from the continuing high world prices for it's crude exports, currently has more than 31 ongoing and planned petrochemical projects valued at more that $57.3 billion. U.S. companies have around 80% involvement in these projects, directly and through local joint venture partners, in the form of proprietary technology licensors; project management contractors; front-end engineering design (FEED) contractors; engineering, procurement, and construction contractors.

Receptivity to US products and services is exceptionally high and the current weakness in the value of the US dollar reinforces the competitiveness of US exports of goods and services. Nevertheless, major competitors come from Europe, Japan, South Korea, and Australia appear determined to participate in this lucrative market. The 2006 annual report of Saudi Arabian Basic Industries Corp. (SABIC), one of the ten largest producers of petrochemicals in the world, mentioned that its petrochemical plants produced 45.1 million metric tons achieving a 7% increase over production figures in 2005 (www.sabic.com).

The total sales volume of petrochemicals in 2006 was $20 billion. SABIC has started looking downstream for the next wave of expansion projects. SABIC's management reported that up till 2008, the Group had a full slate of projects. Every year, SABIC supplies over 20 million metric tons of basic petrochemical products like ethylene, methanol, and methyl tertiary butyl ether (MTBE).

Best Prospects/Services

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

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

The new foreign investment law encourages foreign companies to establish directly-owned industrial and non-industrial ventures in Saudi Arabia. Foreign investors, interested in setting-up a facility to produce petrochemicals must apply for a license and a commercial registration. Additional information can be accessed at the website of the Saudi Arabian General Investment Authority at www.sagia.org

Opportunities

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Upcoming and ongoing major petrochemicals projects include:

- **Ras Tanura Petrochemicals**
    - Saudi Aramco/Dow Chemical
    - Value: $22 billion
    - Completion: 2012
- **Jubail Olefins Complex**
    - INEOS/Delta
    - Value: $2 billion
    - Completion: n/a
- **Jubail Olefins and Ammonia**
    - Sipchem
    - Value: $8 billion
    - Completion: n/a

Resources

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Saudi Arabian Basic Industries
www.sabic.com

Saudi International Petrochemical Company
www.sipchem.com

Saudi Aramco
https://www.aramcoservices.com
Companies interested in providing material sources for ASC should contact Material & Vendor Services.
Contact Phone: 713-432-4692
Email: Beatrice.Garza@aramcoservices.com

Saudi Arabian General Investment Authority
www.sagia.com

Safety & Security Equipment (SEC)

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Saudi Arabia has become one of the world's fastest growing single market for security equipment and technology. Safety concerns in Saudi Arabia have fueled a rapid expansion of market for security equipment and services. The terrorist attacks in the past few years have forced many institutions, companies and industries to re-evaluate their security needs. The market has grown astronomically by an estimated 40 percent in 2005 and expected to remain buoyant in 2006 and beyond.

Best Prospects/Services Return to top

Good potential exists for various equipment and systems across the board, but mainly, for access control, identification equipment, closed circuit television, surveillance and scanning equipment. End-users are becoming more sophisticated about using security products, both on a personal and corporate level. As such, the demand for new technologies and enhancements to existing systems is increasing in line with allocated expenditures for these systems and services.

Opportunities Return to top

The drive to improve security at all levels is now in high gear. Saudi Aramco is the largest non-military end-user of security items, and about 80 percent of its security requirements are sourced from the U.S. Major oil and gas, petrochemical and industrial projects stimulated a growth in this sector. Prominent among the ongoing projects are:

- Saudi Aramco's project to acquire technologies in the field of Long Range Detection for its 33 large sites.
- Saudi Arabia is pushing ahead with plans to build a 560-mile fence along its border with Iraq.

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www.security.gov.sa
www.se.com.sa
www.intersecexpo.com
www.saudiaramco.com
www.swcc.gov.sa
www.ports.gov.sa
www.sabic.com

Information Technology Equipment & Services (ICT)

Overview

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Information Technology, specifically in the IT consolidation and enterprise-wide solution market has tremendous growth potential in the Kingdom of Saudi Arabia. This positive outlook is a direct function of the tremendous financial boom that Saudi Arabia is experiencing. Currently, Saudi Arabia is using this surplus cash to steadily move its government and businesses towards a network-integrated future.

Whilst this IT boom occurred in the United States in the late 90s and early 2000s, lack of Internet penetration and connectivity in daily life has slowed the pace of reform in the Kingdom. As stated by leading Saudi IT professional, 'companies are assisting both the public and private sector to construct top-to-bottom IT infrastructures within their organizations.'

IT service vendors are widening their services portfolio to meet future end-user demand. This demand is shifting from traditional services like deploy and support to customization and outsourcing. Spending on IT Services will increase for several reasons:

- High oil prices will have a direct and positive impact on the economy
- The entry of new players in the telecoms, banking and government sectors will boost demand for services
- Customers are warming up to outsourcing services models
- End users and services providers alike are investing in IT training due to the skills shortage in the country.

It is difficult for service vendors to differentiate themselves in the provision of commercially available packages applications such as ERP, CRM and SCM. As customers shift their focus from infrastructure setup to solutions that bring business efficiency, service providers that understand the challenges of customer's business and can assist in integrating business and IT will succeed.

Opportunities

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

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

The Kingdom’s first Knowledge Economic City (KEC) is coming up in Madinah (Medina). It will have a technological and economic information center, a campus for medical research and biosciences and a center for studies in Islamic civilization.

The project is expected to attract investments worth more than SR25 billion and create nearly 25,000 new jobs. KEC will have a range of complementary zones -- a technology and KBI zone; an advanced IT studies institute; an integrated medical services zone; a retail zone; and a business district.

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Communications and Information Technology Commission
www.citc.gov.sa

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

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

Saudi Computer Society
http://www.computer.org.sa/english

Electrical Power Systems (ELP)

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Saudi Arabia faces a major challenge in meeting the electricity needs of its burgeoning population over the next 20 years. Consumption is growing at an annual rate of 6 percent requiring an estimated $119 billion in direct capital investment by the year 2020. The Saudi Government (SAG) seeks private investment to expand generation capacity, unify its national electricity grid, and switch its power plants from heavy oil to natural gas. The SAG also needs development in the transmission sector. Brown outs are common in the Western and Southern Provinces of Saudi Arabia due to insufficient capacity. On November 2002, the Supreme Economic Council created a regulatory body to set prices and encourage foreign investment in the sector. Since then, various projects have already been launched including upgrading existing power plants and building new facilities.

To encourage private sector investment in power generation, the Saudi government issued a decree in 1997 redefining power generation as an industrial activity, which brought power generation under the authority of the foreign investment code allowing both domestic and foreign investors to freely invest in power generation. In 2003, the transmission and distribution sectors were opened to foreign and local investors, and the water and electricity operations were brought under the authority of a single ministry, the Ministry of Water & Electricity (MOW).

To ensure that the interest of private investors, electricity operators, and consumers are protected, the Saudi Government established an independent regulatory body, the Electricity and Co-Generation Regulatory Authority (ECRA). A new Electricity law was passed in November 2005. While its details have not yet been published, the new law is expected to reorganize the electricity sector and define the roles of the Ministry of Water and Electricity, the private sector, and the Saudi Electricity Company (SEC).

Best Prospects/Services Return to top

- Gas turbine units
- Steam turbine units
- Turbine spare parts & accessories
- Power plant design engineering firms
- Power plant consulting firms
- Products and services related to the power industries:
    - Valves,
    - Compressors
    - Pumps
    - Spare parts
    - Other related equipment and products.

Opportunities Return to top

The following is a list of future power projects to be undertaken by the Saudi Electricity Company (SEC) in Saudi Arabia:

- **Muzahimiyah Power Plant - 1,725 MW**
- **Salboukh Power Plant - 1,725 MW**
- **Power Plant # 10 (PP-10) – 2,500 MW**
- **Yanbu-II Power Plant - 3,600 MW**
- **Riyadh Power Plant-7 Expansion - 500 MW**
- **Qasim Power Plant Expansion - 360 MW**
- **Al-Khafgi Power Plant - 200 MW**
- **Jubail Phase 2 – 1500-2000 MW**
- **Riyadh Power Palnt 11 – 2200 MW**
- **Tabouk – 220 MW**
- **Najran – 110 MW**
- **Juba – 110 MW**
- **SADAF – 190 MW**
- **Aramco Manifa – 250 MW**
-

The following is a list of future power projects to be undertaken by the Water and Electricity Company (WEC) in Saudi Arabia:

- **Shuqaiq, Phase II** - $2.5 billion BOO project to produce 850 MW of electricity and 212 million cubic meters of desalinated water per day. Shuqaiq II will be modeled after the Shuaiba III IWPP project, with similar guarantees and a 20-year power and water purchase agreement (PWPA).
- **Ras Azzour** - $2.4 billion project to produce 2,500 MW of power and 176 million gallons of desalinated water per day.
- **Jubail, Phase III** – The project will produce 1,100 MW of electricity and 25,000 gallons of desalinated water per day.

Private investment in the power sector is also a key component of the development plan of the two major industrial cities of Jubail and Yanbu. In the summer of 1999, the Saudi government officially approved the creation of the join-stock Water & Electricity Utility Company named (MARAFEQ). On December 20, 2006, MARAFEQ signed a contact with Suez Energy International to develop on a BOOT (build, own, operate, transfer) basis and will be located in Jubail. MARAFIQ IWPP plant consists of a Combined Cycle Gas Turbine plant with a capacity of approximately 2,750MW, and 800,000 cubic metres of water per day. The project will deliver electricity and water to MARAFIQ under a twenty-year Power and water Purchase Agreement (PWPA) commencing on April 1, 2010. The first phase of the project will deliver 660 MW and 300,000 cubic metres per day starting in summer 2009, with full capacity being achieved in March 2010.

Private sector investment is emerging as a key component in the upgrading and expansion of Saudi Arabia's electricity infrastructure. The concept of Independent Power Projects (IPP) is also gaining ground among Saudi Arabia's leading companies, including Saudi Aramco, SABIC, and Ma'aden, which are contracting local and international private companies to build power plants for their mega projects:

Rabigh:
In August 2005, a Japanese consortium was awarded a $1.1 billion contract to build a co-generation and desalination plant for the Rabigh integrated petrochemical and refining complex jointly owned by Aramco and Sumitomo Chemical. The project, which stipulates a 25-year water and energy conversion agreement (WECA), is expected to come on stream by 2008.

Ma'aden:
Local and international contractors are preparing for the release of invitation to bid (ITB) documents on the Ras Azour power and desalination plant, planned by Saudi Arabian Mining Company (Ma'aden). The tender, together with the pre-qualification shortlist, will be issued on 15 August 2006. The co-generation plant will have power capacity of 160 MW and 10,000 cubic meters a day of desalinated water, using multi-effect distillation (MED) technology. The company is also planning a separate, larger co-generation facility for its multi-billion-dollar aluminum refinery and smelter complex, also located at Ras Azour. The contract to build the 1,800 MW plant is to be tendered in August 2008.

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Ministry of Water & Electricity ((MOW)
http://www.mow.gov.sa

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

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

Water & Electricity Co. (WEC)
www.wec.co.sa

Royal Commission for Jubail and Yanbu
www.royalcommission.com

Saudi Aramco
www.saudiaramco.com.sa

Power and Water Utility Company For Jubail and Yanbu - MARAFIQ
http://www.marafiq.com.sa

Saudi Arabian Mining Company (Ma'aden)
http://www.maaden.com.sa

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

Water Resources Equipment (WRE)

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In order to meet expected demand growth in water the kingdom will have to invest three billion dollar a year in infra-structure development over the next twenty year. The Kingdom has established 30 desalination plants on the Red Sea and Arabian Gulf coasts at a total cost of $17 billion. Saudi Arabia is rapidly deleing is 2.2 billion cubic meters of proven groundwater. 95 percent of water comes form aquifers, 4 percent from desalination and 1 percent from wastewater reclamation. 80 percent of water has been used in questionable agriculture projects, such as the world's most heavily subsidized wheat production. 30 percent of household water comes from desalinating. Saudi Arabia is the biggest user of desalinated water in the world (26 percent of world's total), and demand is growing be at lest 2 percent year. While the cost of desalination is falling, is still cost $1.33 to process, deliver and remove the waste form one cubic meter of such water, while a Saudi consumer pays only .04. The Ministry of Water and Electricity announces study after study to rationalize water tariffs and privatize the state owned Saline Water Conversation Corporation (SWCC).

With the budget surplus, Saudi Government is working on a number of large projects, primarily in the water and sewage system, in an attempt to meet the needs posed by population growth and industrial growth. The new planned major infrastructure projects include the construction of a 20 new water distribution network, and 20 new desalination plants. The refurbishment of the Jeddah desalination plant, the expansion of Asir II desalination plant, Yanbu/Medinah III desalination plants, and the expansion of wastewater treatment plants In Jeddah, Riyadh, and Dammam.

In July 2001, the new Ministry of Water was created. It was carved out of the water departments of the Ministries of Agriculture and Municipal and Urban Affairs, and given responsibility for developing a comprehensive water and sewage systems for the Kingdom.

In 2001, the Royal Commission for Jubail and Yanbu founded the Power & Water Utility Company for Jubail and Yanbu known as (Marafiq). This company is responsible for planning and developing power and water utilities in Jubail and Yanbu industrial cities.

Another major development took place in May 2003 with the establishment of a new company, Water & Electricity Company (WEC), between the Saline Water Conversion Corp. (SWCC) and Saudi Electricity Co. (SEC) to carry out the independent Water and Power Project (IWPP) in partnership with the developer. There are three IWPP projects under bidding at Shuqaiq (Phase 2), Ras Al-Zour, and Jubail (Phase 3). The three projects will have desalination water capacity of 1870 million cubic meters of desalinated water per day.

In 2006, the new National Water Company (NWC) was founded. It will in the short term facilitates privatization process and oversees the regional operations under PPP contracts. In the long term, NWC will oversee most water and wastewater operations

of the Kingdom of Saudi Arabia.   National Water Company will include regional business units (RBUs) and a core to manage and provide strategic guidance to RBUs.
Independent Water Projects (IPPs):

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

Saudi Aramco IWP: In June 2003, a consortium led by US Company Aquatech, and including the local Rabigh Desalination Co., was awarded a $20 million contract to build a desalination plant for the Saudi Aramco Rabigh refinery complex. The project, which stipulates a 20-year water conversion agreement, is expected to come on stream by 2006.

In August 2005, a consortium led by Marubeni and Itochu, and including the local ACWA Power Projects, was awarded a $1.1 billion contract to build a co-generation and desalination plant for the Rabigh integrated petrochemical and refining complex jointly owned by Saudi Aramco and Sumitomo Chemical. An engineering, procurement, and construction (EPC) contract for the co-generation and desalination plant has also been awarded to Mitsubishi Heavy Industries Ltd. on a turn-key basis. The project, which stipulates a 25-year water and energy conversion agreement, is expected to come on stream by 2008.

WEC:
In October 2005, Shuaiba IWPP was awarded to a Saudi Malaysian consortium: The $2.4 billion project involves a 20-year power and water purchase agreement to produce 900 MW of electricity and 880 cubic meters of desalinated water per day. The Shuaiba IWPP is expected to come on stream by the third quarter of 2006.

Marafiq:
In December 2006, Marafiq Jubail was awarded to French-Belgian Utility consortium: The $3.3 billion project involves a 20-year power and water purchase agreement to produce 2,800 MW, and 800,000 cubic meters of desalinated water per day.   The project would stat production in the second half of 2009.

Best Prospects/Services Return to top

Saline water Conversion Corp. (SWCC) is recently studying the introduction of 20 new saline water conversation projects to be implemented in the near future to meet the demand increase on drinking and civil used water. The new 20 projects will include constructing new plants and expanding existing ones. SWAC would like to see more U.S. companies involvements in those projects due to their high tech and good reputation in this market. Also, there are several large opportunists in the wastewater treatment plants; several major projects are under the tendering, such as North Jeddah wastewater treatment, Hair wastewater treatment in Riyadh, Medina wastewater treatment, and Dammam wastewater treatment.

- Consulting and engineering services

- Anti-scaling Chemicals
- Operations and Maintenance services
- Ro Membranes
- Filters
- Steam & Gas Turbines
- Boilers
- Wastewater Treatment Equipment
- Treatment Chemicals
- Pumps

Opportunities Return to top

The government now has more than sufficient resources to embark on long-planned improvements and a long awaited expansion of water infrastructure, transport and wastewater treatmntplans. Over the next five years, Saudi Arabia will require 4,500 km of new pipeline for freshwater transport and over 22,000 km for wastewater disposal pipes. Also, major business opportunities will be forthcoming as the sector opens up for privatization. Industry sources expect that the Saudi Government will be building more new desalination plant, water pipeline, and wastewater treatment plants on a BOO/BOT basis with the newly-established company, Water & Electricity Company (WEC), taking the lead toward that aim. Initially, WEC plans to set up the second group of three IWPP projects with an investment potential of $6.12 billion. These IWPP projects will provide desalinated water and power to their respective regions.

On January 1, 2003, the Power and Water Utility Company for Jubail and Yanbu (MARAFIQ) was established to undertake the operation, management, expansion and construction of seawater cooling systems, water desalination plants, sanitary and industrial wastewater systems and electric power systems, thus providing essential utility services to industrial, commercial and residential customers in the industrial cities of Jubail and Yanbu.

In 2006, the new National Water Company (NWC) was founded. It will in the short term facilitates privatization process and oversees the regional operations under PPP contracts. In the long term, NWC will oversee most water and wastewater operations of the Kingdom of Saudi Arabia. National Water Company will include regional business units (RBUs) and a core to manage and provide strategic guidance to RBUs.

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Royal Commission for Jubail and Yanbu

Power & Water Utility Company for Jubail and Yanbu

Water & Electricity Company

National Water Company

Medical Equipment (MED)

Overview

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Saudi Arabia is the region's largest and most developed market for medical products and services, valued at $13.1 billion. The introduction of compulsory healthcare in 2005 will further enhance investments in the healthcare sector.

Privatization and favorable government policies will also boost investments in this sector, especially for hospital services, medical equipment and pharmaceuticals. Between 2008 and 2016, and based on a recent study, health expenditures are expected to increase dramatically, even faster than 20 percent, the rate of population growth. Over the same period, demand for hospital beds is likely to grow from 51,000 to 70,000, demand for physicians is likely to rise from 40,000 to 54,000 - and the number of hospitals is likely to rise from 364 to 502.

The Saudi Government has, over the years, allocated an increasing amount of their budget to the healthcare sector. The long-run trend is toward rapidly increasing expenditures for this vital sector in parallel with a growing population and rise in costs of treatment Between 1999 and 2005, government saw a 7.2 percent annual compounded annual growth in its healthcare budget. The Kingdom spent $13 billion on healthcare in 2005, and this spending is expected to grow to over $20 billion by 2016.

Best Prospects/Services

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The latest figures reveal the following:

- 24.7 percent of the Saudi population is diabetic, one of the highest percentage in the world ($1.1 billion for diabetes treatment)
- 22 percent of the population are regular smokers, a major cause of respiratory diseases
- Heart diseases increasing at an average 5.3 percent annually (five new cardiac centers)Other major diseases of concern include breast cancer, kidney diseases, and obesity

The Saudi healthcare sector should at the very least grow an average of six new hospitals (average 200 beds per hospital) per year to keep pace with the population growth, while demand for hospital beds to increase by 3.4 percent annually.

Opportunities

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The Saudi Government has allocated $11.84 billion for the healthcare sector in its 2008 budget, 11 percent more than in 2007. The new budget ent building 250 Primary Healthcare Centers, eight new hospitals, a $1.68 billion Center for Tumors & liver Diseases, furnishing & equipping 79 existing hospitals, and installing a National Healthcare Information System.

There are also various opportunities for investments in generic drug manufacturing and medical devices, including a recently launched joint venture for GE healthcare with a local company.

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

A major regulatory development was enacted allowing foreign companies to invest in 150-bed Saudi hospitals, which may open the door for U.S. companies to set foot in this market and take advantage of the opportunities and growth prospects for this sector.

Resources

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Ministry of Health
Ministry of Defense and Aviation
Ministry of Interior Medical Services
Saudi Arabian National Guard Health Affairs
General Organization for Social Insurance hospitals
International Medical Center
Dr. Suleiman Al-Habib Medical Center
Saad Specialist Hospital
Almana General Hospital
Executive Board of the Health Ministers' Council for the GCC States

Telecommunication Services (TES)

Overview

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The Saudi government foresees the kingdom's telecommunications sector revenues to exceed 55 billion Saudi riyals ($14.7 billion) by 2010, up from SAR40 billion in 2006, Telecom sector revenues grew from SAR19.8 billion in 2001, to SAR40 billion by the end of 2006, with annual growth of 15%, revenue is expected to exceed SAR55 billion by 2010. STC and Mobily, the current mobile telecom providers in Saudi Arabia have generated combined operational revenue of SAR39.8 billion in 2006, from fixed-line and mobile phone services.

The Saudi Arabian cabinet has recently granted the country's third mobile license to a Kuwaiti MTC-led consortium. It's also expected to grant licenses for three new fixed-line operators.

Saudi Arabia had 19.5 million mobile phone lines by the end of 2006, with a penetration rate of 81.7% of the population. Digital subscriber lines reached 300,000 by the end of the first quarter of 2007. Internet users reached 5 million, or 20%, of the population. The Saudi government is mulling investing SAR3 billion to execute its e-government program that will allow 40 state agencies to provide 150 government services through electronic media within five years.

Best Prospects/Services

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

Best Prospects include:

- DSL access switch, enabling multi-service transmission equipment,
- Fiber-optic satellite links
- Wideband transceivers
- Network protocol software and systems
- Broadband wireless access system

Opportunities

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

The plan calls for the establishment of a powerful telecom and IT industries to make them one of the major sources of income.

The national plan for telecom and IT has long-term and short-term objectives. The Kingdom has already begun implementing some plans and programs for the development of the sector.

The Kingdom's first Knowledge Economic City (KEC) is coming up in Madinah *(Medina).* It will have a technological and economic information center, a campus for medical research and biosciences and a center for studies in Islamic civilization.

The project is expected to attract investments worth more than SR25 billion and create nearly 25,000 new jobs. KEC will have a range of complementary zones -- a technology and KBI zone; an advanced IT studies institute; an integrated medical services zone; a retail zone; and a business district.

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Communications and Information Technology Commission
www.citc.gov.sa

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

Saudi Telecommunications Company
www.stc.com.sa

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

Automotive Parts & Service Equipment (APS)

Overview

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Saudi Arabia is the largest country in the Middle East in terms of population and has the largest overall vehicle market. The strength of Saudi Economy and continued population growth in recent years led to 4% yearly growth in the number of all types of vehicles imported into the Kingdom of Saudi Arabia. Every household has on an average, 1 passenger vehicle. This is true across urban, provincial, and rural Saudi Arabia. Sedans are the most popular passenger vehicles (75%) followed by 4 wheel drive (4X4s) vehicles (20%) with ownership of 4X4s higher in rural areas (27% own a 4X4). The average age of vehicles is 6.4 years with 42% of vehicles manufactured in 2001 or later. Larger local households own American brands, while relatively smaller local households buy European brands. People with lower education levels and incomes buy Korean brands. Over the years, U.S. manufacturers have witnessed their market share steadily eroding to Japanese and South Korean car manufacturers, especially Japanese companies, which have consistently enhanced their share of the Saudi automotive market, especially for passenger cars. New vehicles - Japanese brands account for two-thirds of the new vehicle market, Toyota alone has a 40 percent market share. American brands account for less than a third of the market. Korean brands have been growing over time, while the share of European brands has been declining. Dammam is the only place where American brands close the gap with Japanese brands. More than 340,000 cars, trucks and vans are annually imported into Saudi Arabia, including used cars and buses.

The economic recovery, which started a few years ago, will likely boost the demand to around 360,000 units, valued at $6.3 billion. A higher per capita income, currently at $13,000, will further enhance the demand for new cars and vans. The higher value of the Euro and the Yen against the U.S. Dollar has little effect on the share of European and Japanese car sales, which control nearly 70 percent of the market. Japan, the U.S., Australia, Germany, and South Korea are the key players in the Saudi automotive market representing more than 90 percent of all vehicle imports.

Brands Bought New	**Year Of Manufacture**				
	%	**%**	**%**	**%**	**%**
Japanese	58.0	63.7	55.9	61.8	62.5
American	38.1	28.8	34.7	30.3	29.5
European	5.6	4.7	7.0	6.3	6.2
Korean	0.5	3.1	3.7	5.4	8.5
China	0.20	2.5	3.2	4.5	8.0

Used Cars Market

Saudi Arabia has a large secondhand market. The market for second-hand vehicles is largely sourced from the United States and to a lesser extent from Germany. Demand for second-hand vehicles has been shrinking annually by an average four percent due to the availability of financing and leasing options and a higher purchasing power. Currently, industry sources estimate that close to 70,000 units are being imported every year but expect that figure to come down to 50,000, especially for passenger cars and SUVs. For used cars, the United States and Germany still lead in used car sales to Saudi Arabia, while Japan retains a relatively good share of this market. GM, Ford, and Chrysler's Jeep brands are among the most popular vehicles in Saudi Arabia.

Brands Bought Second Hand	TOTAL %	**Year Of Manufacture**				
		%	**%**	**%**	**%**	**%**
		1994	95-97	98-00	01-03	04-07
New	48.7	16.9	27.8	48.4	74.2	89.7
Second Hand	2.7	1.7	0.9	2.6	2.5	9.0

The strength of the Saudi economy, reflected in a higher per capita income, led to the increasing popularity of luxury cars and premium automobiles. In addition, Saudis have always opted for large SUVs that can accommodate large families. The market for GMC Suburbans and similar sized SUVs has remained relatively unaffected by the fluctuations in the economy.

Parts Market In Saudi Arabia

Saudi Arabia still commands the largest automotive market in the Near East. Saudi Arabia imported more than $650 million worth of parts and service equipment in 2006, compare to $630 million in 2005.

Presently, Japan, USA, Germany, Australia, and South Korea, are the major suppliers of automobiles, and spare parts, but tires come from dozens of countries around the world. Industry sources report that Saudi Arabia's imports of automobiles increased 13 percent in 2006, from 343,000 vehicles in 2005 to 362,000 vehicles in 2006.

There are over 350 dealers supplying automotive parts for U.S., Japanese, European, Australian and Asian automobiles in Saudi Arabia. U.S. companies command a leading position in the supply of transmission, steering, suspension, and braking components and parts. The favorable U.S. dollar exchange rate against the Euro and Japanese Yen is boosting the U.S. market share. Nonetheless, Japanese car manufacturers and spare parts suppliers still command the lion share of the Saudi market at more than 40 percent. There are a number of local factories that manufacture filters, radiators, and batteries, exhaust systems, and converters.

Cars/Vehicles Accessories:

Saudis become more demanding and look for more passenger cars/vans safety and luxury features. Luxury cars become very demanding, cars with exceptional styles for which many necessary requirements are sacrificed. The driver or the owner is the prime concern of the manufacturers of luxury cars and all the car's facilities and technologies are look and fashion oriented. The luxury cars are, in general, considered to be the safest of cars. Saudi started looking for branded wheels, chrome plated wheels, screen monitors, DVD players, amplifiers, loud speakers, airbags, door beams, and anti lock breaking systems. Accordingly, most of Saudis prefer to buy American cars specially the MPVs, SUVs, and Jeeps. The Coupes, Sports Cars, Roadsters, Grand Tourers, Super Cars and Convertibles, Chevrolet Lumina, Chrysler, Voyager, Ford, GMC Safari is dominant in the market.

Best Prospects/Services Return to top

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

- Services Equipment
- Body and chassis parts
- Automobile transmissions and spare parts
- Auto oil, lubricants, and chemicals
- New & Used American Cars/Sedans
- Cars/vehicles accessories

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http://cds.planning.gov.sa/statistics/sindexe.htm

http://www.ameinfo.com

www.cars.dir.com

Mining Industry Equipment (MIN)

Overview

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Data on the potential market size are extremely difficult to estimate. The mining industry in Saudi Arabia is at the beginning of a large expansion, as the country begins to exploit large mineral resources identified some time ago. The country is simultaneously implementing several large-scale transportation infrastructure projects, requiring much of the same equipment as the mining projects.

In recent years, the Saudi government has recognized the potential of the mining and minerals sector to become the third pillar of the Kingdom's economy, behind oil and petrochemicals. Geological surveys carried out over the past 50 years have proven that the Kingdom has large mineral deposits that are commercially viable for exploitation. The government is committed to fully realizing the potential of the mining sector, and is seeking to attract investors, partners and suppliers. Recent reforms in mining regulations have enhanced the attractiveness of sector.

Saudi Arabian Mining Company (Ma'aden), a 100 percent state owned entity, dominates the mining sector. Ma'aden is in the process of creating individual companies for its gold, industrial minerals, phosphates and aluminum interests. The Saudi minerals giant is also establishing an infrastructure development company to build and operate the prestigious Ras Azzour project.

Best Prospects/Services

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The Kingdom has the largest known deposits of mineral resources in the Middle East. The main minerals are gold, phosphates and bauxite. Saudi Arabia is home to some of the largest phosphate deposits in the world. Reserves stand at 3.1 billion tons, with 1.6 billion tons of indicated phosphate resource and 1.5 billion tons of inferred resource.

By 2011, in addition to the Ras Azzour development, there will be new bauxite production from Al-Zubeira, phosphates from Al-Jalamid and the Jubail Aluminum Smelter.

Ma'aden recently has signed a US$ 240 million deal with a consortium to build three sulfuric acid plants in Ras Azzour. The plants will have a daily capacity of 13,500 tons. The project, which will be ready within three years, is described as the largest in the world. The new sulfuric acid plants are part of a US$ 2.6 billion di-ammonium phosphate complex.

Opportunities Return to top

In the next four years, some $11.9 billion will be invested in mining projects in the Kingdom, much of it by the Ma'aden. While an aluminum smelter and some fertilizer plants will add value, perhaps the biggest value will come with the new freight rail network to carry minerals to the coast for export.

The government recently approved the construction of a US$3.76 billion aluminum smelter plant, a Ma'aden project with an annual capacity of 623,000 tons. The plant will be located in the Ras Azzour Industrial Zone in eastern Saudi Arabia. Ma'aden believes the Ras Azzour mineral industrial complex will attract more than US$ 8 billion in investment for the phosphate and aluminum projects, a power plant and a port on the Arabian Gulf.

Ma'aden plans to develop four gold projects and a complete mining system at the Ras Azzour industrial area linked by railways with the company's industrial utilities and a port for exporting phosphate and aluminum.

Ma'aden has also finalized plans to set up phosphoric acid plants, which will be constructed at Ras Azzour for the Ma'aden phosphate project within 30 months. The plant will produce 4,380 tons of phosphate a day, making it the largest facility of its kind in the world.

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Riyadh 11537
Saudi Arabia

Tel: 9661.472-1222
Fax: 9661.472-1333
E-mail: maaden@maaden.com.sa
http://www.maaden.com.sa

Trade Exhibitions

Saudi International Exhibition for Mineral Exploration and Applications – MENA-EX 2009
Jan 22-25, 2009
Jeddah International Convention Center
Jeddah, Saudi Arabia
www.mena-ex.com

Franchising (FRA)

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Franchising is one of the most dynamic sectors in Saudi Arabia. The demand continues to grow as Saudis recognize that franchising is an effective, efficient and responsible way to encourage small-business development, entrepreneurship and economic opportunity. They are very interested in bringing new franchises to the Kingdom and most often have the necessary capital to launch the concept.

Recent estimates pointed out that investments in this sector were about $250 million and growing at more than 20 percent every year. There are more than 300 foreign companies that have established a franchise in Saudi Arabia. Additionally, many local companies are also pursuing this trend and developing their business concept and ideas into a franchising opportunity, which have expanded domestically and regionally.

Best Prospects/Services

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Franchising opportunities are expanding beyond restaurants. There is a demand for anything related to automobiles – customization, accessories, products and services. Likewise, specialty retail stores, educational products and services, and home furnishing franchises are in demand.

Opportunities

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Saudis are encouraged by the various Chambers of Commerce to look to franchising as a way to create jobs, provide additional training to new job entrants, and encourage small business development. The retail industry is booming in Saudi Arabia and this phenomenal expansion is creating tremendous opportunities for new products and services, which in turn, has created intense competition among brands, retailers, vendors and other service providers.

Agricultural Sector

Saudi Arabia is the largest agricultural, fish and forestry products importer among members of the Gulf Cooperation Council (GCC) countries. The potential for agricultural production is limited in Saudi Arabia due to the lack of arable land (less than 2 percent) and water. Hence, imports of food will continue to be strong and will grow proportionally with the population.

In 2007, Saudi Arabia's total agricultural, fish and forest product imports were valued at approximately $7 billion. High-value products accounted for 50 percent of total imports, while intermediate agricultural products were estimated at more than $1 billion. U.S. exports to Saudi Arabia in 2007 increased 63 percent over a year earlier to about $727 million, with consumer-oriented food products reaching a record $171 million in 2007, an increase of 11 percent from 2006.

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, the Kingdom ties import duties to the level of local production of similar products. As a general rule, a maximum import tariff rate of 40 percent is applied when local production of a food or agricultural product exceeds a self-sufficiency level. Currently, a 40 percent import duty rate applies to fresh, dried and processed dates. Imported poultry meat, table eggs and ice cream are assessed a 20 percent import duty while peanut butter and mayonnaise are subject to a 12 percent duty. 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) are subsidized while coffee, tea and fresh red meat enter the country duty free. Saudi government pays a rebate of $266.67 per metric ton of rice import. Earlier this year, the government increased the number of animal feed grain included under it subsidy program from three to ten, by including energy and protein rich animal feed. Under the revised program, the government provides rebates which range between $58.13 on a metric ton of imported sunflower meal to $320 per metric ton of barley. The subsidy depends on the type of imported feed and is paid directly to the local importer.

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

Saudi Arabia's positive biotech labeling requirement, production date stamp requirement, Arabic labeling, Halal slaughtering requirement, and additional manufacturer/producer statement for imported livestock and poultry meat remain major concerns for U.S. foodstuff exporters. For religious reasons, the Kingdom requires that the manufacturer/producer of meat must declare that the slaughtered animals have not been fed with feed containing protein, fat or remnants of animal origin. Detailed information on the aforementioned requirements can be obtained by contacting the USDA's Foreign Agricultural Service (FAS) in Riyadh at the following coordinates:

FAS Riyadh
Email: Agriyadh@fas.usda.gov,
Tel: 966-1-488-3800 ext. 4351
Fax: 966-1-482-4364

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

CORN (0440000)

Overview

Feed corn is used principally in poultry feeding and to a lesser extent in livestock rations. The Saudi Agricultural Development Bank has continued financing the establishment of new poultry farms in various regions of the country. Existing large to medium sized poultry producers have been expanding in recent years, increasing the country's self-sufficiency levels to about 55 percent in 2007. Last year, the value of imported feed corn was estimated at $336,000,000, an increase of 81 percent over 2006. A sharp reduction in the Argentine corn exports to Saudi Arabia in the past two years has benefited U.S. corn exports to Saudi Arabia over the same period despite continued soaring prices because of global demand for livestock feed, sweeteners and biodiesel (ethanol) production.

In 2007, U.S. feed corn exports to Saudi Arabia increased by 135 percent over 2006 ($146 million vs. $62 million). The continued tight Argentine corn stocks this year are projected to further increase U.S. market share in Saudi Arabia despite the continued increase in world corn prices. In January 2008, U.S. free on board (FOB) corn prices reached $204 per metric ton, a 21 percent increase from January 2007. To lessen the impact of high world prices for corn, the Saudi government increased its subsidy on feed corn imports from $42.67 per metric ton to $133.33. The rebate is paid directly to importers. Currently, Saudi Arabia imports about two million metric tons of yellow corn annually.

Year/Description	2005	2006	2007
Total Consumption	152	220	336
Total Local Production	5	5	6
Total Exports	0	0	0
Total Imports	160	215	330
Imports from the U.S.	16	62	146

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

SOYBEAN MEAL (0813100)

Overview

Soybean meal is used principally in poultry feed and to a lesser extent in livestock rations. The continued expansion in local poultry production has increased the demand for soybean meal by more than five percent per annum in recent years. In the past years, a huge price difference between Latin American and U.S. soybean meal has made imports from the United States less competitive and drastically reduced U.S. market share in Saudi Arabia. However, tight competitor stocks over the past two years have boosted demand for U.S. soybean meal and contributed to a 150 percent import increase from 2006 to 2007 ($20 million vs. $50 million). The value of U.S. soybean meal exports is forecast to increase significantly in 2008 due to reduced Latin American exportable supplies as a result of strong demand for biodiesel, particularly in Brazil. To minimize the impact of increasing world soybean meal prices, the Saudi government recently increased import subsidy it pays to local soybean meal imports from $42.67 to $133.33 per metric ton. Saudi Arabia's total soybean meal import is estimated at one million metric tons per year.

Year/Description	2005	2006	2007
Total Consumption	180	208	320
Total Local Production	0	0	0
Total Exports	0	0	0
Total Imports	180	208	140
Imports from the U.S.	14	20	50

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

RICE (0422110)

Overview

The United States has remained the second largest rice supplier to the Kingdom (followed by Pakistan and Thailand). U.S. rice exports to Saudi Arabia increased by 90 percent in 2007 over 2006. Local rice importers attribute the sharp increase in U.S. exports to a decrease in exportable rice from India and U.S. price competitiveness compared to other Asian rice exporters. The sharp increase in the values of total rice imports reflect the sharp increase in the world prices for rice over the same period. The continued shortage in Indian rice supplies is forecast to further increase the U.S. rice market share in 2008.

Year/Description	**2005**	**2006**	**2007**
Total Consumption	505	570	650
Total Local Production	0	0	0
Total Exports	5	5	0
Total Imports	500	565	650
Imports from the U.S.	44	42	80

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

PROCESSED FRUITS AND VEGETABLES

Overview

The Saudi market for processed fruits and vegetables is huge. The growth of supermarket food sales is helping to broaden the market for this sector, and good market growth is expected to continue as supermarkets open more outlets in major cities of the Kingdom. Local production of canned fruit and vegetables has been increasing in recent years but depends almost entirely on imported ingredients, some of which are sourced from the United States. The majority of the processed fruits and vegetables that are labeled, "manufactured in Saudi Arabia" are products that are actually re-packed in the Kingdom. The insufficient local fruit and vegetable output and the high costs related to importing them for use in local processing suggest that a significant demand for processed fruits and vegetables will continue to be met by imports. Date processing and packaging account for about 60 percent of the total local processed fruit production.

Year/Description	2005	2006	2007
Total Consumption	498	523	600
Total Local Production	200	209	240
Total Exports	5	5	5
Total Imports	293	309	355
Imports from the U.S.	24	25	26

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

SNACK FOODS (EXCLUDING NUTS)

Overview

The latest official figures indicated that more than 60 percent of the Saudi population is in their teens, representing a major consumer of snack foods. Local snack food production has drastically increased in the past few years, accounting for about 50 percent of local consumption in 2007. There is a general decline in the importation of corn and wheat-based snacks. Candies and chocolates are also being locally manufactured on a large scale. Exporters may also look into supplying raw materials for the fast growing snack industry. Snack food imports from the U.S. accounted for 8 percent of total imports in 2007. Products that cater to Saudi consumers' preferences, which tend to favor sweeter items, generally find better market reception.

Year/Description	2005	2006	2007
Total Consumption	405	420	462
Total Local Production	195	205	231
Total Exports	5	5	5
Total Imports	205	210	226
Imports from the U.S.	23	16	17

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

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Chapter 5: Trade Regulations and Standards

Import Tariffs

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On May 29, 2001, the Saudi Government reduced the general import tariff rate from 12 percent to 5 percent. Almost all Saudi imports fall into this category, although a number of Saudi "infant industries", including furniture, cooking salt, mineral water, and plastic pipes will continue to enjoy 20 percent tariff protection. Imported cigarettes and tobacco products are charged 200 percent, wheat and flour 25 percent, and dates and long-life milk 40 percent.

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.

The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods within member states. At the 2001 GCC summit in Muscat, the member states agreed on a common tariff barrier of five percent with outside trading partners by January 2003.

Trade Barriers

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Saudi Arabia is currently the 149th member of the World Trade Organization (WTO). As part of WTO commitments, the country's trade regime should become more transparent and more accommodating to non-Saudi businesses.

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

Recently, the Saudi Government liberalized the wholesale, retail, and franchise sectors, allowing foreign investors to establish joint ventures and retain a 51 percent share. The foreign equity limitation is expected to increase to 75 percent by December 2008. All industrial enterprises are open to non-Saudis, and they can also trade in the products they manufacture. Restrictions on individual professions also are in force, such as who can practice law, medicine, accounting and financial services, architect and engineers, and other similar professions. A Saudi joint venture partner is a requirement for any entity or individual to practice the above-mentioned professional services. Following accession, U.S. service providers will be able to hold up to 75 percent equity in those firms.

Other trade barriers are:

Commercial Disputes Settlements: Saudi Arabia signed the New York Convention on foreign arbitration awards in 1995. Saudi Arabia will adopt WTO's procedures for resolving trade quarrels under the Dispute Settlement Understanding. As of the date of this report, the Saudi Government is overhauling its business arbitration processes in an effort to bring them into line with the needs of its developing capital market. Up to 20 articles of the current regulations are under review by specially convened committees within the Ministry of Justice. New arbitration centers have also been established across the country to support the process.

Business Visas: All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. Business visitors and foreign investors can apply through the Saudi Arabian General Investment Authority (SAGIA) for a visit visa at the Saudi Embassy or Consulates in the U.S. Based on new instructions, the issuance of a visitor's visa should be effected within 24 hours from the application date. Most business visas are valid for only one entry for a period of up to three months. The Saudi Ministry of Foreign Affairs is currently examining the issuance of a visitor's visa at ports of entry for selected nationalities. Notwithstanding, The Council of Ministers issued a resolution on 24/10/1428H (November 5, 2007) approving charging a SR 1,000 ($266.67) fee for multi-entry visit visa for business people and those of similar standing, valid for one year, taking into consideration the principle of reciprocity for countries that levy lower fees or exempt Saudi business people from visa fees. The new resolution is till to be enacted.

Delayed Payments: This is an important concern for affected U.S. companies. Although some Saudi Government agencies as well as some companies still have outstanding debts, the Saudi Government, however, is keen to resolve any payment disputes and has reduced its arrearages for the last couple years. Nonetheless, the problem persists, and U.S. companies should check with the U.S. Embassy or Consulates for information on the current arrearage situation.

Intellectual Property Protection: The Saudi Government is committed to fully implement the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement. The Saudi legal system protects and facilitates acquisition and disposition of all property rights, including intellectual property. The Saudi Government has acceded to the Universal Copyright Convention; implementation began in 1994. The Saudi Copyright Law was amended in June 2003 to improve protection and to provide for serious deterrent penalties for violators. The government also endorsed the country's joining the "Paris Convention for Protection of Industrial Property" and the

"Berne Convention for the Protection of Literary and Artistic Works". Though intellectual property protection has steadily increased in the Kingdom, piracy remains a problem.

Saudi Arabia has had a Patent Law since 1989 and the Patent Office accepts applications, but the number of patents issued remains limited. A new Patent Law was enacted in July 2004, which provides for absolute novelty. After the implementation of the new law, the Saudi Patents Office suddenly expedited the grant process, apparently to be WTO-compliant and to eliminate the backlog of pending applications by 2006.

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, which was updated in 2002. Trade secrets are not specifically protected under any area of Saudi law; however, they are often protected by contract. The Rules for Protection of Trade Secrets came into effect in 2005; also, in July 2005, the Saudi Government passed the Law on Patents, Layout Designs of Integrated Circuits, Plant Varieties and Industrial Designs. Saudi Arabia has one of the best Trademarks laws in the region but enforcement still lacks behind and the procedures also are inconsistent.

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

Counterfeiting: Manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products in Saudi Arabia. Anti-counterfeiting laws exist, and the U.S. Government has urged the Saudi authorities to step up enforcement actions against perpetrators. In some popular consumer goods, manufacturers estimate that as much as 50 percent of the entire Saudi market is counterfeit.

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

Saudi Arabia committed to implementing all WTO rules upon accession, without recourse to transition periods. Nonetheless, non-tariff barriers still prevail, including, preferences for national and GCC products in government procurement; a requirement that foreign contractors obtain their imported goods and services exclusively through

Saudi agents; and that any business entity should have five percent of their staff Saudi nationals, and which will be augmented by five percent annually.

Import Requirements and Documentation

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There are no special import provisions and the Saudi Government committed, under the WTO agreement, to terminate its requirement that importers obtain authentication of their documents from Saudi embassies/consulates by December 2007. In the meantime, unusual import issues should be worked out on a case-by-case basis with Saudi Customs. On the Saudi side and notwithstanding the obligation to cease the requirement of certified documents by the Saudi Consulates and Embassy in the U.S., Saudi Customs is informing U.S. exporters that they are still required. This has created no small degree of confusion for the thousands of American companies shipping to the Kingdom. The Saudi Government is mulling over the possibility of having local chambers of commerce around the U.S. perform the authentication process. However, that is only in the discussion stages. Under its WTO obligations, Saudi Arabia has committed to implement a transparent and predictable import licensing system. The following documents are required for exporting goods to Saudi Arabia:

- Certificate of origin;
- Commercial invoice (in triplicate) which must state the country of origin, name of the carrier, brand and number of goods, and description of the goods including weight and value;
- A clean bill of lading or airway bill;
- Documents indicating compliance with health regulations, if applicable;
- Insurance documents if shipments are sent CIF; and,
- Packing list.

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

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

U.S. Export Controls

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

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

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For temporary entry of goods for promotional purposes, importers need an invoice with the value of the goods endorsed by the U.S.-Saudi Business Council or the chamber of commerce, and a certificate of origin. 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.

Labeling and Marking Requirements Return to top

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

Labeling is particularly important for companies marketing food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items. Labels must be in Arabic for any imported foodstuff item, which should basically reveal the same information on the container as in the foreign language, i.e. ingredients, country of origin, manufacturer, shelf life, instructions for use, etc. All food products, whether imported for commercial purposes, display, or for sampling, must be fit for human consumption and should meet established shelf life requirements. The product(s) must have a label or sticker showing the statutory information such as product name, country of origin, producer's name and address, production and expiry/use by dates, in Arabic and English languages (samples imported must be labeled at least in English).

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

Moreover, the Kingdom's Government has also agreed that any maximum residue requirements for synthetic hormones in animal products would be consistent with international standards. Companies can request a copy of the labeling requirements by contacting SASO at Tel: (966 1) 452-0132 or Fax: (966 1) 452-0196. Arabic manuals must be included with any household electrical appliances exported to Saudi Arabia.

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

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

Prohibited and Restricted Imports

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The importation of certain articles is either prohibited or requires special approval from competent authorities. In addition, importing the following products requires special approval by Saudi authorities: books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment; horses; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artifacts.

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

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

Customs Contact Information
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The Department of Customs at the Ministry of Finance appraises all merchandise moving through Saudi customs ports.

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

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

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

Saudi Arabian Department of Customs
Contact: Mr. Saleh Al-Khlewi, Director General
P.O. Box 3483, Riyadh 11471, Saudi Arabia
Phone: (966 1) 401-3334, Fax: (966 1) 404-3412

Standards
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The Saudi Arabian Standards Organization (SASO) has over 4,600 SASO and 1,675 Gulf promulgated standards, and is actively pursuing the promulgation of hundreds of new standards currently in various drafting stages of development. SASO has decided to adopt ISO 9000 as the approved standards for Saudi

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

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

Although SASO has an advisory, rather than executive role, it coordinates its activities among different executing agencies in the Kingdom to control product quality and standards. SASO has issued about 600 production and testing standards on food since its establishment in 1972 and is presently working on new standards.

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

Standards Organizations Return to top

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

While standards are set by SASO, the Saudi Ministry of Commerce and Industry Laboratories do testing of all processed and packaged food items at various ports of entry. The Saudi Ministry of Municipality and Rural Affairs'

Environmental Control Department tests foodstuffs at the point of sale for product safety standards.

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

Conformity Assessment

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

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

The Ministry of Commerce and Industry has taken responsibility for the Certificate of Conformity (CoC) program under the jurisdiction of Dr. Hamad Al-Oufi, Director General for Quality Control & Inspection, and who can be reached at (966 1) 401-3265, Fax: (966 1) 402-2539.

Product Certification

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

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

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

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

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SASO is the only Saudi entity that is empowered to accredit.

Publication of Technical Regulations Return to top

Oum Al-Qura is the official gazette, and final regulations are published. A standards representative was assigned to SASO from the U.S. Department of Commerce's National Institute of Standards and Technology (NIST) to advise the Saudi Government in developing standards and work to insure that new standards are consistent with those in the United States. As of August 2004, NIST has abolished this position, although other OECD nations still maintain similar programs at SASO.

Labeling and Marking Return to top

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

Labeling is particularly important for companies marketing food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items. All food products, whether imported for commercial purposes, display, or for sampling, must be fit for human consumption and should meet established shelf life requirements. The product(s) must have a label or sticker showing the statutory information such as product name, country of origin, producer's name and address, production and expiry/use by dates, in Arabic and English languages (samples imported must be labeled at least in English). It is vital that American exporters adhere to SASO quality standards and labeling regulations to avoid rejection of products at a Saudi port of entry. The method for writing production and expiry dates is to put the day of the month first, followed by month and year. Use of the system commonly followed in the United States, where the month is shown first, is not acceptable in Saudi Arabia. Products that do not meet established SASO standards are either re-exported to the country of origin or destroyed at the importer's expense.

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

Arabic manuals must be included with any household electrical appliances exported to Saudi Arabia.

Trade Agreements Return to top

Saudi Arabia is a member of the Gulf Cooperation Council (GCC), which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods within member states. Leaders of the GCC have approved to allow Yemen gradual entry into their Council. The member states also agreed that they would switch to a single currency by January 1, 2010 at the latest, but the common market proposal is still being worked out. Saudi Arabia is also a member of the League of Arab States. Recently, the League has agreed to negotiate an Arab Free Trade Zone.

As of mid-2003, the United States had signed a TIFA agreement with Saudi Arabia. TIFAs are typically the initial fora for ongoing dialogue between the U.S. and Saudi 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.

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Bureau of Industry and Security
Saudi Arabian Department of Customs
Saudi Arabian Standards Organization (SASO)
GCC Patent Office
Communications and Information Technology Commission (CITC
Ministry of Commerce and Industry
Gulf Cooperation Council (GCC)

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Chapter 6: Investment Climate

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Saudi Arabia is experiencing an oil boom unprecedented since the mid 1970's with a government budget surplus of over $10 billion in 2007. Foreign direct investment inflows were over $18 billion in 2007. Improvement of the investment climate is an important part of the Saudi government's broader program to liberalize the country's trade and investment regime, diversify an economy overly dependent on oil and petrochemicals, promote employment for a very young population, and become an active player in the World Trade Organization (WTO) following its accession in December 2005.

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

There are also disincentives to investment, specifically lack of transparency in the enforcement of intellectual property rights, a government requirement that companies hire Saudi nationals, slow payment of some government contracts, a restrictive visa policy for all workers, a very conservative cultural environment, and enforced segregation of the sexes in most business and social settings. Further, the government must take steps to ensure that there is a transparent, comprehensive legal framework in place for resolving commercial disputes.

Prospective foreign investors want standardized treatment for corporate taxes, access to a skilled, motivated labor force, the consistent enforcement of foreign arbitration awards, a clear and transparent mechanism to reduce and stop counterfeit products from entering Saudi Arabia, and the protection of intellectual property rights that meets international standards.

The foreign direct investment law, revised in 2000, permits foreigners to invest in all sectors of the economy, except for specific activities contained in a "negative list" that are off limits to foreign investors. This list continues to shrink as Saudi Arabia attempts to liberalize trade. Foreign investors are no longer required to take local partners in many sectors and may own real estate for company activities. They are allowed to transfer money from their enterprises outside of the country and can sponsor foreign employees. Minimum capital requirements to establish business entities have generally been eliminated other than capitalization requirements to which Saudi Arabia committed during its accession to the WTO in specific services, such as for insurance companies.

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

SAGIA set up an Investor's Service Center (ISC) to provide licenses to foreign companies, provide support services to investment projects, offer detailed information on the investment process, and coordinate with government ministries in order to facilitate investment procedures. The ISC must decide to grant or refuse a license within 30 days of receiving an application and supporting documentation from the investor. In 2007, SAGIA licensed 1,483 joint and foreign investment projects worth a total of $89 billion. The value of projects licensed increased by 33 percent from the previous year. Actual foreign direct investments inflows, however, were limited to about $18 billion.

Unfortunately, to date SAGIA does not appear to have lived up to the high expectations engendered by its creation. Investors complain that impediments remain, many outside SAGIA's capability to correct. SAGIA has agreements with various Saudi government agencies and ministries to facilitate and streamline foreign investment procedures. Some of these agreements include facilitating entry visas, establishing SAGIA branch offices at Saudi Embassies in different countries, facilitating the issuance of workers' visas, raising import tariff exemptions on raw materials to three years and increasing the exemptions on production and manufacturing equipment to two years, and the establishment of commercial courts. SAGIA opened a Women's Investment Center in spring 2003.

To make it easier for businesspeople to visit the Kingdom, SAGIA can sponsor visa requests directly without having to ask a local company to sponsor such visits. Saudi Arabia issued a decree stating that sponsorship for certain business visas are no longer required, but Saudi embassies have yet to implement the decree.

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

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

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

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

Saudi Arabian regulations currently close oil exploration, drilling, and production to foreign investment. National oil company Saudi Aramco presently conducts all oil exploration and development within Saudi Arabia. However, there are legacy foreign operations in the Partitioned Neutral Zone with Kuwait. Foreign companies, under current Saudi law, cannot purchase a stake in Aramco or take an equity position in the upstream oil sector.

In July 2003, however, the Ministry of Petroleum announced an auction to open up part of the Ghawar area to foreign investors for non-associated natural gas exploration. In January 2004, six companies competed in the auction for the three offered blocks. Shell, in a consortium with Total and Saudi Aramco, Russia's Lukoil, China's Sinopec, and a joint bid by Italy's Eni and Spain's Repsol, were awarded blocks, signing 40-year exploration and production contracts with the Saudi Minister of Petroleum in March 2004. The deals mark the first time since nationalization of Aramco in 1980 that foreign oil companies have been permitted to carry out petroleum exploration activities in Saudi Arabia. In February 2008, Total withdrew from the South Rhub Al Khali Company consortium's exploration program after disappointing initial results.

Saudi Arabia, as part of its WTO Accession Agreement with the United States, made a broad range of positive commitments that should result in the substantial opening of its energy service market. These commitments should allow U.S. energy service firms to compete on a level playing field for energy services projects associated with oil and gas exploration and development, pipeline transport of fuels, and management of consulting services.

In contrast, there is no prohibition on foreign investment in refining and petrochemical development and there is significant foreign investment in the downstream Saudi energy sector. Foreign investment in the full hydrocarbon sector will be vital in the coming decades if Saudi Arabia hopes to expand refining capacity to meet expected growth in international demand. ExxonMobil and Shell are the largest foreign investors in Saudi Arabia; both are 50% partners in refineries with Saudi Aramco. Saudi Aramco has also announced the selection of two firms, ConocoPhillips and Total, to join as equity investors in two new 400,000 barrel per day export refineries scheduled for completion in 2011. Both firms are currently engaged in negotiating the terms of these joint ventures.

In addition, ExxonMobil, Chevron Texaco, and Shell, as well as several other international investors, have formed joint ventures with SABIC, a Saudi parastatal, to build world-scale petrochemical plants that utilize gas feedstock from Saudi Aramco's existing operations at Ras Tanura. Aramco selected the Dow Chemical Company as its partner in a joint venture company to construct, own and operate a chemicals and plastics production complex in Saudi Arabia's Eastern Province.

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

Industrial projects remain subject to capitalization requirements that vary depending upon the value of the venture, but Saudi Arabia committed to removing this requirement as part of WTO accession. Additionally, 10 percent of profits must be set aside each year in a statutory reserve until it equals 50 percent of the venture's authorized capital.

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

In 2002, the Supreme Economic Council announced the approval of a privatization strategy and procedures, sectors on offer to domestic and foreign investors, and a timetable to transfer certain public services to the private sector. 20 state-owned companies handling water and drainage; saline water desalination; telecommunications; mining; power; air transportation and related services; railways; some sectors of roadways; post services; flour mills and silos; seaport services; industrial cities services; government portions of SABIC, banks, and local refineries; government hotels; sports clubs; some municipality services; some educational services; some social services; some agricultural services; and some health services were slated for privatization.

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

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

Companies or citizens from Gulf Cooperation Council (GCC) countries (Saudi Arabia, Kuwait, Bahrain, Qatar, UAE, and Oman) may currently own land or engage in internal trading and distribution activities. Similarly, only joint ventures with at least 51 percent GCC ownership interest are permitted to export duty-free to other GCC countries. Together, these conditions can disadvantage a foreign investor attempting to operate a wholly foreign-owned company in Saudi Arabia. Conditions are expected to improve, as SAGIA becomes more engaged in identifying and reducing barriers to foreign investment.

Conversion and Transfer Policies

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

There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, imported inputs, etc. Since 1986, when the last devaluation occurred, the official exchange rate has been 3.745 Saudi Riyals per U.S. dollar. Transactions occur using rates very close to the official rate. SAMA, the Central Bank, has intervened at times to keep the exchange rate fixed.

Expropriation and Compensation

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

Dispute Settlement

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

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

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

In December 2005, the Saudi government announced the formation of the Saudi International Arbitration Commission (SIAC), the first formal arbitration program for the business community. The SIAC falls under the Saudi chapter of the International Chambers of Commerce, and has adopted the same arbitration system employed by the International Court of Arbitration. The Government, due to past fiscal constraints, had in the past fallen into arrears on payments to private contractors, both Saudi and foreign. Some companies carried Saudi Government receivables for years before being paid. The Government appears committed to clearing remaining arrears.

The Saudi legal system is derived from the legal rules of Islam known as the Shari'a. The Ministry of Justice oversees the Shari'a-based judicial system, but most Ministries have committees to rule on matters under their jurisdiction. Many disputes, which would be handled in a court in the U.S., in Saudi Arabia are handled through administrative processes within the relevant ministry. Generally, the Board of Grievances has jurisdiction over disputes with the government and commercial disputes.

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

In October 2007, King Abdullah issued a royal decree to overhaul the Kingdom's judicial system, including allocating 7 billion SAR (approximately 1.9 billion USD) to train judges and build new courts. The decree establishes two Supreme Courts—a general court and an administrative court—and specialized labor and commercial tribunals. This announcement has not yet been implemented.

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

Performance Requirements and Incentives [Return to top]

Under the 1969 Labor and Workman Regulations, 75 percent of a firm's work force and 51 percent of its payroll must be Saudi, unless the Ministry of Labor has granted an exemption. In practice, the percentage of Saudis employed by a firm is often far less. The number of Saudis in the private sector labor force is approximately 10 percent. More Saudis work in the public sector. In 1996, the Saudi Government implemented a regulation establishing a quota system that required each company employing over 20 workers to increase the number of Saudi employees by a minimum of five percent. The government increased the requirement by five percent per annum, and would have reached 45 percent of a firm's workforce in 2005. However, the 2005 Labor Law set a standard limit requiring that Saudi nationals constitute 75% of a firm's workforce. Companies not complying with the Saudi minimum personnel rule will not be given visas for expatriate workers. Few firms have been able to meet these requirements. Foreign firms are under constant pressure to employ more Saudis. The list of positions that may no longer be held by non-Saudis is expanding.

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

Nonetheless, the SIDF will provide additional incentives and better term loans to foreign investors who set up their manufacturing facilities in Jizan, Hail, and Tabuk. American and other foreign firms are able to participate in Saudi government-financed and/or government-subsidized research and development programs on a national treatment basis.

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

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

The government announced in 2002 it would ease restrictions on the issuance of visas to foreign businessmen to allow greater access, and decreed in 2005 that sponsor requirements for business visas would be lifted. In November 2007, Saudi Arabia announced that it will begin issuing foreign business visitors one (1) year, multiple entry visas from Saudi Embassies, Consulates and ports of entry. The government also announced that foreign business visitors will no longer need to provide invitation letters from Saudi businesses to receive visas. However, the policy change has not yet been implemented, and it is unclear when the new business visas will be issued. Under existing procedures, business visitors typically receive short duration, single-entry visas.

Right to Private Ownership and Establishment

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

Protection of Property Rights

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

Saudi Arabia recently undertook a comprehensive revision of its laws covering intellectual property rights to bring them in line with the WTO agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs). The Saudi Government undertook the revisions as part of Saudi Arabia's accession to the WTO, and promulgated them in coordination with the World Intellectual Property Organization (WIPO). The Saudi Government recently updated their Trademark Law (2002), Copyright Law (2003), and Patent Law (2004) with the dual goals of TRIPs-compliance and effective deterrence against violators.

The current Law on Patents, Layout Designs of Integrated Circuits, Plant Varieties and Industrial Designs has been in effect since September 2004. Largely due to a lack of adequate resources and technical expertise, when this law went into effect the patent office had issued slightly more than 40 patents and had a large backlog of more than 9,000 applications dating back to issuance of Saudi Arabia’s first patent law in 1989. The office has streamlined its procedures, hired more staff and reduced the 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.

An unknown number of pharmaceutical products lost patent protection when Saudi Arabia transitioned to a new TRIPS-compliant patent law in 2004. Products that had applications for patents pending under the old law (and enjoyed patent protection while their applications were pending) were reviewed as new cases under the new law. These products were then denied patents because it was determined that they were not "novel" because they had been publicly patented in other jurisdictions more than a year before their cases were considered in Saudi Arabia.

The Saudi Government has revised its Copyright Law, is devoting increased resources to marketplace enforcement, and is seeking to impose stricter penalties on copyright violators. The Saudi Government has stepped up efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores. However, many pirated materials are still available in the marketplace. An Islamic ruling, or "fatwa," stating that software piracy is "forbidden" backs enforcement efforts. Saudi Arabia remains on the Special 301 Watch List for 2008.

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.

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

Transparency of Regulatory System Return to top

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

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

Efficient Capital Markets and Portfolio Investment Return to top

Saudi Arabia has generally free and open financial markets, although non-GCC foreign investors may only invest in the stock market through mutual funds. These limits are gradually relaxing. Financial policies generally facilitate the free flow of private capital and currency can be transferred in and out of Saudi Arabia without restriction. In 2003, SAMA, the Central Bank, enhanced and updated its 1995 Circular on Guidelines for the Prevention of Money Laundering and Terrorist Financing. The enhanced guidelines are more compliant with the Banking Control Law, the Financial Action Task Force (FATF) 40 Recommendations, the 8 Special Recommendations on Terrorist Financing, and relevant UN Security Council Resolutions.

Credit is widely available to both Saudi and foreign entities from the commercial banks, and is allocated on market terms. Credit is also available from several government credit institutions, such as the SIDF, which allocates credit based on government-set criteria rather than market conditions. Companies must have a legal presence in Saudi Arabia in order to qualify for credit. The private sector has access to term loans, but there is no true corporate bond market. IPOs are gaining steam as the Saudi stock market evolves with new regulations and a Stock Market Commission in place. The

IPO market will likely develop at a much faster pace as commercial banks and other underwriters gear up to help private Saudi firms go public under the law's streamlined registration procedures.

As part of the economic reforms initiated for accession to the WTO, Saudi Arabia liberalized licensing requirements for foreign investment in the financial services. In addition, the government increased foreign equity limits in financial institutions from 40% to 60% to entice further foreign investment. In the last few years, the Saudi government has taken steps to increase foreign participation in its banking sector by granting operating licenses to foreign banks. SAMA granted ten foreign bank licenses to operate in the Kingdom in December 2005, including to BNP Paribas, Deutsche Bank, J.P. Morgan, National Bank of Kuwait, National Bank of Bahrain, Emirates Bank, Gulf International Bank, State Bank of India and National Bank of Pakistan.

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

The new Capital Markets Law, passed in 2003, allows for brokerages, asset managers, and other non-bank financial intermediaries to operate in the Kingdom. The law created a market oversight body, the Capital Market Authority, and an independent, publicly held stock exchange, Tadawul, both established in 2004. New financial firms established under the new law will drive an increase in corporate and consumer finance activity. As of December 2007, the CMA has licensed 82 foreign and local companies to provide financial services and brokerage services from dealing and managing portfolios to arranging and advisory services, including Morgan Stanley, Ernst & Young, Merrill Lynch, J.P. Morgan, and Goldman Sachs, among others. Foreigners, with the exception of GCC citizens, may only invest in the stock market through mutual funds. There is an effective regulatory system governing portfolio investment in Saudi Arabia.

Political Violence Return to top

The Department of State continues to warn American citizens to defer non-essential travel to Saudi Arabia due largely to targeted attacks against American citizens that have resulted in deaths and injuries. There have been a number of anti-Western attacks in Saudi Arabia since May 2003. Terrorists have targeted housing compounds, businesses, and Saudi government facilities with vehicle-borne explosives and automatic weapons causing significant civilian deaths and serious injuries, and in separate incidents have held hostages and killed individual Westerners, including American citizens. On December 6, 2004, terrorists carried out an armed attack against the U.S. Consulate General in Jeddah, which resulted in casualties among the Consulate staff and damage to consulate facilities. In February 2006, terrorists attempted an attack on Saudi oil facilities in Abqaiq in the Eastern Province. In February 2007, four French tourists were killed in a terrorist incident on a desert track north of Medina.

The U.S. Embassy, working closely with Saudi security officials, periodically advises American citizens of potential security concerns.

Corruption

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

Foreign firms have identified corruption as an obstacle to investment in Saudi Arabia. Government procurement is an area often cited, as is de facto protection of businesses in which senior officials or elite individuals have a stake. Bribes, often disguised as “commissions," are reputed to be commonplace.

Saudi Arabia has signed but not ratified the UN Anticorruption Convention. Saudi Arabia is not a signatory of the OECD Convention on Combating Bribery.

Bilateral Investment Agreements

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

OPIC and Other Investment Insurance Programs

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The Overseas Private Investment Corporation (OPIC) no longer provides coverage in Saudi Arabia. In 1995, OPIC removed Saudi Arabia from its list of countries approved for OPIC coverage because of Saudi Arabia's failure to take steps to comply with internationally recognized labor standards. Details on OPIC programs and coverage can be obtained at. www.opic.gov. Saudi Arabia is a member of the Multilateral Investment Guarantee Agency.

Labor

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The Ministry of Labor and the Ministry of Interior regulate recruitment of expatriate labor. In general, the government encourages recruitment of Muslim workers, either from Muslim countries or from countries with sizable Muslim populations. The largest groups of foreign workers now come from Bangladesh, Egypt, India, Pakistan, the Philippines, and Yemen. Westerners compose less than two percent of the labor force, and the percentage is dropping as Saudis and less-expensive expatriates from developing countries replace them.

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

Saudi labor law forbids union activity, strikes, and collective bargaining. However, the Government allows companies that employ more than 100 Saudis to form "labor committees." By-laws detailing the functions of the committees were enacted in April 2002. To date, 15 labor committees have been established. Domestic workers are not covered under the provisions of the new labor law issued in 2005. The Saudi government has been promising the imminent issuance of a law covering domestic workers for over a year.

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

Foreign-Trade Zones/Free Ports

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Saudi Arabia does not have duty-free import zones or free ports. It does permit transshipment of goods through its ports in Jeddah and Dammam.

Saudi Arabia is a member of the Gulf Cooperation Council (GCC), which confers special trade and investment privileges within the six member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). Saudi Arabia is also a member of the Arab League, which agreed to negotiate an Arab free trade zone.

Foreign Direct Investment Statistics

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Accurate, up-to-date data on foreign direct investment in Saudi Arabia is difficult to obtain. Problems include double counting in domestic/foreign joint ventures, historical versus current market valuations, domestic financing by foreign firms, difficult-to-tabulate profit reinvestments by foreign firms, and the relatively small, off-the-books investments by Asian entrepreneurs and others, often disguised under a Saudi sponsor.

Figures provided in this section are taken from United Nations Conference on Trade and Development's "World Investment Report 2007, FDI from Developing and Transition Economies – Country Fact Sheet." Following are key FDI indicators as provided by the referenced report for 2005 (all figures are in USD millions unless otherwise indicated):

FDI Inflow	18293
FDI Outflow	753

FDI Inward Stock	51828
FDI Outward Stock	5211
FDI Inflow as % of GDP	14.9
FDI Outflow as % of GDP	1.5
FDI Inflow as % of GFCF	32.1
FDI Outflow as % of GFCF	1.3

GDP = gross domestic product
GFCF = gross fixed capital formation

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Chapter 7: Trade and Project Financing

How Do I Get Paid (Methods of Payment)

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

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

Debt collection is usually undertaken by a number of law offices. A representative list of lawyers is available through the U.S. Commercial Service.

How Does the Banking System Operate

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

The Saudi banking system remains one of the strongest and most profitable in the region. Although net income came down more than 14 percent from $9.4 billion in 2006 to $8.06 billion in 2007, total assets of the Saudi banking sector went up more than 24 percent, from $229.6 billion in 2006 to $286.7 billion in 2007. Ramifications of the stock market collapse in 2006 have negatively affected the banking sector's profits in 2007and most of the country's banks are now trying to boost income from other sources, particularly retail lending. Aggregate consumer borrowing increased more than 21 percent, from $126.9 billion in 2006 to $154.1 billion.

In March 2006, the Council of Ministers approved the establishment of Inma' Bank (The Development Bank). Capitalized at $4 billion, the founders include the Public Investment Fund (10%), the Pension Organization (10%), and the General

Organization for Social Insurance (10%), and the remaining 70 percent will be floated for public subscription.

The difficulty in obtaining a licence to operate in Saudi means that only 12 banks operate, dominated by Al-Rajhi bank, the country's most profitable and one of the world's largest Islamic banks, and the National Commercial Bank the largest by asset size in both Saudi Arabia and the whole GCC. A number of international banks have entered the market by taking stakes in domestic firms, such as HSBC's 40 per cent stake in Saudi British Bank (Sabb) and ABN Amro's 40 per cent stake in Saudi Hollandi Bank, which could soon be up for sale. Five GCC banks are licensed to operate in Saudi Arabia, and licenses were also granted to Deutsche Bank, BNP-Paribas, State Bank of India, National Bank of Pakistan, and J.P. Morgan Chase. So far, only Deutsche Bank and BNP-Paribas are operational.

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

As of the date of this report, the Capital Market Authority has licensed 82 foreign and local companies to provide financial services and brokerage services from dealing and managing portfolios to arranging and advisory services, including Morgan Stanley, Ernst & Young, Merrill Lynch, J.P. Morgan, Credit Suisse, HSBC, and Goldman Sachs, among others. The Saudi Government has also opened up asset management, advisory and brokerage services to foreign institutions. The U.K.'s Merchant Bridge and Swiss Bank Frey have also been authorized to conduct business.

The kingdom's stock market ended 2007 on a confidence note, the Tadawul All-Share Index (TASI) closed at 11,175 compared to 7,933 in 2006. Trading volumes plunged by more than half, bringing down the total value of traded shares to $682 billion in 2007 as opposed to $1403 billion in 2006. Overall market capitalization gained in 2007 reaching $519 billion compared to $327 billion in 2006.

The number of operating funds rose by almost two percent in 2007 to 216 with total assets at $27.3 billion, growing by more than 21 percent in 2007. Foreign assets represented more than 22 percent of the funds' assets composition.

Financial sources expect that greater privatization and a further restructuring in the Saudi capital market will boost the stock exchange capitalization. Banking sources expect a buoyant IPO market as more family businesses go public and new companies enter the Saudi market.

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

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

Foreign-Exchange Controls

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

Saudi Arabia last devalued the Riyal in June 1986 when it set the official selling rate at SR 3.745 = $1. Residents of Saudi Arabia may freely and without license buy, hold, sell, import, and export gold, with the exception of gold of 14 karats or less.

In its latest Article IV consultation with Saudi Arabia, the International Monetary Fund (IMF) indicated that it "saw merit in the authorities' decision to keep the current pegged exchange rate regime unchanged in the period leading up to the GCC monetary union in 2010, while keeping an open mind about the choice of the exchange rate regime under the prospective monetary union".

U.S. Banks and Local Correspondent Banks

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There are no U.S. financial/lending institutions operating independently in Saudi Arabia. Nonetheless, the Saudi Arabian Monetary Agency (SAMA) granted licenses to JP Morgan, Morgan Stanley, Ernst & Young, Merrill Lynch, and Goldman Sachs to operate in Saudi Arabia as a foreign investment banking entity.

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

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

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

Project Financing

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Project financing is expanding with a multitude of projects in the oil, petrochemicals, telecommunications, and water and power sectors. Even though local banks are awash with liquidity, they will not be able to accommodate the volume of deals.

Given the astronomical growth in construction costs and the shortage of labor, industry analysts predict that the size of any finance deal is also bound to grow. Additionally, the latest regulatory reforms are expected to bring about more foreign players to the Saudi market, in terms of investors in the country's infrastructure and basic industries, as well as new entrants into the banking sector. Many bankers are keeping an eye on the upcoming financing needs for the country's railway expansion including the Landbridge railway network, mining ventures including Maaden's phosphate mine and the aluminium smelter, petrochemical sector, oil sector, water and power.

The Saudi government and the Saudi private sector are embarking on a number of new mega projects, which entail some form of financing. A study by the Samba Financial Group revealed that the total cost of projects is about $282.67 billion, with the oil and gas sector representing one fourth of the total. Major among these projects include the Rabigh Integrated Petrochemical and Refinery project, the Jubail Export Refinery, the Yanbu Export Refinery, the Ras Tanura Integrated Petrochemical and Refinery project, and Jizan Export Refinery.

In the petrochemical sector, the Saudi Basic Industries Corporation is taking the lead boosting its overall production capacity to 60 million tons per annum. Some of the projects in the petrochemical sector include the Yansab petrochemical complex, expansion at the Saudi European Petrochemicals Company and at the Saudi Ethylene & Polyethylene Company, Phase II of the National Chevron-Phillips Company, and expansion at the Sahara Petrochemical project.

In the mining sector, the Saudi Arabian Mining Company (Ma'aden) is spearheading a number of private-public partnership projects, namely, Al-Jalamid Phosphate project and Ras Al-Zour project, which is a spin-off of the Al-Jalamid project, whereby the raw material will be transported by rail from Al-Jalamid to Ras Al-Zour for further processing and then shipping overseas. The Ras Al-Zour project will also include a smelter, which will involve long-term financing, around $8 billion, from local and international sources.

In the water and power sector, the Saudi government is moving fast forward with the privatization of this vital sector. Major among the projects include Marafiq's three IWPP in Jubail and Yanbu, Water & Electricity Company's (WEC) IWPP projects, which include, Shoaiba, Ras Al-Zour, and Shuqaiq.

As for power sector's IPP projects, the Saudi Electric Company (SEC) is implementing the PP 11, Rabigh, and Qurrayah. Notwithstanding, the SEC is also investing into augmenting capacity at Jizan, PP 10, Rabigh, Tabuk, Najran, Juba, and Qurrayah. Additionally, Maaden's Ras Al-Zour smelter will have its own power plant and SABIC's SADAF plant will be built on a BOO basis.

The largest private investment in Saudi Arabia will center around the Economic Cities that will be built in some remote sights of Saudi Arabia to enhance the region's economy and to create jobs in that area. These economic cities are expected to attract close to $80 billion in investments. The frontrunner is the King Abdullah Economic City at Rabigh, which will focus on promoting energy and transportation related industries. The Prince Abdulaziz bin Mousaed Economic City in Hail will be designed around transportation and related logistical services. The Knowledge Economic City in Madinah will include a Technology and Knowledge-Based Industries zone, an advanced IT studies institute, an interactive museum on the life of Prophet Muhammad (PBUH), a center for Islamic civilization studies, a campus for medical research and biosciences, an integrated medical services zone, a retail zone, a business district, and residential zones. The fourth economic city in the southern city of Jizan will have an industrial zone, a logistics service center, an energy/desalination plant, a residential zone and a seaport.

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

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

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

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

The International Finance Corporation, which finances and provides advice for private sector ventures and projects, has been quite active in the Saudi market.

IFC has been active in Saudi Arabia since 1999 when it took $2.4 million equity in the Saudi Orix Leasing Corporation, helping SMEs get access to asset-backed financing and help develop the Saudi non-bank financial institutions. Since then, IFC has made a number of investments and/or provided advisory and technical assistance to Saudi entities. The IFC website lists the organizations' commitments and projects in Saudi Arabia.

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

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

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

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

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

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

Web Resources

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Export-Import Bank of the United States
Export-Import Bank of the United States, Country Limitation Schedule
The Overseas Private Investment Corporation
United States Trade and Development Agency
Small Business Administration, Office of International Trade
United States Department of Agriculture, Commodity Credit Corporation
U.S. Agency for International Development
Saudi Credit Bureau
Saudi Arabian Monetary Agency
Saudi Investment Bank
Saudi Credit Bank
Saudi Agricultural Bank
Public Investment Fund
Saudi Industrial Development Fund
Real Estate Development Fund
Islamic Development Bank
Saudi Orix Leasing Corporation
Council of Saudi Chambers of Commerce and Industry
Saudi Fund for Development
Arab Monetary Fund
Islamic Corporation for the Insurance of Investment and Export Credit
Arab Fund for Economic and Social Development
Arab Industrial Development and Mining Organization
Inter-Arab Investment Guarantee Corporation

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Chapter 8: Business Travel

Business Customs

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Modern Saudi Arabia has adopted many of the business methods and styles of the West, but 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 should be wiggled between thumb and forefinger when returning it to the server to indicate that you have finished.

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

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

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

Travel Advisory Return to top

The U.S. Embassy continues to receive reports that suggest terrorist action against U.S. interests in Saudi Arabia remains a possibility. Because of continuing security concerns, the U.S. Embassy, Consulates General, and the U.S. military elements throughout the country routinely review their security postures and make improvements wherever possible to lessen their vulnerabilities. The Embassy strongly encourages all Americans resident in Saudi Arabia to likewise take appropriate steps to increase their security awareness and lessen their vulnerability.

In addition, the State Department issues Consular Information Sheets for every country of the world with information on such matters as the health conditions, crime, unusual currency or entry requirements, any areas of instability, and the location of the nearest U.S. embassy or Consulate in the subject country.

Americans traveling to Saudi Arabia for a short period of time are encouraged to register with the U.S. Embassy or Consulates and to obtain the most current security information. This process can be done before departing the U.S. through the Internet Based Registration System (IBRS).

Americans who expect to spend more time visiting Saudi Arabia or who are resident in Saudi Arabia are encouraged to register through the IBRS and to subscribe to the American Embassy warden system to receive the latest Warden Messages and Travel Warnings. The Warden system will inform the resident American community of current security matters.

Visa Requirements Return to top

Saudi visas in passports valid for at least six months are required for entry. Visas can be obtained for business and work, to visit close relatives, for religious visits, and lately for tourism. Most visas are single entry and allow for a maximum six-month stay, however, the Saudi Government has recently started granting multiple-entry business visas, but the process is still done on an ad hoc basis. Visas are not available upon arrival at ports of entry yet, but the Saudi Ministry of Foreign Affairs is reviewing the process of granting business visas at ports of entry for OECD nationals.

In the meantime, and in order to obtain a visitor's visa for business purposes, each U.S. company representative must have a letter of invitation from a sponsoring entity in Saudi Arabia. This letter must be in Arabic, the U.S. applicant may present a copy of the original letter, the letter must be on sponsoring company 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 U.S. applicant's company use the company's letterhead when requesting the Saudi Embassy's/Consulates' cooperation in issuing the visa. The visa applicant must apply for and receive the visa prior to departing the United States at either the Saudi Embassy in Washington or at Saudi Consulates in Houston, Los Angeles, or New York City. Once the visa is stamped on the passport, it is usually valid for one month, and must be used or officially canceled before a subsequent visa will be issued. The visa may be extended at the discretion of the Saudi Embassy or Consulate prior to the expiration date.

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

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

Visitors to Saudi Arabia generally obtain a meningitis vaccination prior to arrival, especially during the annual pilgrimage rituals. 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.

There is an airport departure fee of Sr. 50 ($13.30) per traveler. Members of airline crews, infants (under the age of 2), and passengers in transit less than 24 hours are exempt from paying this fee. The fee is payable to the travel agent through which the ticket is booked.

U.S. Companies that require travel of foreign businesspersons to the United States should allow sufficient time for visa issuance if required. Visa applicants should go to the following links.

State Department Visa Website:	http://travel.state.gov/visa/index.html
United States Visas:	http://www.unitedstatesvisas.gov/
American Embassy in Riyadh:	U.S. Embassy
Saudi Embassy in Washington, D.C.:	Royal Embassy of Saudi Arabia

Telecommunications Return to top

Telecommunication services in Saudi Arabia remain one of the most active sectors in Saudi Arabia. Since its privatization in 1998, Saudi Telecommunications Company (STC) has been carrying out major telecommunications projects kingdom-wide, gradually taking over this role from the Ministry of Post, Telephone and Telegraph (PTT).

A cellular phone system based on the GSM standard is highly popular, while radiophones are restricted. In 2001, a royal decree was issued permitting for a wireless network to be set up in Saudi Arabia. Nextel Sprint provided the technology and Motorola is providing the equipment. The system is known as the Push To Talk (PTT). The project is on a BOT basis for a 15-year time frame. Internet service is available free of charge, however, the connection speed is very slow and the dial-up service is chargeable at the regular telephone billing system. DSL service is available for an average monthly fee of $200.

The Communications and Information Technology Commission has awarded the second public mobile license to United Telecom Group, Ettesalat (UAE consortium) that includes five Saudi partners.

The latest figures reveal that Saudi Arabia has more than 4 million landlines, close to 19 million mobile GSM subscribers, four VSAT providers, and more than two million (Dial-up) Internet users, and 250,000 DSL subscribers.

The Kingdom has direct dial access to more than 152 countries. There are various prepaid phone cards and prepaid Internet cards for temporary visitors to Saudi Arabia. Major hotels have either in-room Internet access or in-house access.

Transportation Return to top

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

Saudi Arabia has a good highway system and rental cars and taxis/limousines are available at all airports; driving is U.S.-style, on the right. One rail line carries passengers and freight between Dammam and Riyadh. Jeddah and Dammam are the main international seaports for moving containerized and bulk cargo, while Jeddah seaport has a passenger terminal as well. The Saudi Government plans to build more than 3,800 Km of new railway lines. The most important one is the Saudi Land Bridge line, which will link Jeddah to Dammam through Riyadh, another will stretch from Qurayyat in the North to Riyadh in the South, passing through Hail and Buraydah. Other rail projects include the Makkah-Jeddah-Medina project, which will mainly transport pilgrims and religious visitors; while another electric, elevated monorail is also been planned for Medina to facilitate pilgrims’ transfer among the religious sites at the city. Last, the Riyadh Development Authority is planning two elevated metro system, which will link Northern and Southern Riyadh, and another will connect Western with Eastern parts of the city.

Four-door sedans rent monthly for approximately $960, and yearly for about $11,500. A new GMC Suburban can be purchased for approximately $30,373.

Language

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

Health

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The quality of health care is variable, ranging from excellent to poor depending on the region, hospital, and specialty. Most Western expatriates find it adequate for routine care and minor surgery. In recent years, however, medical care has evolved in Saudi Arabia with all sorts of sophisticated treatments, such as open-heart surgery, kidney transplants and cancer treatment, being undertaken. Only a few drugs available in the U.S. are not available in Saudi Arabia. Many local hospitals and healthcare companies are vying to tie up with U.S. healthcare providers. In 2005, the Cleveland Clinic set up a joint venture medical center in Jeddah, the International Medical Center, which will work on several joint initiatives including E-Health, Teleconferencing, Consultations and Continuing Education programs.

The latest World Health Organization data reveal that Saudi Arabia's per capita health expenditures stood at $578 in 2003, while total healthcare expenditures represent close to three percent of GDP at current prices in 2007. A yellow fever certificate is required from travelers coming from infected countries. A Meningitis vaccine is also required from incoming travelers, especially during the annual Pilgrimage ritual.

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

Local Time, Business Hours, and Holidays

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

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

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

Work Week:

a. U.S. Embassy:	08:00 - 17:00 Sat. thru Wed.
b. Government:	08:00 - 14:30 Sat. thru Wed.
c. Banks:	09:00 - 17:00 Sat. thru Wed.
d. Businesses:	08:00 - 12:00 and
	16:00 - 20:00 Sat. thru Wed.
	08:00 - 13:00 Thursdays.

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

The Eid al-Fitr holiday occurs at the end of the holy month of Ramadan (month of fasting). Eid al-Adha celebrates the time of year when pilgrims arrive from around the world to perform the Hajj. Their timing is governed by the Islamic lunar calendar. The next Eid al-Fitr holiday will begin on or about September 29, 2008 and the next Eid al-Adha holiday on or about December 8, 2008. The Saudi national day is celebrated September 23.

Business travel to Saudi Arabia during the holy month of Ramadan is best avoided. During Ramadan, Muslims abstain from food and drink during daylight hours. Office hours are shortened and shifted to the evening, and people may be affected by the fasting and customary late night social gatherings. During Ramadan business travelers should not drink, eat, or smoke in public during daylight or in the presence of fasting Muslims. Hotels offer special daytime food services for their non-Muslim guests. Ramadan will start on or about September 1, 2008 and end on or about September 30, 2008.

Temporary Entry of Materials and Personal Belongings

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

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

Web Resources

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Travel Advisories and Warnings | U.S. Embassy
Royal Embassy of Saudi Arabia | State Dept. Visa Website
http://www.unitedstatesvisas.gov/ | Saudi Telecommunications Company
Communications and Information Technology Commission
Saudi Arabian Airlines | World Health Organization
Passports Department

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Chapter 9: Contacts, Market Research, and Trade Events

Contacts

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Ministry of Agriculture
Ministry of Finance
Ministry of Economy & Planning
Ministry of Interior
Ministry of Petroleum and Mineral Resources
Ministry of Communications and Information Technology
Ministry of Municipal and Rural Affairs

Council of Saudi Chambers of Commerce and Industry
Riyadh Chamber of Commerce and Industry
Jeddah Chamber of Commerce and Industry
U.S. – Saudi Business Council

Arab Satellite Communications Organization
Capital Market Authority
Central Department of Statistics
Deputy Ministry for Mineral Resources
Communication and Information Technology Commission
Department of Zakat and Income Tax
General Organization for Social Insurance
General Organization for Technical Education and Vocational Training
Institute of Public Administration
King Faisal Foundation
King Abdul Aziz City for Science and Technology
Presidency of Meteorology and Environment (PME)
National Commission for Wildlife Conservation and Development
National Shipping Company of Saudi Arabia
Civil Aviation Commission (CAC)
Public Investment Fund (PIF)
Royal Commission for Jubail and Yanbu
Saline Water Conversion Corporation (SWCC)
Saudi Arabian Agricultural Bank
Saudi Arabian Airlines
Saudi Customs
Saudi Arabian General Investment Authority
Saudi Arabian Mining Company (MA'ADEN)
Saudi Arabian Monetary Agency
Saudi Arabian Oil Company (Saudi Aramco)
Saudi Arabian Public Transport Company
Saudi Arabian Standards Organization (SASO)
Saudi Credit Bank
Saudi Basic Industries Corporation (SABIC)
Saudi Electricity Company
Saudi Fund for Development
Saudi Geological Survey

Saudi Industrial Development Fund (SIDF)
Saudi Ports Authority
Saudi Telecommunications Company
Supreme Economic Council
U.S. Commercial Service in Saudi Arabia

Saudi Press Agency

Market Research

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To view market research reports produced by the U.S. Commercial Service please go to the following website: http://www.export.gov/mrktresearch/index.asp. There are a number of web resources available.

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

To view market research reports produced by Foreign Agricultural Service, please go to the following website: FAS Attaché Reports and search either by date, commodity and/or country.

Trade Events

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The Commercial Service in Saudi Arabia will be promoting the following Trade Events.

Event Date	Event Name & Site	Industry	Commercial Service Contact
April 2-4, 2008	**ISC West**, Las Vegas, NV	Industrial Safety and Security	ishtiaq.hussain@mail.doc.gov ahmed.khayyat@mail.doc.gov yousef.daqqaq@mail.doc.gov
May 5-8, 2008	**Offshore Technology Conference (OTC)** Houston, TX	Oil and Gas	ahmad.malas@mail.doc.gov habeeb.saeed@mail.doc.gov yousef.daqqaq@mail.doc.gov
June, 16-19, 2007	**NXTCOMM**, Las Vegas, NV	Telecommunications	ahmed.khayyat@mail.doc.gov ishtiaq.hussain@mail.doc.gov
December 2-4, 2008	**Powergen International 2008**, **Orlando, FL**	Electrical Power Systems	ahmad.malas@mail.doc.gov habeeb.saeed@mail.doc.gov yousef.daqqaq@mail.doc.gov[3]

In addition, the Foreign Agricultural Service annually promotes some regional agricultural shows, namely:

1) **Gulf Food 2008**
Venue: Dubai, United Arab Emirates
Dates: February 19 – 22, 2008
Organizer: Dubai World Trade Center
Tel: (+971 4) 332-1000
Fax: (+971 4) 331-2173
E-mail: info@dwtc.com
www.dwtc.com

Please click on the link below for information on upcoming trade events for the US Commercial Service worldwide.

http://www.export.gov/tradeevents/index.asp

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Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

http://www.buyusa.gov/saudiarabia/en/7.html

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest **Export Assistance Center** or the **U.S. Department of Commerce's Trade Information Center** at **(800) USA-TRADE**, or go to the following website: http://www.export.gov

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