

Trade & Investment Promotion Section (SECOM)

Embassy of Brazil

Riyadh, Saudi Arabia



**SAUDI ARABIAN ECONOMY
& BUSINESS ENVIRONMENT
AND
PROSPECTS FOR
TRADE & INVESTMENT PROMOTION
BY BRAZIL**

SECOM Riyadh, Saudi Arabia

August 2017



**SAUDI ARABIAN ECONOMY & BUSINESS ENVIRONMENT
AND
PROSPECTS FOR TRADE & INVESTMENT PROMOTION BY BRAZIL**

A reference paper prepared as per CIT No. 104781(DPR/MRE) and the request from Apex-Brasil office in Dubai (UAE), for the purpose of setting market strategy on Saudi Arabia concerning bilateral trade and investment promotion activities. Efforts were made to collect and present update data and information from various local and international official and non-official sources which are believed to be reliable and authentic. However, the information, data, findings and conclusions stated in this paper are subject to change owing to various internal and external factors that directly and indirectly influence Saudi Arabia and subsequent changes in the plans, strategies, policies and actions of Saudi Arabia at various levels.

Prepared by

Fazal R. Pullat

E-mail: secom.riade@itamaraty.gov.br

Reviewed by

Minister Alberto Luiz Pinto Coelho Fonseca

Deputy Chief of Mission and Head of SECOM

E-mail: alberto.fonseca@itamaraty.gov.br

Approved by

His Excellency Flavio Marega

Ambassador of Brazil to Saudi Arabia and Yemen

E-mail: flavio.marega@itamaraty.gov.br

Riyadh, 31 August 2017

TABLE OF CONTENTS

PART I: SAUDI ARABIA

#	Description		Page
1	Saudi Economy		
	1.1	Overview	6
	1.2	Basis facts	7
	1.3	Key economic data	8
	1.4	Main drivers of growth and recent developments in Saudi Arabia	9 - 22
	1.5	Main issues in Saudi Arabia	23 - 28
	1.6	Sensitivities in Saudi Arabia	28 - 31
2	Economic and trade policy		
	2.1	Economic and trade policy objectives	32 - 33
	2.2	Trade policy review by WTO	33 - 37
	2.3	Trade standards	
	2.3.1	Saudi Standards, Metrology and Quality Organization - SASO	38 - 39
	2.3.2	Communication & Information Technology Commission	38
	2.3.3	Saudi Food and Drug Authority – SFDA	39
	2.3.4	Conformity Assessment	39
	2.3.5	Product Certification	39
	2.4	Characteristics of trade policy	
	2.4.1	Commercial dispute settlement	40
	2.4.2	Business visas	41-42
	2.4.3	Delayed payments	42
	2.4.4	Counterfeiting	42
	2.4.5	Arab league boycott	43
3	Agreements and barriers		
	3.1	Multilateral: Saudi Arabia and the WTO	44 - 46
	3.2	Regional and Preferential Agreements	
	3.2.1	Cooperation Council for the Arab States of the Gulf	46 - 47
	3.2.2	The Pan Arab Free Trade Area	48
	3.2.3	Other agreements	48
	3.3	Bilateral Investment Treaties & related Treaties	
	3.3.1	Bilateral Investment Treaties (BITs)	48 - 49
	3.3.2	Treaties with Investment Provision (TIPs)	49 - 50
	3.3.3	Investment Related Instruments (IRIs)	50 - 51
	3.3.4	Saudi-Brazil Investment Coop. & Facilitation Agreement	51
	3.4	Joint Business Councils	

	3.4.1	Formation and structure	51 - 53
	3.4.2	List of Business Councils	53 - 54
	3.4.3	Saudi-Brazil Joint Business Council	54
3.5	Joint Committees		
	3.5.1	About Joint Committees	54 - 55
	3.5.2	List of Joint Committees	55 - 57
	3.5.3	Saudi-Brazil Joint Committee	57
3.6	Economic, Trade and Technical Cooperation Agreements		
	3.6.1	About Cooperation Agreements	57
	3.6.2	List of Cooperation Agreements	57 - 58
	3.6.3	Saudi-Brazil Cooperation Agreements and other agreements	59 - 60
3.7	Avoidance of Double Taxation Agreements (ADTA)		
	3.7.1	List of ADTAs	61
	3.7.2	Saudi-Brazil negotiation on ADTA	62
3.8	Other Agreements		62
3.9	Barriers		
	3.9.1	Prohibited & restricted products	62 - 65
	3.9.2	Tariffs	65 - 66
	3.9.3	Government procurement	66 - 67
	3.9.4	Intellectual Property Rights Protection - IPRP	67
	3.9.5	Services barriers	67 - 68
	3.9.6	Investment barriers	68 - 69
	3.9.7	Shipment	69 - 70
	3.9.8	Product certification, labelling and packaging	70 - 72
4	Foreign investment and investment attractiveness policy		
	4.1	Saudi Arabian General Investment Authority – SAGIA	73
	4.2	National Investment Plan – NIP	73
	4.3	Fiscal incentives for foreign investors	74
	4.4	Import duties	74 - 75
	4.5	100% ownership	75
	4.6	Market entry options	75 - 76
	4.7	Property solutions	76 - 77
	4.8	Supportive environment	77 - 78
	4.9	Financial incentives	78 - 79
	4.10	Human resources	79
	4.11	FDI Flow – inward and outward	79 - 80
	4.12	Saudi-Brazil investment data	81 - 83

5	Market niches and opportunities for trade and investment		
5.1	Trade sector		
	5.1.1	Imports	84 - 87
	5.1.2	Exports	87 - 90
	5.1.3	Saudi-Brazil bilateral trade	90 - 91
5.2	Investment sector		92 - 101

PART II
PROSPECTS FOR BILATERAL TRADE & INVESTMENT PROMOTION

6	Brazilian product image and general impressions about Brazil		
6.1	General impression about Brazil		103 - 104
6.2	General impression/image on Brazilian products		105
7	Export and investment promotion opportunities and suggested actions		
7.1	Export promotion opportunities		106
7.2	Investment promotion opportunities		107
	7.2.1	Saudi Agricultural & Livestock Investment Company - SALIC	107 - 110
	7.2.2	Public Investment Fund – PIF	111 - 113
	7.2.3	Saudi Aramco	113 - 116
	7.2.4	Private investors & others	116 - 120
7.3	Actions suggested for export and investment promotion		
	7.3.1	Trade and Investment delegation from Brazil to Saudi Arabia	120 - 124
	7.3.2	Trade and Investment delegation from Saudi Arabia to Brazil	124 - 125
	7.3.3	Online Business to Business (B2B) Match-Making Program	125 - 126
	7.3.4	Business to Government (B2G) Program	126 - 127
	7.3.5	Joint Ventures	127
	7.3.6	Contract Farming	127
	7.3.7	Export Consortiums of SMEs	128
	7.3.8	Specific actions in relation to SALIC	128
	7.3.9	Specific actions in relation to PIF	128 - 129
	7.3.10	Specific actions relation to Saudi Aramco	129
	7.3.11	Specific actions in relation to other Saudi private companies	129
	7.3.12	Joint Investment Fund	129 - 130
	7.3.13	Participation in Local Trade Fairs	130
	7.3.14	Follow-up, Coordination and Arbitration Cell	131
9	Review of Apex Brasil actions in Saudi Arabia		132 - 133
10	References		134 - 136

PART I

SAUDI ARABIAN ECONOMY
&
BUSINESS ENVIRONMENT

1 Saudi Economy

1.1 Overview

Saudi Arabia is currently undergoing comprehensive structural reforms. Various international organizations and specialized agencies including the IMF commented that the country's fiscal sector and managed to perform relatively well in the aftermath of the oil price volatility. There are different views and comments about the future course of the economy as there is no clear picture on the anticipated outcome of the reforms that are being implemented currently by the new leadership.

Despite all the challenges, the country is moving forward with reform plans. Prince Mohammed bin Salman, the son of King Salman bin Abdulaziz and present Crown Prince, Deputy Prime Minister and Minister of Defense, presented a comprehensive reform program in April 2016, known as "Vision 2030". The program has two major components: the "Fiscal Balance Program" and the "National Transformation Program (NTP)". According to official statements, the Fiscal Balance Program aims at achieving budgetary balance by 2020 while the NTP aims at strengthening financial governance, increasing non-oil revenues and improving spending on programs and projects as part of Vision 2030.

The Fiscal Balance Program is designed to be a key component in developing a more effective government, providing intense scrutiny of government finances and acting as a spur to increased efficiency. Beyond fiscal balance and government performance, key socioeconomic impacts are sought by Vision 2030. This includes targeting the social welfare system on the neediest and supporting them effectively, and also making the economy more competitive. Most importantly, by carefully managing the government's finances, space can be created in the budget to enable investment in long-term programs that will ensure a successful delivery of "Vision 2030".

These reforms, the economic developments and the challenges the country is facing open doors of opportunities for cooperation for its traditional allies and for emerging economies like Brazil as well. The opportunities include not just trade and investment in goods but also in service sectors such as education, training, research, sports, hospitality, healthcare, transportation, public safety and security, finance, engineering and construction.

The prospective sectors which Brazil can explore in relation to Saudi Arabia and the actions which the Embassy of Brazil in Riyadh recommends are outlined in this paper as a reference for the discussions of a strategic plan of action by Apex Brasil and DPR/Itamaraty on the Saudi Arabian market.

1.2 Basic facts:

- Saudi GDP in 2016 was US\$ 646.43 billion, ranking Saudi Arabia as the 20th largest economy in the world in 2016 (*Source: World Bank*).
- Saudi Arabia ranks 29 and 31 respectively in the list of the largest exporters and importers in the world in 2016; exports value (F.O.B): US\$ 174.91 billion; imports value (C.I.F): US\$ 139.39 billion (*Source: WTO*).
- Saudi Arabia ranks 94 in the world in the list of “ease of doing business 2017”. In 2016 the rank was 96. (*Source: World Bank*).
- Saudi Arabia was ranked as having the second largest proven oil reserves in the world with 21.9% (266.21 billion barrels) of world’s total proven oil reserves in the end of 2016. Venezuela was ranked as having the largest proven oil reserves with 24.8% (302.25 billion barrels) of world’s total proven oil reserves in the end of 2016. (*Source: OPEC*).
- Saudi Arabia is ranked as the fourth largest military spender in the world in 2016 valued at US\$63.7 billion. In 2015 Saudi Arabia was the third largest spender valued at US\$ 90 billion, which was taken away by Russia in 2016, valued at US\$ 69.2 billion (*Source: www.sipri.org*).
- Saudi Arabia (the net asset of SAMA, the central bank) has a projected net foreign asset of US\$ 472.6 billion in 2017. In 2014 it was US\$ 724.3 billion (*Source: IMF*). *The total foreign holdings of SAMA was estimated at US\$ 514 billion in 2017 and ranked as the fifth largest sovereign wealth fund in the world by the Sovereign Wealth Fund Institute. (Source: <http://www.swfinstitute.org/sovereign-wealth-fund-rankings/>).*
- The total population of Saudi Arabia (Saudis and non-Saudis) is estimated at 31.74 million reported in 2016, of which 20.06 million were Saudis and 11.67 million were foreigners. 58.5% of the total Saudi population is under the age of 30 years and 30.4% are under the age of 15 years. (*Source: General Authority of Statistics, Saudi Arabia*).
- Saudi Arabia, besides being a member of the United Nations and its affiliates, is also a member of other international and regional organization such as the G20, WTO, GAFTA, GCC, World Organization for Animal Health (OIE), the Codex Alimentarius Commission, and International Plant Protection Convention (IPPC) etc.
- The FDI stock of Saudi Arabia in 2014 was US\$ 215.908 billion. In 2016 the total FDI net inflow was US\$ 7.452 billion and the net FDI outflow was US\$ 8.358 billion (*Sources: World Bank and SAGIA*). (*FDI net inflows are the value of inward direct investment made by non-resident investors in the reporting economy, including reinvested earnings and intra-company loans, net of repatriation of capital and repayment of loans. FDI net outflows are the value of outward direct investment made by the residents of the reporting economy to external economies, including reinvested earnings and intracompany loans, net of receipts from the repatriation of capital and repayment of loans - UNO*)

1.3 Key Economic data

	2010	2011	2012	2013	2014	2015	2016	2017F	2018F
Nominal GDP									
(SR billion)	1,976	2,517	2,760	2,800	2,836	2,444	2,399	2,642	2,857
(\$ billion)	527	671	736	747	756	652	640	705	762
(% change)	22.8	27.4	9.6	1.5	1.3	-13.8	-1.9	10.2	8.1
Real GDP (% change)									
Oil	-0.1	12.2	5.1	-1.6	2.1	5.27	3.4	-1.2	0.2
Non-oil private sector	9.7	8.0	6.5	6.9	5.5	3.41	0.1	1.2	1.2
Non-oil government	7.4	8.4	5.3	5.1	3.7	2.72	0.5	0.5	0.4
Total	5.0	10.0	5.4	2.7	3.7	4.11	1.4	0.1	0.6
Oil indicators (average)									
Brent (\$/b)	79.8	112.2	112.4	109.6	99.4	52.1	43.2	54.5	60.8
Saudi (\$/b)	77.5	103.9	106.1	104.2	95.7	49.4	40.6	51.5	56.8
Production (million b/d)	8.2	9.3	9.8	9.6	9.7	10.2	10.4	10.2	10.2
Budgetary indicators (SR billion)									
Government revenue	742	1,118	1,247	1,156	1,044	616	528	708	911
Government expenditure*	654	827	873	976	1,110	978	930	890	929
Budget balance	88	291	374	180	-66	-362	-402	-182	-18
(% GDP)	4.4	11.6	13.6	6.4	-2.3	-14.8	-16.8	-6.9	-0.6
Gross public debt	167	135	99	60	44	142	317	433	628
(% GDP)	8.5	5.4	3.6	2.1	1.6	5.8	13.2	16.4	22.0
Monetary indicators (average)									
Inflation (% change)	3.8	3.7	2.9	3.5	2.7	2.2	3.4	2.0	4.7
SAMA base lending rate (% end year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.5	3.0
External trade indicators (\$ billion)									
Oil export revenues	215	318	337	322	285	157	136	163	185
Total export revenues	251	365	388	376	342	204	182	212	236
Imports	97	120	142	153	158	159	124	140	143
Trade balance	154	245	247	223	184	44	58	72	94
Current account balance	67	159	165	135	74	-57	-25	-15	1
(% GDP)	12.7	23.6	22.4	18.1	9.8	-8.7	-3.9	-2.1	0.1
Official reserve assets	445	544	657	726	732	616	534	488	452
Social and demographic indicators									
Population (million)	27.4	28.2	28.9	29.6	30.3	31.0	31.7	32.6	33.3
Saudi Unemployment (15+, %)	11.2	12.4	12.1	11.7	11.7	11.5	12.5	12.3	11.8
GDP per capita (\$)	19,211	23,827	25,471	25,223	24,962	21,014	20,150	21,607	22,911

*2017F & 2018F: 'F' represents forecasts. Source: Jadwa Macroeconomic update, Saudi Arabia, June 2017

1.4 Main drivers of growth and the latest developments

Vision 2030:

The new leadership of Saudi Arabia is determined to move forward with its ambitious reform program known as the Vision 2030. As part of this, the government has slashed spending, rolled back subsidies and ushered in a slew of other economic reforms. Analysts forecast further intensifying of the steps in the country's drive to diversify the economy away from its dependence on oil, and concomitantly boost the private sector, with its strategy outlined in the National Transformation Plan consisting of 133 economic reform programmes.

The International Monetary Fund (IMF) welcomed the economic reforms introduced by the Saudi government including the planned rollout of VAT in 2018, removing obstacles to private growth and boosting bank regulation. The IMF also cautioned that the government should closely monitor the pace of fiscal reforms and make adjustments where necessary. "Fiscal consolidation efforts are beginning to bear fruit, progress with reforms to improve the business environment are gaining momentum, and a framework to increase the transparency and accountability of government is largely in place," the IMF said in a summary. "Effective prioritization, sequencing, and coordination of the reforms is essential, and they need to be well-communicated and equitable to gain social buy-in and ensure their success."

Although the Saudi government finally agreed a "freeze" of output at January levels with Russia in February 2017, after 18 months of boosting oil production in order to buttress its market share, analysts do not expect a significant effect on the oil price. Therefore the government will be forced to continue its ongoing spending cuts, including subsidy reductions and introducing of new revenue-raising measures to keep the deficit manageable. A key element of this will be to expedite an ambitious privatisation drive, with US\$400bn in sell-offs targeted, focused on divesting state land for development and potentially listing the downstream arm of the state oil company, Saudi Aramco.

The plan aims to cut the Kingdom's reliance on oil and gas by investing heavily in sectors that create economically productive jobs from finance to manufacturing. As part of a drive to boost revenues, the government will also introduce value-added tax (VAT) next year along with its Gulf Cooperation Council (GCC) oil-exporting neighbours, which are also responding to weaker hydrocarbon prices. Saudi Arabia's Ministry of Finance said total revenues in the first half of 2017 rose to SR307.98 billion (US\$ 82 billion), a 29 percent increase on the same period last year. Spending fell 2 percent compared to the same period a year earlier to SR380.71 billion (US\$ 102 billion), according to a statement published by the Saudi Press Agency (SPA).

The Ministry of Finance laid out several key retrenchment measures, including reducing subsidies on electricity, water and fuel for wealthy Saudis. The petrol price was increased by 50% in 2016 and natural gas and water prices raised sharply for the industry. However, the major focus of the fiscal adjustments will be in the capital budget such as freezing building projects, reduce the amount of foreign scholarship program for Saudi students, reduce military spending, increasing of import tariff and introducing value added tax (VAT). A 20% hike in the import tariff on cigarettes is already made and the Saudi government will impose new taxes on tobacco and soft drinks.

Analysts do not expect any adjustment to or abandoning of the Saudi riyal's peg. The Saudi riyal's peg to the US dollar, which has been in place since 1986, is almost certain to remain unchanged at SR3.75: US\$1. According to Economic Intelligence Unit (EIU) report, the Saudi riyal's peg to the US dollar means that the main policy rate must roughly track movements in US interest rates, even though this could lead to economic distortions. Since the introduction of the long-proposed single Gulf Co-operation Council (GCC) currency is not yet decided, the riyal will track movements in the US currency, which is expected to remain strong as the US Federal Reserve tightens its monetary stance.

The achievement made in bringing the fiscal sector of the Kingdom under control is worth mentioning. The deficit projected in the country's budget for the year 2017 was reduced by half in the first six months of the year 2017 following sweeping spending cuts that form part of the ambitious economic reform plan, as mentioned above.

The deficit shrank by 51 percent to SR72.73 billion (\$19.38 billion) which officials said reflected progress made in improving state finances, hit by the dramatic decline in oil prices from mid-2014. "The second quarterly report shows the effectiveness of economic reforms and measures in the National Transformation Program within the Kingdom's Vision 2030," said Finance Minister Mohammed Al-Jadaan. "Although economic challenges still exist, we are confident that we will meet our expectations for the fiscal deficit for 2017."

IMF projects the fiscal deficit to narrow substantially in the coming years. It is expected to decline from 17.2 percent of GDP in 2016 to 9.3 percent of GDP in 2017 and to just under 1 percent of GDP by 2022. The deficit is expected to continue to be financed by a combination of asset drawdowns and domestic and international borrowing.

According to official statements, the revenues for the second quarter of 2017 rose 6 percent to SR163.91 billion (US\$ 44 billion). About SR100.9 billion (US\$ 27 billion) of that came from oil – a 28 percent increase on the same quarter a year ago, due to recovering prices. Mazen Al-Sudairi, the head of research at Al-Rajhi Capital said in a note to clients that, compared to other

commodity-based economies, Saudi Arabia debt levels remained “very healthy.” Al-Rajhi Capital estimates that oil would need to trade at an average of \$61 per barrel in the second half of this year for the government to meet its full-year oil-revenue target. Brent crude fell by about 0.6 percent in the second week of August 2017 to close at \$52.10 per barrel.

The IMF, in its World Economic Outlook update in July 2017, lowered economic growth of Saudi Arabia to just 0.1% in 2017 from the 0.4% rate it projected in April 2017. The recent decline in oil prices, if sustained, could weigh further on the outlook for the region’s oil exporters, the IMF said. In 2018, the Saudi economic growth is forecasted by IMF to rebound to 1.1 percent. Saudi Arabia’s economy, the largest in the region, grew by 4.1 percent in 2015 and 1.7 percent in 2016.

At the same time, the IMF Executive Board’s assessment report states that the economy was adjusting well to the era of lower crude oil prices, as growth is supported by non-oil sectors. On July 17, 2017, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV Consultation with Saudi Arabia and reported that the non-oil growth is projected to pick up to 1.7 percent in 2017. But the report revealed that the overall real GDP growth is expected to be close to zero as oil GDP declines in line with Saudi Arabia’s commitments under the OPEC agreement.

The Consumer Price Index (CPI) inflation has turned negative recently after increasing in early 2016 due to higher energy and water prices. It is, however, expected to increase over the next year due to the recently introduced excises taxes, further energy price reforms, and the introduction of the VAT at the beginning of 2018, according to the report issued by the IMF.

The current account balance, according to the IMF report, is expected to move into a small surplus in 2017 as oil export revenues increase and import growth and remittance outflows remain relatively subdued. The EIU predicts that rise in petrochemical, aluminium and phosphate export volumes, combined with recovering oil prices from next year, should keep the trade balance in surplus.

The improving trade performance will be augmented by a stronger non-merchandise account as the secondary income deficit is restrained by the government's Saudization program (which will depress outflows of workers' remittances) and the primary income surplus is supported by rising global interest rates. As a result, the EIU forecast that the current account will move temporarily into surplus in 2018.

IMF projects that the net financial outflows are expected to continue, and SAMA’s net foreign assets (NFA) is projected to continue to decline, although remaining at a comfortable level. The credit and deposit growth are weak but are expected to recover gradually. Interbank interest rates,

which spiked higher during 2016, have fallen, and liquidity in the banking system is at adequate levels. Non-performing loans (NPLs) increased slightly to 1.4 percent, but remain low.

Vision 2030 – Pillars (<http://vision2030.gov.sa/en>).

The Vision 2030 is based on the following three pillars as officially stated:

1. Status as the heart of the Arab and Islamic worlds.
2. Determination to become a global investment powerhouse by harnessing the investment capabilities to stimulate our economy and diversify revenues.
3. Transform the strategic location into a global hub connecting three continents, Asia, Europe and Africa.

Vision 2030 – Summary of principal actions:

- Exploit the natural resources which the country holds in abundance such as gold, phosphate, uranium etc. in order not to depend solely on oil.
- Reinforce and diversify the capabilities of the economy for a fully diversified future.
- Transform Aramco from an oil producing company into a global industrial conglomerate.
- Transform the Public Investment Fund into the world's largest sovereign wealth fund.
- Encourage major corporations in the country to expand across borders and take their rightful place in global markets.
- Continue to give the army the best possible machinery and equipment and manufacture half of the military needs within the country to create more job opportunities for citizens and keep more resources in Saudi Arabia.
- Expand the variety of digital services to reduce delays and cut tedious bureaucracy.
- Adopt wide-ranging transparency and accountability reforms and, through the body set up to measure the performance of government agencies, hold them accountable for any shortcomings.

- Be transparent and open about the failures as well as the successes, and welcome ideas on how to improve.
- To make the nation a leader in providing opportunities for all through education and training, and high quality services such as employment initiatives, health, housing, and entertainment.
- Provide world-class government services which effectively and efficiently meet the needs of the citizens.
- Not allow the country ever to be at the mercy of commodity price volatility or external markets.
- Provide opportunity for all and as a tolerant country with Islam as its constitution and moderation as its method.
- Welcome qualified individuals from all over the world and respect those who have come to join the journey and success of the country and its people.
- Provide better opportunities for partnerships with the private sector through the three pillars: position as the heart of the Arab and Islamic worlds, leading investment capabilities, and strategic geographical position.
- Improve the business environment, so that the economy grows and flourishes, driving healthier employment opportunities for citizens and long-term prosperity for all.

Other previous initiatives:

Following are the other development programs launched by Saudi Arabia.

The Industrial Development Plan:

The Industrial development in the Kingdom, compared to businesses is newly born. The industrial structure is based upon two pillars - first: the basic sector industries which depend on hydrocarbon materials and second: manufacturing sector industries. The industrial production base in the Kingdom accommodates the following sectors:

First: The projects which Saudi Basic Industries Corporation (SABIC) is establishing and operating, a majority of them in the hydrocarbon industries, followed by heavy metal industry.

These industries require huge capital investments and energy-intensive consumption. And the feedstock resulting from oil-refining and gas treatment as primary materials for these industries. The petro-chemical products of these projects are directed to exporting in the first place. SABIC factories are distinguished with highly developed technology.

The factories take the form of joint ventures with foreign partners, whose capital share percentages vary to the effect that they do not exceed 50%. These industries make up what is called the basic industries sector.

Second: The laboratories which are licensed by the Ministry of Industry and Electricity and which are owned by the private sector. Most of this sector's projects obtained loans from the Saudi Industrial Development Fund to establish the factories.

The production of these industries is directed in the first place to the local market which is open to competition in light of the principles of the free economy.

The state offers incentives and financial services to private sector investors such as renting land in the industrial cities at minimal prices together with providing the necessary energy and facilities at proper prices.

The state also presents loans from the Saudi Industrial Development Fund, gives the advantage to the national products when it comes to purchasing for the state's institution and training scholarships, and imposes the customs protection for some of the national products.

Third: The small laboratories and production undertaking reparation work and commodity producing at a small scale, which are licensed by the local municipalities; and have commercial record taken out for them from the Ministry of Commerce or its branches.

Therefore, the follow-up process of the activity of these factories does not come under the responsibilities of the Ministry of Industry. More often than not, their financial requirements are demonstrated in terms of providing the working capital and raw materials for these industries more than their needs for facilities and equipment.

As for financing the industries, usually the owners of the factories undertake it; and sometimes Saudi Credit and Saving Bank provides them with loans, on the condition that they complete their training at the General Organization for Technical Education and Vocational Training.

National Industrial Clusters Development Program (NICDP):

Saudi Arabia's National Industrial Clusters Development Program (NICDP) is supervised by two government agencies, the Ministry of Commerce & Industry and the Ministry of Energy, Industry and Mineral Resources. "Industrial Clusters" are so designed to catalyse the development of export-oriented and long-term globally competitive manufacturing clusters that leverage on KSA's energy, petrochemical and mineral resources. The aim of the NICDP is to diversify the economy and create substantial numbers of rewarding jobs.

Four industrial clusters are being developed: Automotive, Minerals and Metal Processing, Pharma & Biotech and Plastics and Packaging. The NICDP is also responsible for providing support in identification and activation of key enablers, driving processes and coordinating with other government agencies. The NICDP also facilitates and helps potential investors evaluate investment opportunities.

The Royal Commission for Jubail and Yanbu:

The Royal Commission for Jubail and Yanbu (RCJY) was established in 1975, as an autonomous organization of the Saudi Arabian Government. The RCJY is responsible for the management and development of major industrial sites at Jubail and Ras Al Khair on the Arabian Gulf coast and Yanbu and Jazan on the Red Sea coast.

The Royal Commission aims to promote, develop and enable petrochemical, chemical, minerals and their downstream industries. "Jubail Industrial City" (JIC), located 100 km (60 mi) northwest of Dammam, is one of the Kingdoms most important ports.

JIC is the site of the world's largest petrochemical complex and, since the 1970's, has been custom built for major primary & secondary industries.

In addition to refined oil products and steel, petrochemical products such as plastics and fertilizers are manufactured and exported at JIC. Other industries were created to manufacture consumer goods and support the activities of the primary oil and gas based ventures such as DOW Chemical Company, Sadara Chemical Company, Al Waha Petrochemical Company, Nama Chemicals etc.

Yanbu is located in the coastal area of the Red Sea, about 350 kilometres north-west of Jeddah. This city is just over 30 years old, nevertheless, has become a centre for modern industries.

The area allocated for industrial use is about two-thirds of the city's total area of 185 square kilometres. Currently, there are 32 facilities of hydrocarbon, petrochemical and mineral industries as well as 51 facilities of light and support industries.

Saudi Industrial Property Authority (MODON):

The Saudi Industrial Property Authority (MODON) was established in 2001 and is responsible for the development of industrial cities with integrated infrastructure and services. Their mission is to undertake, as an independent public agency, the regulation and promotion of Industrial Estates and Technology Zones in Saudi Arabia on both public and private industrial lands and to encourage the private sector to become involved in the development, operation and maintenance of Industrial Estates and Technology Zones.

MODON has established industrial cities in various regions of the Kingdom, with an area of more than 178 million square meters, and is currently overseeing 34 existing and developing cities.

In addition, MODON has introduced a readymade factories concept in most of the industrial cities regions targeting small and medium enterprises (SMEs). Each industrial city has an on-site administration to handle the day-to-day needs of investors and oversee the site development process.

Modon Oases:

MODON strived to benefit from the experiences of Saudi women, especially in the field of industry to eliminate unemployment and employ these energies either as workers in the field or investors and business manager who are interested in the industry and manufacturing field. As a result, the Council of the Ministers decided to allocate lands in major cities to empower women to work within residential areas and appointed MODON to establish these cities.

MODON began implementing them according to international standards. They consist of integrated infrastructures with services and designs that meet the needs of the Saudi Woman and provide all the means to help them work and produce especially in the fields of transportation, nursing homes and institutions of training.

MODON started executing Al-Ahsa Oasis in 2013 in addition to other oases in progress or planned to be established in Jeddah, Qassim, Jouf, and Yanbu.

Economic Cities Authority:

Saudi Arabia has established four new “Economic Cities” (see table below). Each city, planned, developed and operated by a master developer from the private sector, is an economic hub, designed to maximize investment potential and deliver advantages to companies located there.

Economic City	Priority sectors for development
King Abdullah Economic City Location: Red Sea coast, 100 Kms north of Jeddah, Western Province of Saudi Arabia	Pharmaceuticals - FMCG - Building Materials - Healthcare - Education & Training - Logistics - Residential & Tourism - Automotive - High & Clean Technology - Sea
Jazan Economic City Location: Southern Red Sea coast, Saudi Arabia.	Sea port - oil Refinery - Petrochemical - Mining - Heavy Industries - Food Processing
Knowledge Economic City Location: Medina, Western Province of Saudi Arabia	Knowledge Based Industries - Healthcare - Hospitality & Tourism - Education - ICT
Prince Abdulaziz bin Mousaad Economic City. Location: Hail, north-central of Saudi Arabia	Dry Port - Transportation & Logistics - Light & Medium Industries - Argo-related & Food Processing Industries

King Abdullah Financial District (Riyadh):

The King Abdullah Financial District (KAFFD) is located in Riyadh. It is an ambitious and distinguished project, and a substantial addition to the economic sector and the urban development in the capital of the Kingdom. It is one of the most important projects carried out by the Public Pension Agency (PPA)*, which owns, manages and oversees the project, through its investment arm; namely: Al-Ra'idah. KAFFD is envisaged to be a financial hub for the Kingdom of Saudi Arabia as well as the Middle East Region, so as to compete with many of the world's most prestigious analogous centers. It will accommodate the headquarters of the Saudi Capital Market Authority and the headquarters of the Financial Market (Tadawul), in addition to a financial academy, and the premises of numerous banks, companies and other financial institutions, alongside financial services companies and multinational corporations; all of which are expected to contribute effectively to the diversification of the Saudi economy, ranked as the region's largest economy of the middle east with a GDP of US\$ 646.43 billion (in 2016). The district will include 59 towers and buildings designated for highly equipped administrative offices, along with residential buildings. These make up about 21% of the project's buildings. There will be also five-star hotels, managed by international corporations specialized in hotel services.

** Note: There was a media report on the government's move to transfer the ownership of KAFFD from PPA to Public Investment Fund (PIF), but no further official confirmation as of preparing this report.*

Information Technology and Communication Complex (ITCC):

Due to the speedy growth of communications and information technology and the desire to provide an ideal environment and infrastructure at the highest levels to technology-based companies, the Public Pension Agency developed the idea of establishing a special technology complex fulfilling MODON requirements. An approval was thus granted to develop a private technology zone in Riyadh vide license No. 1/KT dated 1/7/1427H (Corresponding to 26/7/2006).

“Riyadh Techno Valley”:

King Saud University has created communities where scientific infrastructure and additional services are available encouraging advanced scientific invention, innovation and creation in different areas to ensure the development of knowledge-based industries and services, biotechnology, business and technology incubators and so on. An approval was granted to issue a license to establish a private technology zone (Riyadh Techno Valley) vide license No. 2/KT on 30/06/1430H (Corresponding to 23/6/2009).

Private Cities:

There are also initiatives from the private sector to develop industrial cities. Following are the private industrial cities listed officially:

Obaikan Private Industrial City

Total Area: 984,551 m².

Obaikan Private Industrial City was established in the year 1425H, corresponding to 2005 vide License No. 1/KH, in Riyadh, next to Riyadh 2nd. Industrial City.

Al-Ajaimi Private Industrial City

Total Area: 3,923,141 m²

Al-Ajaimi private Industrial City was established in 1426H corresponding to 2006 under license No. 2/KS in Riyadh city next to Riyadh 2nd. Industrial City.

Al-Fanar Private Industrial City

Total Area: 7,009,311 m²

Al-Fanar Private Industrial City was established in 1427H corresponding to 2007 under license No. 2/KS in Riyadh city next to Riyadh 2nd. Industrial City in two phases: Phase I, 500,000 square meters and Phase II, 175,000 square meters.

Rabigh Complex for Plastic Technology

Total Area: 2,400,700 m²

Rabigh Complex for Plastic Technology was established in 1431, corresponding to 2010, under license No. 6/KS in the Governorate of Rabigh.

Industrial Gate Private Industrial City

Total Area: 7,009,311 m²

Al-Fanar Private Industrial City was established in 1427H, corresponding to 2007 under license No. 2/KS in Riyadh city next to Riyadh 2nd. Industrial City in two phases: Phase I, 500,000 square meters and Phase II, 175,000 square meters.

Privatization:

It was announced that Saudi Arabia aims to raise around US\$ 200 billion in the years to come through privatization programs in 16 sectors ranging from oil to healthcare, education, airports and grain milling, according to media reports.

Following is a list of major privatization plans currently underway.

SAUDI ARAMCO. The government has said it plans to sell close to 5 percent of the national oil giant next year through an initial public offer (IPO), with the shares to be listed in Riyadh and at least one foreign exchange. Officials have said the sale will value Aramco at \$2 trillion or more, though some private analysts have suggested a lower range, perhaps \$1-1.5 trillion.

SAUDI POSTAL CORP. In February, Riyadh invited banks to pitch for an advisory role in the sale of the government-owned postal service.

SAUDI GRAINS ORGANIZATION. State-owned Saudi Grains Organisation, which handles the Kingdom's grains purchases, is preparing to sell off its milling operations by placing them in four specially formed corporate entities while retaining other functions. A partnership of U.S. agribusiness giant Archer Daniels Midland Co (ADM.N) and Saudi foods group Almarai is among potential bidders.

SOCCER CLUBS. Saudi Arabian investment bank Jadwa Investment was appointed to advise on the privatization of as many as five soccer clubs in the Saudi Professional League.

HEALTHCARE. Among the first assets to be privatized will be one of Saudi Arabia's top hospitals, King Faisal Specialist Hospital and Research Centre in Riyadh, an official said. The process is in a "very advanced stage", Vice Minister for Economy and Planning Mohammed al-Tuwaijri told media in May2017.

The State-owned Saudi Arabian Airlines has started in May 2017 the sale of its medical services business in Jeddah, valued at around \$500 million.

Also in May 2017, the Ministry of Health started the process for the privatization of 55 primary healthcare centers in Riyadh.

EDUCATION. Saudi Arabia hired HSBC as financial adviser to privatize construction and management of school buildings, the chief executive of Tatweer Buildings Co, a state firm affiliated with the Ministry of Education, said in January 2017.

SAUDI ELECTRICITY CO. Riyadh plans to split state-controlled utility Saudi Electricity Co (SEC) into separate companies that would be offered either to local citizens through IPOs or to local or international corporate partners.

SALINE WATER CONVERSION CORPORATION. Officials last year outlined plans to privatize Saline Water Conversion Corporation, which desalinates water and produces electricity (*SWCC generates electric power through its dual-purpose plants operated by Multi Stage Flash (MSF) System*). It would be transformed into a joint-stock holding company served by local production units. Investment partners for the units would then be sought, followed by an IPO for the holding company.

SADARA CHEMICAL. Saudi Aramco plans to cut its stake in Sadara Chemical Co, a joint venture with Dow Chemical, to 35 percent from 65 percent via an IPO, Sadara chief executive Ziad al-Labban said in May 2017.

AIRPORTS: The General Authority of Civil Aviation (GACA) has said that its privatization program will cover all airports (International, regional and domestic) in the country. (*Sources: Reuters, Saudi Gazette, Arabnews*)

Development Banks, Funds, Autonomous agencies and regional development banks:

There are several government development agencies which are known as the Specialized Credit Institutions (SCIs) which extend soft loans to entrepreneurs from Saudi Arabia as well as those from other countries.

There are five SCIs: the Public Investment Fund (PIF), the Saudi Industrial Development Fund (SIDF), the Real Estate Development Fund (REDF), the Social Development Bank (previously the Saudi Credit & Saving Bank (SCSB)), and the Saudi Agricultural Development Fund (SADF). In addition, there are two other Funds: The Centennial Fund (to finance business projects by Saudi youth) and Higher Education Fund (to finance Saudi' higher education abroad).

In addition, there autonomous government institutions which provide financing for economic deficits, deposits with SAMA, and foreign currency holdings. These included the Public Pension Agency (previously Pension Fund), the General Organization of Social Insurance and the Saudi Fund for Development.

There are also other government agencies which support Small and Medium Enterprises (SME) development support, such as the KAFALA SME Financing System, Technical and Vocational Training Corporation's (TVTC) designed to provide loans to establish SMEs etc.

Other regional financial institutions and development banks supporting development projects in Saudi Arabia include:

a) The Islamic Development Bank (ISDB): Headquartered at Jeddah, Saudi Arabia with offices in Malaysia, Morocco, Kazakhstan, Senegal, Turkey and Indonesia.

ISDB 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.

This include a variety of projects in agriculture, industrial, agro-industrial and infrastructure sectors. The bank also finances small and medium sized enterprise through micro-finance schemes.

There were 57 Muslim/Islamic countries as shareholders of this ISDB at the end of 2016, but the largest shareholder is Saudi Arabia, with 23.50%.

b) The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a subsidiary of the ISDB in charge of providing insurance coverage for investments and export credits.

c) The Arab Fund for Economic and Social Development: An autonomous regional Pan-Arab development finance organization. Members include all Arab states in the League of Arab Nations. Headquarters: Kuwait.

d) Arab Industrial Development and Mining Organization: a Pan-Arab organization for the encouragement of industrial and mining investments. Headquarters: Kingdom of Morocco.

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. Headquarters: Abu Dhabi, United Arab Emirates.

Inter-Arab Investment and Export Guarantee Corporation: Designed to promote and facilitate inter-Arab investments and trade. Headquarters: Kuwait.

(Sources: Saudi Ministry of Finance, Saudi Arabian Monetary Agency and institutional websites)

The emergence of Saudi Sovereign Wealth Fund:

In March 2015, oversight of the Public Investment Fund (PIF) was moved from the Ministry of Finance to the Council of Economic and Development Affairs (CEDA). As part of this process, a new Board was appointed, chaired by HRH the Deputy Crown Prince Mohammad bin Salman Al Saud. Now PIF constitutes the sovereign wealth fund of Saudi Arabia.

Beginning in 2015, the PIF started to make a number of high-profile investments, including acquiring a 38% stake in South Korea's Posco Engineering & Construction Co. in July 2015 and establishing a sizable fund with French firms in October 2015. In June 2016, it was announced that the PIF was acquiring an approximate 5 percent stake in Uber for an investment of \$3.5 billion, the largest ever single investment in the App-based ride sharing company.

On 14 October 2016 Japan's SoftBank announced it had signed a memorandum of understanding with the PIF for the establishment of a London-based SoftBank Vision Fund which aims to invest up to \$45 billion over five years in the technical sector.

In March 2016, it was announced that ownership of Saudi Aramco would be transferred to the PIF and that the Kingdom will seek to list 5 percent of Aramco's shares by 2017. The PIF expects to become the largest sovereign wealth fund in the world with assets of \$2 trillion.

On May 20, 2017, during the Saudi-US CEO Forum which was part of President Donald Trump's official trip to Saudi Arabia, the Public Investment Fund (PIF) announced plans to "invest \$40 billion in infrastructure projects, mostly in the U.S." Saudi Arabia, which is "working to diversify its economy" and entered into business deals with General Electric, Lockheed Martin and The Blackstone Group.

Other plans are on the way to enhance the assets and operation of PIF and to eliminate the dependence on public budget to raise fund for PIF. Others Bankers close to the fund say that more assets will be allocated to PIF over time, including land and projects such as the King Abdullah Financial District, the 73 gleaming towers on the outskirts of Riyadh owned by the Saudi Public Pension Agency.

In March 2016, it was announced that ownership of Saudi Aramco, the state oil company, would be transferred to the PIF and that the Kingdom will seek to list 5 percent of Aramco's shares by 2017. Prince Mohammed bin Salman estimated the company was worth over \$2 trillion, implying the offer could raise \$100 billion. Thus the PIF expects to become the largest sovereign wealth fund in the world with assets of \$2 trillion.

1.5 Main issues

Saudi Arabia is facing some internal and external issues. The way the country chooses to confront these issues and challenges could well determine its future economic and political stability. The internal, external and ideological challenges are serious, but not unmanageable if the government acts swiftly. If the House of Saud works to alleviate these issues, it is likely they will be perceived by their citizens as truly having their welfare in mind and that would then create more support for the rulers and allow them to concentrate upon its external challenges.

1.5.1 Internal issues and challenges:

Succession: The biggest story in Saudi domestic politics in 2015 was the appointment of their 30-year old Mohammad bin Salman to the critical roles of defense minister and deputy crown prince, making him second in line to the throne. It's the first time in modern Saudi history that power has been concentrated in a single branch of the royal family, who is believed to number more than 15,000 overall. Furthermore, in June 2017, King Salman replaced Prince Nayef bin Abdulaziz by Prince Mohammad bin Salman as the Crown Prince of Saudi Arabia. According to analysts, these major shakes-up in the Saudi power structure have left many royals resentful. There are hundreds of princes to choose from and various family branches will lay rival claims to the throne. With no established institutional mechanism for the generational shift, Saudi Arabia faces intense jockeying for power that could threaten the unity of the royal family and the country's stability.

Fiscal balance: Traditionally, Saudi Arabia has always depended heavily on oil revenue, but the recent falls in oil price significantly affected the economy. This forced the government to cut down spending and delay of payments to contractors, which resulted in halting various projects worth billions of US Dollars and closure of several companies and deportation of hundreds of thousands of foreign workers. However, the contingency measures taken by the government helped reduce the fiscal gap by half within the first half of the year 2017. Expected further reductions in the fiscal gap would lead to attain a fiscal balance. Although various diversification programs have been tried since the 1970s, including attempts at developing a petrochemical industry, till recently, oil has accounted for 80% of budget revenues, 45% of GDP,

and 90% of export earnings of Saudi Arabia. Now, the efforts to diversify the economy and sources of revenue gather momentum again.

Anti-government elements: Saudi Arabia is facing a number of internal problems too, many of which stem from growing economic disparities and discontent among the citizens with current government. The anti-government sentiments grew in the wake of the so called “Arab Spring” that gripped the Arab countries in 2011 and further compounded the situation with the recent passing of counter-terrorism law by the Saudi government. On the basis of this law anyone who speaks out against the monarchy or the government can be classified as a “terrorist”, leaving people unable to voice their concerns. This prompted the people to resort to social media networks to raise their voice. In Saudi Arabia, over forty per cent of all Internet users access Twitter, making the country the highest user of the medium, relative to population, in the world. Human Rights Watch, like other human rights groups, has deemed the new law a legitimized form of oppression against peaceful protestors, claiming that they, and not violent terrorists, are actually the intended targets.

Sectarian issues: Tensions between Sunni and Shia, the two sects of population (85-90% Sunni and 10-15% Shia, according to CIA report*), is another issue the country is facing. The Shia sect of population allege widespread discrimination and this could become a significant problem, as the most heavily populated Shia areas of the country are in the east. Their relative proximity to Iran (where the Shia-Sunni divide is reversed) could lead to attempts by Iran to its influence across the Persian Gulf into Saudi Arabia. This could involve extremist groups affiliated with Iran, such as Hezbollah, infiltrating into, and striking at targets within Saudi Arabia. Crucially, eastern Saudi Arabia is also where the majority of the Kingdom’s oil wells are located. The Eastern Province is a region adjacent to Bahrain, where Shiites’ sect has strong presence. This could create fertile ground for future opposition movements, and possibly exacerbate Sunni-Shiite tension in the wider region. The Saudi government, therefore, is extremely vigilant on its Eastern Province and exerts all efforts to wipe out extremists elements from that area in particular. (* CIA report dated 6 September 2017 was retrieved on 17/9/2017 and its religious data is based 2012 estimate.).

Unemployment: Unemployment in Saudi Arabia, especially among its youth is high, estimated around twelve per cent in 2017. According to official data, 58.5% of the total Saudi population was under the age of 30 years and 30.4% was under the age of 15 years in 2016. Despite the relatively strong economy, Saudi nationals’ yield higher-paying job opportunities to better educated and more qualified foreign workers. Hence the increasing number of young people expected to enter the labour market over the coming years remains a challenge for the Saudi Government. The problem is compounded by traditional reliance on foreign workers for both highly skilled and menial jobs. A conservative education system is failing the Saudi youth who can’t compete with better-skilled foreign workers (while often refusing to take on jobs they see as beneath them).

There are fears that if government funds start drying up, young Saudis will no longer keep quiet about politics, and some might turn to religious extremism, according to analysts.

Water: Like many of its neighbours, Saudi Arabia faces the serious threat of water insecurity. Being a desert country, water is extremely scarce. The Saudi Government drilled tens of thousands of tube wells in the 1970s and also operates 27 desalination facilities that produce a combined total of around three million cubic metres per day of potable water. More than two hundred dams harvest around 450 cubic metres of run-off from flash flooding annually. Additionally, the Kingdom is investing in water-recycling technologies with plants built in Riyadh, Jeddah and other several industrial centres. In Riyadh, for instance, 50 million cubic metres of water are pumped annually over 40 kilometres to irrigate 15,000 hectares of farming. Since only 0.7% of its land surface is comprised of fresh water, the country needs to do much more to ensure sustainable sources of clean drinking water. The effect of insufficient water is already being felt in cities such as Jeddah, an important economic hub, where water, due to extreme shortages, needs to be trucked in, and truck deliveries, that used to take one hour, now take three days.

Education: Despite billions of dollars being invested, amendments to legislation and compulsory training courses, the quality of teachers remains problematic. There are some signs of mixed learning environment but, in general, education for women is still restricted due to a strict adherence to the Islamic principle of gender segregation, which prevents female students from being taught by male teachers unless it is via video link, or by creating a barrier between the teacher and the students. This restricts proper communication and the free exchange of ideas and, effectively hampers the prospects of a quality education. Compounding the matter, the best schools in Saudi Arabia are private institutions that charge exorbitant fees, leading to accusations against the government on grounds that only the rich can afford a quality education in the country.

While private schools in any country tend to attract perceptions of providing the “best” or most prestigious education, the disparity in Saudi Arabia between the public and private sectors appears to be particularly pronounced. Public schools in Saudi Arabia rely heavily on rote learning and memorisation, and do not offer additional subjects like sports, arts etc. By comparison, private schools favour a teaching style where critical thinking is encouraged, European and North American curricula are followed, and often there is no gender segregation in the classroom. These factors support the complaints of some Saudi citizens from lower income strata that they are disadvantaged educationally. They also highlight the fact that a two-tier system of potential employees is evolving, which adds to the Kingdom’s troubles, according to some analysts.

Resistance to reform: Saudi Arabia is governed by a rigid authoritarian system where executive and legislative power rest with a narrow group of royals. The system has worked well in past times, but there’s no guarantee that the new generations will be as acquiescent as their parents, and

no degree of rigorous censorship can isolate Saudi youth from dramatic events in the region. One way to pre-empt a social explosion, would be to give all citizens a greater say in the political system, which can be achieved by ways such as the introduction of an elected legislative power. However, calls for reform are regularly quashed by conservative members of the royal family and opposed by the Wahabi state clergy, ostensibly on religious ground. This inflexibility makes the system vulnerable to a sudden shock, such as a collapse in oil prices or eruption of mass protest.

1.5.2 Regional issues:

Qatar: Saudi Arabia, Bahrain, Egypt and the United Arab Emirates broke off relations with Qatar in June 2017 in what is claim to be the worst diplomatic crisis to hit Arab Gulf states in decades. The three Gulf countries and Egypt accused Qatar of supporting terrorism and destabilizing the region. Qatar, which shares its only land border with Saudi Arabia, has rejected the accusations, calling them "unjustified" and "baseless." Yemen and the Maldives also cut ties with Qatar. Qatari citizens were given 14 days to leave Saudi Arabia, Bahrain and the UAE, and those countries which cut ties with Qatar have also banned their own citizens from entering Qatar.

Saudi Press Agency (SPA), the state news agency of Saudi Arabia announced the cutting of ties saying it was seeking to "protect national security from the dangers of terrorism and extremism." Followed by this announcement, Saudi Arabia closed all its ports of entry from Qatar. Qatar repeatedly denied its funding or supports to extremist groups. The Saudi-led Arab coalition fighting Yemen's Houthi rebels also expelled Qatar from its alliance, alleging support of "al Qaeda and Daesh (also known as ISIS), as well as dealing with the rebel militias," according to SPA.

Some analysts say that the dispute with Qatar was engineered not to punish the country for financing terrorism, but rather to end Qatar's independent foreign policy and especially its support for the Muslim Brotherhood and its ties with Iran.

Yemen: Given how poorly the Saudi intervention in Yemen is going, it may be wise for Riyadh to sit Syria out. Houthi rebels, another Iranian ally of sorts, have taken control of the Yemeni capital Sana'a, which is unacceptable to Riyadh. Saudi Arabia currently leads a 10 state Arab coalition in Yemen, and has pledged to use 100 warplanes and 150,000 soldiers to defeat the rebel group. This led to some 21 million Yemenis, 80 percent of the population, to depend on humanitarian assistance to survive. Saudi Arabia, albeit been the world's fourth highest military spender, has been seeing its operations in Yemen go poorly.

Syria: The Saudis desperately want to see the destiny of Bashar Al-Assad, who is aligned with their arch rival, Iran, but they won't commit ground troops to the fight. The roughly 2,500 Saudis who have left to join ISI are also a cause for concern to Saudi Arabia although Saudi Arabia have

decided to support the Syrian war effort from afar, it sent 500 U.S made TOW antitank missiles to the Free Syrian Army, one of the main anti-Assad rebel groups. It has also agreed to host a U.S.-run training facility for the Syrian rebels, where the Pentagon expected to train 5,000 Syrian fighters in its first year of operation. That was enough to claim a seat at the table, but not enough to change the game, analysts commented.

Iran: Competition and power struggles in the Middle East are escalating. Saudi Arabia has had a frosty relationship with Iran and aside the Islamic sectarianism, much of that frostiness stems from the mutual dislike between Tehran and Riyadh. Tehran appears to object to the House of Saud (the ruling family of Saudi Arabia) driving its legitimacy from its de facto role as the guardian and custodian of Islam's holiest sites, including the Grand Mosque in Mecca.

Iran sees itself as a democracy and has removed from Saudi Arabia, which it considers an authoritarian dictatorship. Thus, when Muslim militants besieged the Grand Mosque in 1979 in an attempt to overthrow the monarchy, Ayatollah Khomeini, the Shiite leader of Iran, reported as saying about this incident as the occasion of 'great joy'.

Turkey: Saudi Arabia's relationship with Turkey is complicated, and revolves around the attempts of both countries to be perceived as the legitimate custodian of Sunni ideology and, by extension, the vanguard of Islam. Turkey, a Muslim-majority democracy, also poses an ideological threat to the House of Saud's dynastic politics. The main contributing factors for that are the growing relationship between Turkey and Iran (although these two countries being ideological opponents) and Turkey's support for the Muslim Brotherhood.

Turkey's claim to regional hegemony is bolstered by its NATO membership. In 2012, Turkey celebrated 60 years as a NATO member and it currently possesses the second largest army within NATO, after the US. NATO, along with the US, has long considered Turkey as a key ally in the region, and its democratic style of governance does help to endear it to the US. Emboldened by Turkey's economic and political prosperity, policymakers within the US recently have been pushing for a stronger US-Turkey relationship. With their potential to foster a sense of being isolated, closer ties between the US and Turkey and, possibly, Iran, do not bode well for Saudi Arabia. Addressing that should be of key importance to the Saudi Government if it wishes to increase, or indeed maintain, its regional influence.

The Muslim Brotherhood: Saudi Arabia consider Muslim Brotherhood, the Islamic group, as a threat. Currently, the Muslim Brotherhood is labelled as a terrorist organization by Saudi Arabia, Bahrain and Egypt. Notably, Turkey and, to a lesser extent Iran, support the organization, according to analysts. The Turkish President, Recep Tayyeb Erdogan, is believed to be a mentor of the Brotherhood, exacerbating Saudi dislike and fear of the organization. Saudi concerns over the

Muslim Brotherhood in large part stem from the fact that it could pose a political threat within the Kingdom, and incite a revolution similar to the 2011 Egyptian revolution.

Regional Violent Extremism: Escalations of violence in Iraq are also troubling Saudi Arabia as the extremists gain a strong hold with the potential for the violence to spill over into the Kingdom. Consequently, the Saudi security forces have been placed on high alert. The most immediate threat is likely to be the so called “Islamic State” (formerly ISIS), which, despite the tactical and materiel constraints that it would face, has publicly expressed its desire to attack the Kingdom*. The Al-Qaida in the Arabian Peninsula (AQAP), which has previously attempted to attack Saudi Arabia from Yemen, are still posing threats to Saudi Arabia, according to analysts.

** Stated in the Economic Intelligence Unit’s (EIU) 2017 edition of the country report on Saudi Arabia. (Sources: Economic Intelligence Unit (EIU), CIA and other local and international media reports)*

1.6 Sensitivities

Following are the sensitive aspects to be taken into consideration while visiting Saudi Arabia and interacting with or dealing with Saudi Arabian government officials, business representatives and citizens:

Prohibited products:

Saudi Arabian law prohibits the import of products such as alcoholic drinks, pork meat, pornographic materials, obscene pictures or other such materials, drugs and any material with religious contents that criticize Islam. Detailed list of prohibited items is given in section 3.9.1 of this paper. The death penalty is given to drug smugglers, while other offenders will be punished/imprisoned/fined/ deported depending on the applicable degree of the offense.

Dress code:

Men and women should wear modest dress while in public, especially women should wear the “abaya” (a full-length, generally black, sleeveless outer garment that cover the entire body except the face and hands) and men should not appear in public in shorts or shirtless.

Conversation:

While talking with Saudis, it is advisable to avoid expressions either explicitly or implicitly criticizing or commenting on politics, religion, prophets, culture, tradition, Saudi government policies, and political issues and on the ruling family members or other Saudi leaders.

Other religions:

Preaching of other religions or its public practice is forbidden as the country is monotheistic and Islam is the only approved religion to be practiced in it. Other celebrations or commemorations or observances as part of religion or others such as 'valentine's day' etc. should be avoided.

Greeting:

Shaking hand or hugging or kissing while meeting between male and female other than relatives, are not common in Saudi Arabia and religion restricts it. However, in practice, males and females greets each other by shaking hands in official or business meetings and not in public.

Gender mixing:

Gender mixing in public or socializing is not permitted and if non-relative males and females are found together at any place, especially at public places or market places, they are likely to be imprisoned.

Women at work:

Recently women are allowed to work along with men at offices or shops in Saudi Arabia, but subject to certain conditions such as wear abaya (full-length dress) by women, avoid chatting or mingling with males etc.

Earlier, women were allowed to work only in hospitals, institutions and offices and in exceptional cases companies/entities such as Aramco (the State owned Oil Company), diplomatic missions etc.

Travel by women:

Travel by women to distant places within the country or outside the country are not allowed as per religious edict. In such rents, they should be accompanied by their legal male guardian (father, brother, uncle, son etc.). Even when a woman sets to go abroad, to study, she must be accompanied by her legal male guardian throughout the travel and stay.

Lately, this restriction has been eased, in practice with the condition that there should be written permission from the legal guardian for a woman to travel. Very recently, there was a media report that it is being considered women traveling abroad for studies or treatment without permission from their male guardian.

Photography:

Photography is restricted in Saudi Arabia, especially taking pictures in public place, due to cultural restraints and taking pictures of strategic and other important facilities or installations is forbidden.

Women driving

Women are not permitted to drive in Saudi Arabia, irrespective whether she is a Saudi citizen or a foreigner. Proposals, discussions and campaigns are going on about the subject of allowing women the right to drive a vehicle in Saudi Arabia.

Holy month:

Fasting during the month of Ramadan (Hijiri calendar) from dawn to sunset is an important religious practice. All adult Muslims are obliged to fast and do not eat or drink during the day time, while the followers of other religions can eat or drink, but not in public. Violators will be punished.

Refusing an invitation:

As part of religion and the tradition of Saudis, it is considered as impolite to refuse an invitation from Saudis to visit their house or to join them for a lunch or dinner. If a Saudi invites another Saudi or a foreigner and the invitee refuses it without any valid and convincing reason, the former take that seriously and conclude that the invitee is no more interested in continuing the relationship either as a friend or as a business partner or as a client.

Business relations:

The following are very important and should be observed while dealing with Saudi company executives or government officials:

- 1) Respecting the meeting time schedule: once a meeting is set either between Saudis or between a Saudi and a foreigner and the later does not appear on time or simply cancel the meeting by himself, will lead to ending up further moves on the business or official negotiations. Moreover, it will be very difficult to get a second appointment. In most cases, there will not be a second chance.

- 2) Respecting the contractual commitment or mutual agreements: once a business promise is made, a deal is made or a business agreement is signed with a Saudi company or government agency, then all of its provisions are to be respected and fulfilled.
- 3) Continuity in business dealings: when dealings are established with Saudi companies, continuity is to be ensured. The Saudis have, as a rule of behaviour, that once they find a good business partner, they keep the bond and never break the relations.
- 4) Quality: once the dealings with Saudi companies are established, the exporters should supply their products strictly in accordance with quality requirements, standards and specifications agreed upon.
- 5) Aftersales support: Aftersales support is very important while dealing with Saudi companies.

Market Studies:

Saudis deny receiving individuals or representatives from foreign countries or businesses who come just for market research studies. Saudi company executives always dismiss such foreign visitors saying it is a waste of time.

Secondly, the Saudi company representatives seldom disclose the truth. To share any information, prior approval from their superiors or owners are a must. They also hesitate to share contact details of their superiors or their higher management.

To overcome this, local and international professional market research companies carry out market research tasks through hiring Saudi experts from the respective industry as part time data collectors.

In order to get reliable data and information on any sector of the Saudi economy it is better to either buy the reports prepared by international market research companies or hire a local market research consulting company.

2 Economic and Trade Policy:

Saudi Arabia is a member of the World Trade Organization (WTO) since 2005 and a member of the G-20.

2.1 Economic and Trade Policy Objectives

The development objectives, strategies and plans of Saudi Arabia are set out in its development plans, including in its Tenth Development Plan (2015-2019), which is now being executed through the National Transformation Plan (NTP) of the country's "Vision 2030" program and through other related development plans and programs listed in section 1.4 of this paper. The objectives of the Tenth Development Plan (TDP) in the field of economic development include:

- Enhancing vertical, horizontal, and spatial economic diversification;
- Promoting the transition to a knowledge-based economy;
- Expanding the capacity of the national economy to attract and absorb investment;
- Improving productivity of labour and capital;
- Increasing value added of natural resources, diversifying sources, while ensuring sustainability and environmental and wildlife protection;
- Developing small and medium-sized enterprises and increasing their contribution to the economy and Saudization;
- Enhancing fiscal and monetary stability; and
- Increasing the contribution and productivity of the private sector.

Saudi Arabia attaches great importance to the liberalization of trade and investment to assist its economic growth and its efforts to diversify its economy so as to develop and enhance the role of the non-hydrocarbon sectors. Authorities have also been stating that encouragement of private investment from Saudi and foreign companies is an important part of this strategy. The countries will continue to place emphasis on improving the investment climate, including through opening of certain key economic sectors to foreign investment (e.g. mining, petrochemicals, and telecommunications).

Saudi authorities also considers that the multilateral trading system offers the best framework for managing Saudi Arabia's trade and investment policies, and WTO membership confirms the country's commitment to the rules-based system. Policies used in support of the Government's efforts to diversify the economy are supposed to reflect this commitment.

Saudi Arabia acknowledges that regional trade agreements may complement and reinforce the multilateral system and help deepen the integration of its economy into the global marketplace. It is a member of the Cooperation Council for the Arab States of the Gulf (GCC) and the Pan-Arab

Free Trade Area (PAFTA). The GCC is, in turn, party to other bilateral agreements. The authorities also stated that, as a member of the G20, Saudi Arabia has respected the G20 Leaders' commitment to refrain from imposing protectionist measures on trade in goods and services in order to support global economic recovery and the restoration of sustainable growth. Saudi Arabia has fully supported the WTO Secretariat's exercise of periodically monitoring the imposition of new trade measures by WTO Members and has avoided such measures since the early days of the global financial crisis.

Saudi Arabia considers that a sound economic environment is essential to diversify the economy and to attract local and foreign capital. The Tenth Development Plan highlights the need to develop a regulatory framework to channel private sector investments in line with development priorities. The priority sectors identified are energy, transport and logistics, information and communication technologies, finance, health, life sciences, education, and tourism. Saudi Arabia continues to maintain three strategic targets that are to: become the global capital of energy; act as a transport and logistical hub between East and West; and transform its knowledge-based industries, i.e. healthcare, education, and information technology.

Saudi Arabia has an ongoing strategy to share its oil and gas wealth between current and future generations. Four "economic cities" are currently under construction, to promote economic diversification. The objectives of the cities are to create 1.3 million jobs and homes for 2.4 million residents by 2020, improve education and health services, and modernize the infrastructure. These cities are expected to contribute about US\$150 billion to Saudi Arabia's GDP over the next 25 years. Other major developments include: upgrading of the international airports in Jeddah, Medina, and Tabuk at a total cost of US\$11.3 billion; and finalizing of the first stage of the US\$5.9 billion development of the Jubail industrial city (phases 2 and 3 are expected to be completed by 2023). The development of Medina International Airport is presently completed, other airports are being developed.

2.2 Trade Policy Review by the WTO

The WTO, in its report on Saudi Arabian Trade Policy, stated as follows:

1. Despite the emphasis given to diversification in successive Development Plans, the economy of the Kingdom of Saudi Arabia continues to rely on oil production, which in 2014, accounted for about 50% of GDP, 83% of exports and 90% of government revenue. In the period 2010-2014, economic growth was one of the fastest in the G-20, helped by high oil prices, and GDP per capita increased to more than US\$24,000. For most of this period, high oil revenues resulted in fiscal surpluses and total public debt declined to 1.6% of GDP while foreign exchange reserves, at US\$732 billion, were almost the equivalent of GDP or 3 years of imports.

2. High oil prices also contributed to the large trade-in-goods and current account surpluses, although there was a large deficit for trade in services. However, the decline in the price of oil, which started in 2014, has affected the economy and government finances: at the end of 2014, the fall in the value of exports meant the current account surplus declined by 43% (compared to 2013) to US\$77 billion, and went into deficit in the first quarter of 2015; while the fiscal deficit for 2015 was expected to be equivalent to about 20% of GDP.

3. For many years now, government policy, as set out in successive Development Plans, has focused on diversification and job creation. Under the Tenth Development Plan (2015-2019), the Government is seeking to diversify the economy geographically, into new sectors, and vertically through processing and manufacturing in sectors linked to oil and gas. It is also encouraging greater employment of Saudi nationals through the Nitaqat programme, which requires enterprises to meet quotas for employment, and a number of initiatives intended to increase female participation in the workforce. Several steps have been taken to improve the investment climate as mining, petrochemicals, gas, and communications, were removed from the list of sectors where foreign investment was not allowed. In addition, in August 2015, as an aid to investment, the Saudi Arabia General Investment Agency (SAGIA) published a manual setting out requirements and fees for investment licences, and the services available for different categories of investors.

4. As a member of the Cooperation Council for the Arab States of the Gulf (GCC), Saudi Arabia applies GCC rules and procedures in those areas where they have been developed, such as the common external tariff, the Common Customs Law, the Unified Guide for Customs Procedures for First Points of Entry, and the Common Law on Anti-dumping, Countervailing and Safeguard Measures. Thus, trade policy is relatively straightforward: the applied tariff is essentially unchanged since the last Review in 2012 at 5% on nearly 80% of tariff lines; duty free on another 11%; and high rates are reserved for products containing tobacco. For religious and moral reasons imports of some products (about 1.2% of tariff lines) are prohibited. Saudi Arabia has never conducted proceedings or applied any contingency measures. Saudi Arabia is also a member of the Pan Arab Free Trade Area and, through the GCC, a party to the GCC-EFTA, and GCC-Singapore free trade agreements.

5. Although trade policy is quite straightforward, and tariffs on most products are low, procedures to import and export are complicated. Several steps have been taken to simplify compliance with customs procedures, including the Electronic Data Interchange system allowing electronic submission and processing of import declarations; and the pre-arrival document verification procedure (the Direct Clearance System) applies to some goods. Further steps are also being considered or implemented on a pilot basis, such as the single window for customs procedures which is operating in the Jeddah Islamic Seaport Customs Office.

6. The Gulf Standards Organization (GSO) develops standards and technical regulations that are applicable throughout the GCC, and over half the standards applicable in Saudi Arabia were adopted from the GSO. In addition, the Saudi Standards, Metrology and Quality Organization (SASO) oversees the system for development of standards applicable within Saudi Arabia. All imports must be accompanied by a certificate of conformity or may be subjected to random sampling to ensure conformity. All imports of live animals and products of animal origin from outside the GCC must be quarantined for 21-30 days depending on the country of origin. All imports of food and animal products for human consumption are subject to import permits issued by the Saudi Food and Drugs Authority (SFDA). For imports of meat and poultry meat, a Halal Certificate and an Islamic slaughter certificate are required for each consignment, in addition to other documentation generally required for customs clearance. In addition, imports of meat must be sourced from SFDA approved establishments.

7. Officially supported export financing and guarantees are available from the Saudi Export Programme (SEP) for exports with local value added of at least 25%. About SAR 1 billion in loans and SAR 1 billion in guarantees were approved in 2014. In addition, the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) provides export guarantees to its member States, and the Saudi Export Development Authority provides administrative, technical, and consultative assistance for marketing exports and attracting foreign investors.

8. There are no sales, or value-added taxes, no personal income taxes on salaries, and no excise duties applied in Saudi Arabia. Non-nationals are taxed at a rate of 20% on income from self-employment, returns from capital investment, and profits from business activities conducted in the Kingdom. Saudi nationals and nationals of other members of the GCC are subject to Zakat at 2.5% of net worth. Employers and employees also make social security contributions at 9% and 11% of gross salaries respectively.

9. The Kingdom has major holdings in a number of commercial companies through the Public Investment Fund, the General Organization of Social Insurance, and the Public Pension Agency. The combined holdings of these agencies is over 50% for some major enterprises including, Saudi Telecom, Riyadh Bank, the National Commercial Bank, Saudi Real Estate Company, Saudi Arabian Mining Company (MA'ADEN), and Saudi Arabia Basic Industries Corporation (SABIC). In addition, the Kingdom also directly or indirectly has holdings in several other companies while others are wholly owned, such as Saudi Arabian Airlines, and the Saudi Arabian Oil Co. (Saudi Aramco).

10. The Competition Law was amended in 2014 to change the fines for contravention to a percentage of turnover or a monetary range (not exceeding 10% of turnover or up to SAR 10 million for the first offence). In addition, the offending parties are obliged to refund all gains made

as a result of violation. Price controls apply to a limited range of goods and services, including pharmaceuticals. The New Pricing Scheme for pharmaceuticals, effective since late-2011, bases prices for innovative products on several factors including: therapeutic importance; ex-factor, wholesale, and retail prices in country of origin; and prices in a list of 30 countries. At the end of the patent period the prices must be reduced and reduced further for generic products.

11. The laws and regulations on government procurement apply to all public agencies, with some exceptions. The principal selection process is public tender, although direct purchase and other methods are permitted depending on the estimated value of the contract, the type of goods and/or services, or the urgency of the situation (such as for medical supplies). A price preference of 10% applies to domestically produced products and a preference of 5% to products from other GCC member States.

12. In August 2013, Saudi Arabia joined the Patent Cooperation Treaty (PCT) and the Patent Law Treaty (PLT). The Saudi Patent Office has been working on changes to the Implementing Regulations of the Law of Patents, Layout-Designs of Integrated Circuits, Plant Varieties, and Industrial Designs to harmonize domestic regulations with the PLT and PCT. These changes were notified in the official gazette on 20 November 2015 and came into effect in December 2015.

13. For several years now, agricultural policy has been following a consistent path towards more efficient use of resources, particularly water. The Grain Silos and Feed Mills Organization (GSFMO) stopped purchasing domestic barley in 2003, and made its last purchases of domestic wheat in 2015. In late-2015, the Council of Ministers issued a decision which approved the regulatory arrangements for the privatization of the GSFMO – which was replaced by the newly-created Saudi Grain Organization (SAGO) – and the establishment of four flour mill companies with the intention of selling them to the private sector after a trial period. Feed subsidies are provided for poultry producers and the Agricultural Development Fund provides interest free loans and a repayment subsidy of up to 25% of the loan value.

14. With reserves of about 267 billion barrels, petroleum production and refining are the basis for the economy. Production increased during the period under review: from about 8.2 million bbl/day in 2010 to 10.3 million bbl/day in August 2014. The state-owned Saudi Aramco is the sole concessionaire producing crude oil in Saudi Arabia, with the exception of production in the Saudi Arabia-Kuwait Divided Zone. All crude for domestic refineries is supplied by Saudi Aramco, and 95% of Saudi Arabia's exports of crude were from Saudi Aramco. Refinery capacity was about 2.9 million bbl/day in 2014 with foreign investment through joint ventures with Saudi Aramco permitted. Saudi Aramco has autonomy for operational and procurement decisions while the Government sets oil production limits. Saudi Aramco has exclusive rights for gas production,

which is carried out through joint ventures with other companies. Gas is used as fuel for power production, desalination plants, and as feedstock for petrochemicals.

15. The contribution of construction and building to the economy has increased considerably over the past few years, rising from SAR 91 billion in 2010 to SAR 152 billion in 2014, with largescale private and public sector projects. Although foreign investment is possible and foreign companies are present, some problems have been reported, including policies relating to foreign workers and encouraging greater participation of Saudi nationals.

16. Regulation of the financial sector by the Saudi Arabia Monetary Agency (SAMA), and the Capital Markets Authority (CMA) have helped insulate the sector from shocks and all banks met Basel III capital adequacy requirements in 2014. In principle, all banking activity in Saudi Arabia should comply with Shariah (*Islamic principles and guidelines*).

In 2014, approximately 48% of the banking sector's assets were Shariah compliant and four out of the total of 24 banks (12 domestic and 12 commercial branches of foreign banks) are run completely in compliance with Shariah. Foreign banks may operate in Saudi Arabia either as locally incorporated joint-stock companies or as branches of international banks. Non-Saudi participation in a joint venture is permitted up to 60%.

17. With the two holiest sites in Islam, Saudi Arabia is the host to millions of pilgrims each year: out of a total of nearly 14.5 million visitors in 2014, 11 million were pilgrims. Although the Government does not receive revenue from pilgrimages, the economy of Saudi Arabia benefits as tourism contributes about 4.5% of GDP and 11% to employment (directly and indirectly). Real estate investment in Mecca and Medina and land transportation services (excluding intercity passenger transport by trains) are reserved for Saudi nationals.

18. The end of a period of high oil prices in 2014 is affecting the Saudi Arabian economy, although the low public debt and high level of reserves also mean the Government has some fiscal space. Through successive Development Plans, diversification from oil production has been a consistent objective for the Saudi Government, but the large reserves and low production costs mean it will remain dependent on oil revenues for the foreseeable future.

Furthermore, despite low taxes, low tariffs, and official policies intended to encourage foreign investment, in some areas the implementation of trade and investment laws and policies, complex compliance systems, foreign investment limits, and Saudization employment requirements may reduce the attractiveness of investment in Saudi Arabia. On the other hand, a large number of initiatives have been undertaken to facilitate trade and foreign investment, including in customs procedures, and in other areas mentioned in the report, such as protection of intellectual property rights, and investment in new cities and in infrastructure.

2.3 Trade Standards

2.3.1 Saudi Standards, Metrology and Quality Organization (SASO)

Saudi Arabia adheres to standards developed by SASO and also by the Gulf Standards Organization (GSO) which is an umbrella group serving the six countries (Saudi Arabia, United Arab Emirates, Kuwait, Bahrain, Oman, and Qatar) of the Cooperation Council for the Arab States of the Gulf (GCC). While the GSO continues to push for standards harmonization across the Gulf, SASO maintains significant authority in developing, elaborating and enforcing standards for Saudi Arabia specifically.

Saudi Arabia revise technical regulations for a variety of products based on standards developed by the International Organization for Standardization and International Electro-technical Commission. Saudi Arabia has excluded other international standards, such as those developed by U.S domiciled organizations.

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

SASO is the only Saudi organization responsible for setting national standards for commodities and products, measurements, testing methods, meteorological symbols and terminology, commodity definitions, safety measures, and environmental testing, as well as other requirements approved by the organization's Board of Directors. SASO has over 20,500 standards, and is actively pursuing the promulgation of hundreds of new ones which are in various stages of development. SASO has decided to adopt ISO 9000 as the approved standards for Saudi Arabia and will act as an accreditation body through its Quality Assurance Department.

2.3.2 The Communications and Information Technology Commission (CITC):

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

2.3.3 The Saudi Food and Drug Authority (SFDA):

The Saudi Food and Drug Authority (SFDA) is responsible for regulating, overseeing, and controlling food, drug and medical devices, as well as setting mandatory standard specifications thereof, whether they are imported or locally manufactured. The control and/or testing activities for these products are conducted at the laboratories approved by SFDA. The agency is also in charge of consumers' awareness on all matters related to food, drug and medical devices and associated products and supplies. The SFDA was established by the Council of Ministers in January, 2003, as an independent body that directly reports to the King. The SFDA's objectives are to ensure the safety of food for human and animal consumption and the safety, efficacy and security of drugs, biologics, medical devices, dietary supplements, etc. Saudi food standards are based mainly on Codex Alimentarius regulations and to some extent on European and U.S. standards modified to reflect local conditions.

2.3.4 Conformity Assessment:

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

Under the WTO Agreement on Technical Barriers to Trade, Saudi Arabia committed itself to remove the mandatory, pre-market approval requirements for imports (like ICCP) and to implement a non-discriminatory, post-market surveillance mechanism applicable to both foreign and domestic product at no cost to suppliers. However, as of July 2017, Saudi Arabia mandated that a Certificate of Conformity (CoC) must accompany all consumer goods exported to the country. Exceptions exist for food products, medical products including medicines, medical equipment, and components/products of large industrial projects. The Ministry of Commerce and Investment is responsible for the CoC program.

2.3.5 Product Certification:

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

2.4 Characteristics of Trade Policy

At multilateral level, there are good assessments on Saudi Arabia. For example, in the report on Saudi Arabia, the WTO commented that “as a member of the G20, Saudi Arabia has fully endorsed and respected the G20 Leaders' commitment to refrain from imposing protectionist measures on trade in goods and services in order to support global economic recovery and the restoration of sustainable growth. Saudi Arabia has fully supported the WTO Secretariat's exercise of periodically monitoring the imposition of new trade measures by G20 and WTO Members and is alone, of all G20 Members, in avoiding such measures since the global financial crisis”. *

At bilateral level, there are some negative assessments, especially by the US International Trade Administration (USTR) which states that the Saudi business practices and laws still heavily favour Saudi citizens, and Saudi Arabia still has trade barriers, mainly regulatory and bureaucratic practices, which restrict the level of trade and investment. Restrictions on individual professions are in force, limiting who can practice law, medicine, accounting and financial services, architecture and engineering and other similar professions. A Saudi joint-venture partner is a requirement for any entity or individual to practice the above-mentioned professional services. Other irritants include implementation of new standards without warning or consultation with the business community and lack of recognition of other countries standards.

** Trade Policy Review of Saudi Arabia (WTO), February 2016*

2.4.1 Commercial Disputes Settlement:

The US Department of State commented that “traditionally, dispute settlement and enforcement of foreign arbitral awards in Saudi Arabia have proven time-consuming and uncertain, carrying the risk that Shari'a (Islamic) principles can potentially trump any foreign judgments or legal precedents, though Saudi Arabia is a signatory to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Even after a decision is reached in a dispute, effective enforcement of the judgment can still take years.” **

In several cases, disputes have caused serious problems for foreign investors. For instance the US Department of State pointed out that “the Saudi partners and creditors have blocked foreigners' access to or right to use exit visas, forcing them to remain in Saudi Arabia against their will. In cases of alleged fraud or debt, foreign partners may also be jailed to prevent their departure from the country while awaiting police investigation or court adjudication of the case. Courts can in theory impose precautionary restraint on personal property pending the adjudication of a commercial dispute, though this remedy has been applied sparingly.”**

** <https://www.state.gov/e/eb/rls/othr/ics/2017/nea/269998.htm>

As an example, it should be mentioned that a Brazilian citizen who worked for a Saudi Company (during 2008-2012) which had business relations with one of the defense products manufacturing companies in Brazil, was jailed alleging that he took part in a commercial fraud committed by his Saudi partner. He served few years behind bars during the course of the trial, but, later, the charges alleged against him were not proven by the prosecution and he was released from jail.

The US International Trade Administration (US-ITA) commented that “in recent years, however, the Saudi Arabian government has demonstrated interest in improving the quality of commercial legal proceedings and access to alternative dispute resolution mechanisms. Local attorneys indicate that the quality of final judgments in the court system has improved, but that cases still take far too long to litigate. In 2012, the Saudi government updated certain provisions of the domestic arbitration law, paving the way for the establishment of the Saudi Center for Commercial Arbitration (SCCA) in 2016. The SCCA was developed in accordance with international arbitration rules and standards, including those set by the American Arbitration Association’s International Centre for Dispute Resolution and the International Chamber of Commerce’s International Court of Arbitration. It (SCCA) offers comprehensive arbitration services to firms both domestic and international. Less than a year old, the SCCA has already accepted three arbitration cases filed by Saudi firms against other Saudi firms. The SCCA reports that both domestic and foreign law firms have begun to include referrals to the SCCA in the arbitration clauses of their contracts. Awards rendered by the SCCA can be enforced in local courts, though judges remain empowered to reject enforcement of provisions they deem non-compliant with Shari’a (Islamic) law.” *

**Source: <https://www.export.gov/apex/article2?id=Saudi-Arabia-trade-barriers>*

2.4.2 Business Visas:

A Saudi sponsor is required to obtain a business visit visa to Saudi Arabia for trade related purpose, whereas for an investor there is no need for a sponsor. Those who would like to visit Saudi Arabia to explore investment or related purpose, can apply for the visa through the Saudi Arabian General Investment Authority (SAGIA) and it will be issued at the Saudi Embassies or Consulates. The business visas normally allow a single entry for a period of up to three months. There is a report by the US-ITA that “the Saudi Embassy in Washington has begun issuing a 5 year multiple entry visas for selected business people, taking into consideration the principle of reciprocity and the Saudi Ministry of Foreign Affairs is currently examining the issuance of a visitor’s visa at ports of entry for selected nationalities.” (<https://www.export.gov/apex/article2?id=Saudi-Arabia-trade-barriers>)

At present, Brazilian business visitors are given single entry visas with 3 months validity by the Saudi Embassy in Brasilia, whereas the Saudi business visitors are given multiple entry visas with 3 months validity by the Brazilian Embassy in Riyadh.

A proposal from the Brazilian side was submitted to the Saudi authorities to issue 5 year multiple entry visas for business visitors from both countries on reciprocal basis. The proposal has already been agreed in principle by Saudi Arabia with some minor conditions and a formal agreement is expected to be concluded soon.

If that is materialized, it would be a landmark achievement in the bilateral business relations between Saudi Arabia and Brazil and would help ease the business visits from both countries which, eventually, should lead to further increase in the flow of trade and investment between the two countries.

2.4.3 Delayed Payments:

Many firms with contracts provided by the Saudi government face difficulty in getting their due payments. This issue has also been reported by the US-ITA and it urged U.S companies present in Saudi Arabia to approach the U.S Commercial Service at the Embassy in Riyadh or Consulates in Dhahran or Jeddah if payment problems persist.*

The companies who have contracts with Saudi government carry over government receivables for years. The problem has become more visible following the sustained decline in oil prices and due to the ongoing government austerity measures. The Saudi government continued to delay payments to major contractors throughout 2016, though made progress by setting aside \$28 billion and making some payments to clear arrears from the beginning of October 2016.

* <https://www.export.gov/apex/article2?id=Saudi-Arabia-trade-barriers>

2.4.4 Counterfeiting:

Counterfeit products have become a common phenomenon in Saudi Arabia despite all the measures and steps taken by the government. According to the US-ITA report*8, manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products. Anti-counterfeiting laws exist, and the U.S. government has urged the Saudi authorities to step up enforcement actions against perpetrators. Manufacturers estimate that as much as 50 percent of consumer goods in the Saudi market are counterfeit products. In order to restrict the entry of counterfeit products, the Saudi Customs recently implemented a new directive requiring all imported goods to clearly display the “Country of Origin” or “Made in” on the items in an irremovable manner either by engraving, knitting,

printing, or pressing based on the nature of the imported items. This requirement is strictly enforced. However, locally produced or smuggled counterfeit products abound in the market due to lack of effective enforcement.

*** <https://www.export.gov/apex/article2?id=Saudi-Arabia-trade-barriers>

2.4.5 Arab League Boycott against Saudi businesses.

The GCC announced in the fall of 1994 that its members would no longer enforce the secondary and tertiary aspects of the Arab League Boycott. However, the primary boycott against Israeli companies and products still applies in Saudi Arabia.

3 Agreements and barriers

3.1 Saudi Arabia and the WTO

Saudi Arabia became a Member of the WTO on 11 December 2005. As part of its accession commitments, Saudi Arabia bound 100% of its tariff lines and made extensive commitments under the GATS. Saudi Arabia also incorporated into its tariff schedule the tariff reductions of the Information Technology Agreement (ITA); and accepted to implement the Chemical Tariff Harmonization Agreement. Saudi Arabia is an observer to the plurilateral Government Procurement Agreement (GPA) and the Committee on Trade in Civil Aircraft.

Saudi Arabia is an active Member of the WTO with a Permanent Mission to the WTO in Geneva. Saudi Arabia is a member of the group of recently acceded members (RAMs), the WTO Arab Group, and the Informal Group of Developing Countries. The first Trade Policy Review of Saudi Arabia took place on 25 and 27 January 2012.

According to the authorities, the Government of Saudi Arabia reassigned and strengthened its WTO team by naming the Ministry of Commerce and Industry (MCI) as the focal agency for WTO affairs. The Government also instructed other relevant agencies to establish specialized units for WTO affairs. Furthermore, it established the World Trade Service Center (WTSC) in April 2014 to build the capacity of officials in related ministries and local authorities. The WTSC also hosts the WTO Reference Center. Saudi Arabia reiterated its support to the multilateral trading system and highlighted recent achievements during a ceremony that was held in Geneva on 29 September 2015 and attended by a senior delegation from Riyadh headed by the Minister in charge of the WTO to commemorate its ten-year anniversary for acceding to the WTO.

Saudi Arabia has not been a complainant or respondent in any disputes under the WTO Dispute Settlement Mechanism, but has participated as a third party in twenty-eight cases. The trade-related notifications of Saudi Arabia to the WTO as at end of 2015, are below:

Selected notifications to the WTO at end-September 2015 (*Source: WTO*)

WTO Agreement	Description of the requirement	Most recent notification	Comments
Agreement on Implementation of GATT Article VI (Anti-dumping), Agreement on Subsidies and Countervailing Measures and Agreement on Safeguards			
Article 18.5 of ADP Article 32.6 of SCM Article 12.6 of SG	Laws and regulations	G/ADP/N/1/SAU/2, 12.12.2014	Amended GCC Common Law on Anti-Dumping, Countervailing and

			Safeguard Measures
Articles 10 and 18.2	Export subsidies	G/AG/N/SAU/9, 26.02.2014	No export subsidies for the calendar years 2010, 2011 and 2012 No export subsidies for the calendar year 2009
Article 18.2	Domestic support	G/AG/N/SAU/8, 26.02.2014 G/AG/N/SAU/7, 16.05.2012 G/AG/N/SAU/6, 19.09.2011	List of DS measures for the years 2009-2011
Agreement on Agriculture			
Article 18.2		G/AG/N/SAU/9, 26.02.2014 G/AG/N/SAU/8, 26.02.2014	Export subsidy Domestic support
Agreement on Technical Barriers to Trade			
Article 10.6	Technical regulation	711 notifications (01/01/2011- 31/12/2015: starting with G/TBT/N/SAU/209)	
Custom Valuation Agreement			
Article 22	Laws and regulations	G/VAL/N/1/SAU/1, 06.02.2007	Implementation of the agreement
	Checklist of issues	G/VAL/N/2/SAU/1, 08.01.2007	Answers by Saudi Arabia
Agreement on Import Licensing Procedures			
Articles 5.1-5.4 Article 7.2	Import Licensing	G/LIC/N/2/SAU/1, 10.03.2014 G/LIC/N/3/SAU/2, 29.09.2011	Import Licensing procedure
Agreement on Rules of Origin			
Article 5.4 of Annex II	Rules of Origin	G/RO/N/48, 08.11.2006	No non-preferential rules of origin
Agreement on Sanitary and Phytosanitary Measures	Sanitary and phytosanitary measures	187 notifications (01/01/2011- 31/12/2015: starting with G/SPS/N/SAU/9)	
Agreement on Trade-Related Aspects of Intellectual Property Rights			
Article 63.2	Laws and regulations	IP/Q-Q4/SAU/1, 16.03.2007 IP/N/1/SAU/C/2/Rev.1, 14.02.2007 IP/N/1/SAU/O/3,	Laws and regulations under the TRIPS Agreement

		14.02.2007 IP/N/1/SAU/I/1, 14.11.2006	
Agreement on Trade-Related Investment Measures			
Article 6.2		G/TRIMS/N/2/Rev.21, 26.08.2011	No TRIMs maintained

The authorities reiterated that Saudi Arabia has an interest in a wide range of issues in the Doha Development Agenda (DDA) negotiations, including trade and environment, rules, trade facilitation, non-agricultural market access (NAMA), and services. The Saudi authorities believe that the country made extensive commitments during their WTO accession process and are calling for additional flexibilities to be granted to the RAMs in the DDA. Saudi Arabia strongly supports any efforts to bring the negotiations to a successful conclusion. In its capacity as Coordinator of the Arab Group, Saudi Arabia hosted a conference for Arab Ministers of Trade with the participation of the WTO Director-General, to prepare and coordinate Arab positions for the tenth WTO Ministerial Conference held in 2015.

3.2 Regional and preferential agreements

3.2.1 Cooperation Council for the Arab States of the Gulf (GCC):

Saudi Arabia is a member of the Cooperation Council for the Arab States of the Gulf (GCC), which was established in May 1981. The main objectives of the GCC are to enhance regional cooperation and integration in all economic, social, and cultural affairs, including trade, industry, investment, finance, transport, communications, and energy.

The specific objectives of the GCC have not changed, i.e.: to achieve a common market, with equal treatment of GCC citizens, in each member country; respect of freedom of movement, work, residence, and ownership of real estate; allow free movement of capital; and financial and monetary coordination. Bahrain, Kuwait, Qatar and Saudi Arabia ratified an agreement to establish a monetary union in December 2009. The date for the introduction of a single currency is yet to be determined.

The GCC member States signed an Economic Agreement in November 1981, which set the basis for the economic relationship among member States. The agreement established the GCC Free Trade Area whereby GCC originating goods were exempted from customs tariffs. The Economic Agreement was comprehensively revised in December 2001. The revised Agreement stipulates that trade between the GCC member States should be conducted within the framework of a Customs

Union that would be implemented no later than January 2003. Saudi Arabia initially notified the Agreement under Article XXIV of the GATT (as a condition of its accession to the WTO) in 2006. On 19 November 2007, Saudi Arabia notified that it would like to change the notification of the GCC Customs Union from Article XXIV of GATT 1994 to Paragraph 4(a) of the Enabling Clause 17 and, on 6 October 2009, it was again re-notified under Article XXIV: 7(a) of GATT 1994.

Saudi Arabia and other GCC member States implemented the Common Customs Law of the GCC and its Rules of Implementation and Explanatory Notes thereof with effect from 1 January 2003. As per the law, the GCC States have implemented the common external tariff (CET) of 0% and 5% for most products. The GCC Common Customs Law is implemented in Saudi Arabia under Royal Decree No. 41 of 3.11.1423H (6 January 2003). The full GCC customs union was inaugurated on 1 January 2015, and the Unified Guide for Customs Procedures and the single point of entry principle apply to imports in each GCC Member State.

The member States of the GCC launched the Gulf Common Market (GCM) in January 2008. The GCM, among others, allows the citizens of the member States to engage in all economic activities, investment and various services sectors without discrimination.

Some differences remain in the implementation of the CET as each member is entitled to have lists of prohibited and restricted goods. Furthermore, members continue to maintain customs check points for security and other reasons (e.g. statistics, and to avoid piracy and commercial cheating). The prohibited goods are restricted from circulating between members' territories. However, transit for restricted products is allowed with proper documentation.

The GCC has concluded free-trade agreement (FTA) negotiations with the European Free Trade Association (EFTA) States and this Agreement entered into force in July 2015. The Agreement covers a broad range of areas, including trade in goods, trade in services, government procurement and competition.

The GCC-Singapore FTA entered into force in September 2013 and was notified to WTO on 30 June 2015. The New Zealand-GCC FTA negotiations concluded in 2009, however, the agreement is yet to be signed.

The GCC is negotiating trade agreements with Australia, China, the EU, India, Japan, the Republic of Korea, MERCOSUR, Pakistan, and Turkey. Furthermore, the GCC has received requests for negotiations, inter alia, from ASEAN; Azerbaijan; the Common Market for East and Southern Africa (COMESA); Georgia; Hong Kong, China; Peru; and Ukraine. Some GCC members (e.g. Bahrain and Oman) have bilateral FTAs, notably with the United States.

3.2.2 Pan-Arab Free Trade Area (PAFTA)

Saudi Arabia is a signatory to the Pan-Arab Free Trade Area (PAFTA) Treaty, which entered into force on 1 January 1998. Most trade barriers among its members were eliminated as of 1 January 2005, with some products excluded from liberalization. Negotiations on the implementation details of some provisions on rules of origin and non-tariff barriers (NTBs) are ongoing. Efforts are being made to include services in PAFTA. The principal entity responsible for implementing the programme is the Economic and Social Council of the League of Arab States. Saudi Arabia notified PAFTA to the WTO under GATT Article XXIV in 2006.

3.2.3 Other agreements and arrangements

Saudi Arabia does not use trade preferences under the Generalized System of Preferences (GSP) and does not participate in the Global System of Trade Preferences (GSTP) among developing countries. Saudi Arabia, as a high income country, graduated from EU GSP in January 2014. However, Saudi Arabia is eligible to use GSPs accorded by Australia, New Zealand, the Eurasian Economic Union (Armenia, Belarus, Kazakhstan, the Kyrgyz Republic, and the Russian Federation), Switzerland and Turkey. (Source: WTO. Retrieved on 17/8/2017).

3.3 Bilateral Investment Treaties & related treaties:

3.3.1 Bilateral Investment Treaties (BITs):

Saudi Arabia signed Bilateral Investment Treaties (BITs) with the following countries:

No.	Short title	Status	Date of signature	Date of entry into force
1	Austria - Saudi Arabia BIT (2001)	In force	30/06/2001	25/07/2003
2	Azerbaijan - Saudi Arabia BIT (2005)	Signed	9/3/2005	
3	Belarus - Saudi Arabia BIT (2009)	In force	20/07/2009	7/8/2010
4	BLEU (Belgium-Luxembourg Economic Union) - Saudi Arabia BIT (2001)	In force	22/04/2001	11/6/2004
5	China - Saudi Arabia BIT (1996)	In force	29/02/1996	1/5/1997
6	Czech Republic - Saudi Arabia BIT (2009)	In force	18/11/2009	13/03/2011
7	France - Saudi Arabia BIT (2002)	In force	26/06/2002	18/03/2004
8	Germany - Saudi Arabia BIT (1996)	In force	29/10/1996	8/1/1999
9	India - Saudi Arabia BIT (2006)	In force	25/01/2006	20/05/2008
10	Indonesia - Saudi Arabia BIT (2003)	In force	15/09/2003	5/7/2004

11	Italy - Saudi Arabia BIT (1996)	In force	10/9/1996	22/05/1998
12	Japan - Saudi Arabia BIT (2013)	In force	30/04/2013	7/4/2017
13	Jordan - Saudi Arabia BIT (2017)	Signed	27/03/2017	
14	Korea, Republic of - Saudi Arabia BIT (2002)	In force	4/4/2002	19/02/2003
15	Malaysia - Saudi Arabia BIT (2000)	In force	25/10/2000	14/08/2001
16	Philippines - Saudi Arabia BIT (1994)	In force	17/10/1994	11/11/1996
17	Saudi Arabia - Singapore BIT (2006)	In force	10/4/2006	5/10/2007
18	Saudi Arabia - Spain BIT (2006)	In force	9/4/2006	14/12/2016
19	Saudi Arabia - Sweden BIT (2008)	In force	11/3/2008	1/10/2009
20	Saudi Arabia - Switzerland BIT (2006)	In force	1/4/2006	9/8/2008
21	Saudi Arabia - Taiwan Province of China BIT (2000)	Signed	31/10/2000	
22	Saudi Arabia - Turkey BIT (2006)	In force	8/8/2006	5/2/2010
23	Saudi Arabia - Ukraine BIT (2008)	Signed	9/4/2008	
24	Saudi Arabia - Uzbekistan BIT (2011)	Signed	6/6/2011	

(Source: UNCTAD, retrieved on 20/8/2017).

3.3.2 Treaties with Investment Provisions (TIPs)

Saudi Arabia signed the following Treaties with Investment Provision (TIPs):

No.	Title of agreement	Status	Date of signature	Date of entry into force
1	Framework Agreement on Trade, Economic, Technical and Investment Cooperation between Peru and the GCC countries	Signed	1/10/2012	
2	Framework Agreement for Trade, Economic, Investment and Technical Cooperation between the Cooperation Council for the Arab States of the Gulf and the Government of the United States of America	Signed	25/09/2012	
3	Free Trade Agreement between the Gulf Cooperation Council and the EFTA States	Signed	22/06/2009	
4	Free Trade Agreement between Singapore and The Gulf Cooperation Council (GCC)	In force	15/12/2008	1/9/2013
5	Framework Agreement on Economic Cooperation Agreement between the Gulf Cooperation Council (GCC) and India	Signed	25/08/2004	
6	Agreement for the Establishment of a Free Trade Area between the Gulf Cooperation Council and Lebanon	Signed	11/5/2004	
7	Agreement Between the Government of the Government of the United States of America and the Government of the Kingdom of Saudi Arabia Concerning the Development of Trade and Investment Relations	In force	31/07/2003	31/07/2003
8	Cooperation Agreement between the European Economic Community, of the one part, and the countries parties to the Charter of the Cooperation Council for the Arab	In force	15/06/1988	1/1/1990

	States of the Gulf, of the other part			
9	Unified Economic Agreement between the Countries of the Gulf Cooperation Council	In force	11/11/1981	1/12/1981
10	Agreement on Promotion, Protection and Guarantee of Investments amongst the Member States of the Organization of the Islamic Conference	In force	5/6/1981	1/2/1988
11	Unified Agreement for the Investment of Arab Capital in the Arab States	In force	26/11/1980	7/9/1981
12	Agreement on Investment and Free Movement of Arab Capital among Arab Countries	In force	29/08/1970	29/08/1970

(Source: UNCTAD, retrieved on 20/8/2017).

3.3.3 Investment Related Instruments (IRIs):

Saudi Arabia signed the following Investment Related Instruments (IRIs):

No.	Short title	Date of adoption	Level	Type
1	OPEC Fund Model Agreement 2001	2001	Regional/Plurilateral	Model agreements
2	Fifth Protocol to GATS	1997	Multilateral	Intergovernmental agreements
3	Fourth Protocol to GATS	1997	Multilateral	Intergovernmental agreements
4	TRIPS	1994	Multilateral	Intergovernmental agreements
5	TRIMS	1994	Multilateral	Intergovernmental agreements
6	GATS	1994	Multilateral	Intergovernmental agreements
7	Islamic Corporation for the Insurance of Investment Credit	1992	Regional/Plurilateral	Intergovernmental agreements
8	MIGA Convention	1985	Multilateral	Intergovernmental agreements
9	Inter-Arab Investment Guarantee Corporation	1971	Regional/Plurilateral	Intergovernmental agreements
10	ICSID Convention	1965	Multilateral	Intergovernmental agreements
11	New York Convention	1958	Multilateral	Intergovernmental agreements
12	UN Code of Conduct on Transnational Corporations	1983	Multilateral	Draft instruments
13	UN Guiding Principles on Business and Human Rights	2011	Multilateral	Guidelines, principles, resolutions and similar

14	ILO Tripartite Declaration on Multinational Enterprises	2006	Multilateral	Guidelines, principles, resolutions and similar
15	Doha Declaration	2001	Multilateral	Guidelines, principles, resolutions and similar
16	ILO Tripartite Declaration on Multinational Enterprises	2000	Multilateral	Guidelines, principles, resolutions and similar
17	Singapore Ministerial Declaration	1996	Multilateral	Guidelines, principles, resolutions and similar
18	World Bank Investment Guidelines	1992	Multilateral	Guidelines, principles, resolutions and similar
19	ILO Tripartite Declaration on Multinational Enterprises	1977	Multilateral	Guidelines, principles, resolutions and similar
20	New International Economic Order UN Resolution	1974	Multilateral	Guidelines, principles, resolutions and similar
21	Charter of Economic Rights and Duties of States	1974	Multilateral	Guidelines, principles, resolutions and similar
22	Permanent Sovereignty UN Resolution	1962	Multilateral	Guidelines, principles, resolutions and similar

(Source: UNCTAD, retrieved on 20/8/2017).

3.3.4 Saudi-Brazil Investment Cooperation and Facilitation Agreement:

Brazil has proposed an Investment Cooperation and Facilitation Agreement (ICFA) Saudi Arabia with the objective of promoting bilateral trade and investment. The draft of the ICFA prepared by Brazil was submitted to the Saudi authorities in the end of 2015 and is waiting for the response from the Saudi side (Embassy reference: Note No. 54/2015/M/S).

3.4 Joint Business Councils:

3.4.1 Formation and structure:

Saudi Arabia has setup several joint business councils as per Royal Decree No. 5/b/10744 dated 07/06/1422 AH (corresponding to 26/08/2001) aimed at expediting the establishment of Saudi-foreign business councils, funded by businessmen from both sides in order to serve the objectives of Saudi Arabia, and article No. 37 of the Chambers of Commerce, based on the Royal Decree No. (M/6) dated 30/04/1400 AH (corresponding to 17/3/1980), and considering the importance given by the Council of Saudi Chambers of Commerce on the role played by Saudi-foreign business councils, in economic terms, between the Saudi Arabia and other countries. On the basis of these, the Council of Saudi Chambers authorized to proceed to sign agreements with its counterparts in a number of countries to form business councils that serve economic and commercial relations

between them. In cooperation with the Council of Saudi Chambers, the Ministry specifies Saudi-side members of these councils and follows up their work.

Business Councils are an economic gathering that includes a group representative of the business sector in the Kingdom. Their aim is to stimulate economic relations between the Kingdom and friendly countries in various fields of trade and investment, through a systematic framework prescribed for the economic relation with these countries. Its goals are listed as follows:

- Developing and consolidating relations between the business communities of both countries, and identifying the economic opportunities available to representatives of respective parties.
- Promoting exports and exchange of goods and services through constant communication, exchange of information and holding exhibitions in both countries.
- Communicating with authorities of both countries to improve the climate of cooperation and overcome any obstacles that might come in the way of both sides.
- Encouraging the establishment of economic projects in both countries by means of identifying the best ways of funding, and providing information and services to businessmen interested in such projects.
- Amicably settling commercial disputes that may arise among businessmen in both countries.
- Attending to training programs, technology transfer, and the right to acquire knowledge.

Taking into account the provisions of the agreements and memoranda of understanding between the Saudi Council of Chambers of Commerce and Industry and the corresponding bodies and boards, the term of the Business Council is three calendar years starting from the date of convening during which a president and two vice presidents are elected. Membership in business boards shall be available till the end each term of the council.

Membership to the Saudi-Foreign Business Councils is available to Saudi natural and legal persons as well as foreign legal persons by submitting Business Council participation applications according to the form prepared by the Council for Saudi Chambers of Commerce and Industry. However, the representative of Saudi legal and foreign persons should be a Saudi national. The member is entitled to the following benefits:

1. Priority in participating in delegations, conferences, seminars, or external events for the country of the respective member.
2. Access to databases of business councils, departing and visiting delegations, and investment opportunities available in the corresponding countries.
3. Council membership business card to indicate their membership.
4. Inclusion of member information in the Business Council booklet which is distributed to the embassies and chambers of the two countries.

5. Posting member's information and activities on the Business Council's website, and activating the use of the website to connect with other parties.
6. Invitations to meetings with ambassadors of the corresponding countries and senior government officials, whether in the Kingdom or in their countries.
7. Assistance in obtaining visas from the embassies of several corresponding countries, and a discount on airline tickets from Saudi Airlines and other foreign carriers.
8. Invitation to annual meetings with business leaders from the corresponding countries and those working in the Kingdom.

3.4.2 List of Business Councils:

1. Saudi – Japanese Business Council
2. Saudi – Algerian Business Council
3. Saudi – Ukrainian Business Council
4. Saudi – Tunisian Business Council
5. Saudi – Moroccan Business Council
6. Saudi – Indian Business Council
7. Saudi – Singaporean Business Council
8. Saudi – Italian Business Council
9. Saudi – Bahraini Business Council
10. Saudi – Czech Business Council
11. Saudi – French Business Council
12. Saudi – Egyptian Business Council
13. Saudi – Russian Business Council
14. Saudi – Swiss Business Council
15. Saudi –Turkish Business Council
16. Saudi – Filipino Business Council
17. Saudi – Korean Business Council
18. Saudi – Polish Business Council
19. Saudi – Syrian Business Council
20. Saudi – South African Business Council
21. Saudi – Lebanese Business Council
22. Saudi – Yemeni Business Council
23. Saudi – Jordanian Business Council
24. Saudi – Omani Business Council
25. Saudi – Sudanese Business Council
26. Saudi – Kazakhstani Business Council
27. Saudi – Qatari Business Council
28. Saudi – Canadian Business Council

29. Saudi – Spanish Business Council
30. Saudi – Pakistani Business Council
31. Saudi – Malaysian Business Council
32. Saudi – Chinese Business Council
33. Saudi – British Business Council

(Source: SAGIA, Retrieved on 15/8/2017)

3.4.3 Saudi-Brazil Joint Business Council:

Saudi Arabia manifested interest to form a Saudi-Brazil Joint Business Council as part of the Saudi-Brazil Joint Committee meeting held in Brasilia on 15 April 2015. In 2015 (DET 39/2015), Brazil proposed the terms of reference titled “Joint Working Group on the promotion of trade and investment between the Kingdom of Saudi Arabian and the Federative Republic of Brazil”.

(References: DET 39 and TEL 89 of 2015; TEL 591, DET 170, TEL 538 and 527 of 2014)

3.5 Joint Committees:

3.5.1 Joint Committees - Introduction:

Saudi Arabia has signed several bilateral agreements or memoranda of understanding with some Arab, Islamic and friendly countries to develop ways of cooperation in the economic, trade, investment and technical fields. These are the joint committees between the Kingdom of Saudi Arabia and some Arab, Islamic, and friendly countries. The Ministry of Commerce and Investment (MCI) presides over the Saudi side of these committees.

A number of joint committees have emerged based on these bilateral agreements between the Kingdom and those countries to establish many foundations in all sorts of cooperation, achieve many economic, commercial, scientific, and technical goals, ensure the execution of these agreements, and hold periodical meetings to discuss these goals.

Among the most important aspects between these committees are:

- Strengthening ties between the two countries, and finding ways to support and promote cooperation between them.

- Discussing obstacles and problems that limit the stimulation and increased cooperation between the two countries and in particular any obstacles that come in the way of streamlining commercial cooperation.
- Providing Saudi businessmen with an opportunity to identify business and investment prospects and adopt effective means in this respect, as well as helping them make use of these prospects.
- Encouraging the exchange of technical expertise between concerned parties of the two countries by working to promote technology transfer, cooperation in scientific research, mutual visits, and participating in training programs.
- Supporting means of reinforcing cooperation in the fields of education, sports and youth.
- Paving the way to utilizing the available labour force, and organizing its related procedures.

3.5.2 List of Joint Committees:

MCI presides over the Saudi side of the following 19 committees:

No.	Committee Name	Saudi Chair
1	Saudi-Egyptian	Ministry of Commerce and Investment
2	Saudi-Iraqi	Ministry of Commerce and Investment
3	Saudi-Pakistani	Ministry of Commerce and Investment
4	Saudi-Tunisian	Ministry of Commerce and Investment
5	Saudi-Algerian	Ministry of Commerce and Investment
6	Saudi-Indian	Ministry of Commerce and Investment
7	Saudi-South African	Ministry of Commerce and Investment
8	Saudi-Libyan	Ministry of Commerce and Investment
9	Saudi-French	Ministry of Commerce and Investment
10	Saudi-Turkish	Ministry of Commerce and Investment
11	Saudi-Venezuelan	Ministry of Commerce and Investment
12	Saudi-American Council for Trade and Investment	Ministry of Commerce and Investment
13	Saudi-Yemeni Coordination Council Follow-up Committee	Ministry of Commerce and Investment
14	Saudi-Yemeni Technical Commercial Team	Ministry of Commerce and Investment
15	Saudi-Mauritanian	Ministry of Commerce and Investment
16	Saudi-Spanish	Ministry of Commerce and Investment
17	Saudi-Portuguese	Ministry of Commerce and Investment
18	Saudi-British	Ministry of Commerce and Investment

List of committees in which the Ministry of Commerce and Investment is a participant:

No.	Committee Name	Chair
1	Saudi - Moroccan	Ministry of Foreign Affairs
2	Saudi - Irish	Ministry of Foreign Affairs
3	Saudi - Canadian	Ministry of Foreign Affairs
4	Saudi - Argentinean	Ministry of Foreign Affairs
5	Saudi - Syrian	Ministry of Foreign Affairs
6	Saudi - Indonesian	Ministry of Labour
7	Saudi – Filipino	Ministry of Labour
8	Saudi - Bangladesh	Ministry of Labour
9	Saudi - Austrian	Ministry of Economy and Planning
10	Saudi - Malaysian	Ministry of Economy and Planning
11	Saudi - Japanese	Ministry of Economy and Planning
12	Saudi - Korean	Ministry of Economy and Planning
13	Saudi - Lebanese	Ministry of Finance
14	Saudi - Italian	Ministry of Finance
15	Saudi - German	Ministry of Finance
16	Saudi -American	Ministry of Finance
17	Saudi - Chinese	Ministry of Finance
18	Saudi - Australian	Ministry of Agriculture
19	Saudi – New Zealand	Ministry of Agriculture
20	Saudi - Ethiopian	Ministry of Agriculture
21	Saudi - Sudanese	Ministry of Agriculture
22	Saudi - Ukrainian	Ministry of Transport
23	Saudi - Jordanian	Ministry of Transport
24	Saudi - Turkish	Ministry of Transport
25	Saudi - Azerbaijan	General Authority for Investment
26	Saudi - Uzbek	General Authority for Investment
27	Saudi - Kazakhstan	General Authority for Investment
28	Saudi – Greek	General Authority for Investment
29	Saudi – Senegal	General Authority for Investment
30	Saudi – Swiss	General Authority for Investment
31	Saudi – Russian	General Authority for Investment
32	Saudi - Taiwan	Saudi Basic Industries Corporation (SABIC)
33	Saudi Qatar Coordination Board	
34	Saudi Yemeni Coordination Board	
35	Tajik	General Authority for Investment

36	Saudi-Vietnamese	Ministry of Economy and Planning
37	Saudi-Nigerian	Ministry of Agriculture
38	Saudi-Albanian	Ministry of Agriculture

(Source: MCI, Retrieved on 14/8/2017)

3.5.3 Saudi-Brazil Joint Committee:

The first session of the Saudi-Brazilian joint committee was held in Brasilia on 15 April 2015. At the conclusion of the committee's work, the meeting's minutes were signed. They included the most important recommendations and shared visions for further cooperation in various fields, especially the topics that were discussed during this session (Source: SPA, retrieved on 20/8/2017). Related references: TELs 591, 546, 538, 531 of 2014)

3.6 Economic, Trade and Technical Cooperation Agreements:

3.6.1 Cooperation agreements - Introduction:

Saudi Arabia signed cooperation agreements with several countries. These agreements aims at developing economic, trade and technical cooperation in accordance with the laws of each contracting party, and create appropriate conditions to develop cooperation on the basis of reciprocal interests. This allows the free inflow of goods, capital, and services and the free movement of individuals and investment between the two contracting party.

3.6.2 List of cooperation agreements:

Country	Type of Agreement	Date of Signing
Algeria	Economic, Cultural, Technical	23/11/1986
Argentina	Economic, Technical	12/08/1981
Australia	Economic, Technical	22/03/1980
Austria	Economic, Technical	29/03/1988
Azerbaijan	Economic, Investment, Cultural, Sports, Technical, Trade	10/07/1994
Bangladesh	Economic, Trade	20/12/1978
Belgium/Luxemburg	Economic, Technical	10/05/1978
Canada	Economic, Trade	05/10/1987
China	Economic, Trade, Investment, Technical	20/07/2002

Denmark	Economic, Industrial, Scientific, Technical	19/08/1974
Egypt	Economic, Trade, Investment	07/03/1990
Finland	Economic, Technical	04/05/1976
France	Economic	23/07/1975
Germany	Economic, Industrial, Technical	30/01/1977
Greece	Economic, Technical	04/10/1986
Holland	Economic, Technical	12/05/1984
India	Economic, Technical	14/04/1981
Indonesia	Economic, Trade	10/02/1990
Iraq	Economic, Trade	14/01/1984
Ireland	Economic, Technical	20/10/1983
Italy	Economic, Technical, Financial	04/03/1975
Japan	Economic, Technical	01/03/1975
Jordan	Economic	08/07/1962
Korea	Economic, Technical	30/06/1974
Lebanon	Economic, Trade	11/11/1971
Malaysia	Economic, Trade	29/01/1975
Morocco	Cultural, Media, Trade	05/09/1966
Pakistan	Economic, Technical, Trade	05/12/1992
Philippines	Economic, Investment, Trade, Technical	16/10/1966
Russia	Economic, Investment, Trade, Technical	20/11/1994
Syria	Economic, Trade	03/04/1972
Tunisia	Trade	09/03/1988
Turkey	Economic, Technical, Trade	08/06/1974
USA	Secured Private Investment	21/02/1975
Uzbekistan	Economic, Investment, Cultural, Sports, Technical, Trade	15/11/1995
Yemen	Cultural, Trade, Technical	29/03/1988

(Source: Ministry of Foreign Affairs (MoFA), Saudi Arabia, Retrieved on 20/8/2017)

3.6.3 Saudi-Brazil Cooperation Agreements & other agreements

Cooperation agreements

- Economic and Technical Cooperation Agreement, 2 April, 1975, signed in Brasilia;
- Basic Agreement for Scientific and Technical Cooperation between the Government of the Federative Republic of Brazil and the Government of the Kingdom of Saudi Arabia, 13 August 1981, signed in Brasilia;
- Protocol on industrial-military cooperation between the government of the Federative Republic of Brazil and the Government of the Kingdom of Saudi Arabia, 1984, signed in Brasilia; and
- During the visit of President Lula to Saudi Arabia in 2009, two agreements were signed: 1) General Cooperation Agreement to promote closer bilateral relations and (2) Memorandum of Understanding for the Establishment of High Level Policy Consultations.

Block level/Multilateral level and international level:

- The cooperation mechanism created by the Summit of South America and Arab Countries (ASPA), a Brazilian diplomatic initiative, has produced concrete results and has brought the two regions closer in areas such as international policy coordination, trade, culture, finance and environment. Saudi Arabia has responded very positively to this mechanism of regional cooperation.
- Mercosur and the Gulf Cooperation Council signed an Agreement for Economic Cooperation, in 2005. The two blocs are negotiating a free trade area that will certainly bring many benefits for the countries in the two regions;
- At G20, in which Saudi Arabia and Brazil are members and both countries have worked side by side (in the cause of international society).
- Brazil became an observer at the Arab League in 2003.
- Brazil has recognized Palestine as an independent State in 2010.
- Brazil is considering to bid for “observer status” at the Organization of Islamic Cooperation (OIC).

Agreements signed (on 17 May 2009) during the visit of President Lula to Saudi Arabia:

a. Memorandum of Understanding for Cooperation:

1. Riyadh Chamber of Commerce and Industry, Mr. Abdulrahman A. Al-Jeraisy (President), and the National Confederation of Industry (CNI) of Brazil, Mr. Paulo Tigre (Vice

President of CNI and President of the Federation of Industries of the Rio Grande do Sul State, Brazil).

2. Riyadh Chamber of Commerce and Industry, Mr. Abdulrahman A. Al-Jeraisy (Chairman), and the Arab Brazilian Chamber of Commerce, Mr. Salim Taufic Schahin (President).
3. Council of Saudi Chambers, Mr. Abdulrahman A. Al-Jeraisy (Vice- Chairman), and the National Confederation of Industry (CNI)of Brazil, Mr. Paulo Tigre (Vice President of CNI and President of the Federation of Industries of the Rio Grande do Sul State, Brazil).
4. Council of Saudi Chambers, Mr. Abdulrahman A. Al-Jeraisy (Vice- Chairman), and the Arab Brazilian Chamber of Commerce, Mr. Salim Taufic Schahin (President).

b. Memorandum of Understanding for business

1. PETROBRAS, Mr. Paulo Roberto Costa (Director) and Modern Chemical Company, Mr. Abdulaziz F.Barakat Al-Hamwah (Chief Executive Officer). This was later dropped.
2. Joint venture agreement for setting up insulin factory (US\$ 30 million by Biomm and US\$ 70 million by Global Biotechnology). Biomm S/A, Mr. Francisco C. Freitas (Manging Director) and Gabas Global for Biotechonolgy Company Ltd, Mr. Mohammad Bagabas (Chairman). Both parties are still negotiating this project. (*Reference: TEL 430/2009, DET 98/2009*)

Other Agreements under negotiation:

Agreement on Cooperation and Mutual Assistance in Custom Matters. (*Reference: TEL 252/2016*).

Also both countries expressed interest to negotiate on several formal agreements during the visit of President Lula to Saudi Arabia in May 2009 in the fields of education, culture, sports, science and technology etc. (*Ref: DET 90/2009 and TEL 220/2009*).

Note: The bilateral agreements listed hereinabove are not exhaustive. Both countries cooperate with each other and support each other for mutual benefits, especially at multilateral level, such as at the WTO, FAO, other affiliates of the United Nations and various other international organizations.

3.7 Avoidance of Double Taxation Agreements (ADTA):

Saudi Arabia signed agreements with several countries to avoid double taxation. These agreements aim primarily to eliminate the double payment of taxes by nationals and enterprises of a Contracting State in the territory of the other. It also aims to create an appropriate economic environment to attract capital between the two contracting parties.

3.7.1 List of ADTA

List of countries with which Saudi Arabia signed Agreements to avoid double taxation:

List published by SAGIA (40 countries):

Austria	Hungary	Malaysia	South Africa
Azerbaijan	India	Malta	Spain
Bangladesh	Ireland	Netherlands	Syria
Belarus	Italy	Pakistan	Tunisia
China	Japan	Poland	Turkey
Czech Republic	Kazakhstan	Portugal	Ukraine
Ethiopia	Korea (South)	Romania	United Kingdom
France	Kyrgyzstan	Russia	Uzbekistan
Greece	Luxemburg	Singapore	Vietnam
Gabon	Macedonia	Sweden	Venezuela

List published by the General Authority of Zaka and Tax (GAZT) – 42 countries:

Austria	Hungary	Malaysia	South Africa
Azerbaijan	India	Malta	Spain
Bangladesh	Ireland	Netherlands	Syria
Belarus	Italy	Pakistan	Tunisia
China	Japan	Poland	Turkey
Czech Republic		Portugal	Ukraine
Ethiopia	Korea (South)	Romania	United Kingdom
France	Kyrgyzstan	Russia	Uzbekistan
Greece	Luxemburg	Singapore	Vietnam
	Macedonia	Sweden	Venezuela
Algeria	Egypt	Tajikistan	Turkmanistan

(Sources: General Authority of Zaka and Tax (GAZT) of Saudi Arabia, SAGIA and MoFA , Retrieved on 20/8/2017)

Note: 'Zaka' is the tax system in Islam and it varies depending on the nature and type of income of individuals and business entities.

3.7.2 Saudi Arabia and Brazil on avoidance of double taxation:

In 2014 Brazil proposed an “Agreement for the Avoidance of Double Taxation and Income Evasion” and later revised the title of the proposed agreement to as “Agreement for the Exchange of Tax Information”.

Reference: DET 25/2014 and Embassy’ Note of MoFA No.7/2014/M/S).

3.8 Other Agreements:

Saudi Arabia is party to a number of trade and economic agreements with GCC and Arab League countries. These agreements aim at promoting trade and economic development in the respective countries. Following are the other agreements signed by Saudi Arabia:

1. The Coordinated Gulf Efforts
2. The GCC Joint Economic Accord
3. Undertaking economic activities in the kingdom by GCC citizens
4. The GCC countries' joint strategy for industrial development
5. The Integrated Statutes Regulating Foreign Investment in the GCC Countries
6. The Foundations for Economic Integration in the GCC Countries
7. The Integrated Regulations for Protecting Industrial Products
8. Trade Facilitation and Development Agreement Between the Arab Countries
9. The Integrated Agreement on Investing Arab Capital Funds in the Arab Countries
10. Transit Agreement Between Arab League Countries
11. The Agreement on Mutual Exemptions from Taxes and Administrative Charges the Activities and Equipment of Arab Airlines

(Source: Ministry of Foreign Affairs (MoFA), Saudi Arabia, Retrieved on 20/8/2017)

3.9 Barriers:

3.9.1 Prohibited and Restricted Imports:

Saudi law prohibits importation of the following products:

1. Swine and its meat, fat, hair, blood and offal, and all that is extracted from it.
2. Dogs; except dogs for hunting, guarding or for guiding the blind with certificates from the competent authorities in the exporting country authenticated by the Saudi embassy

indicating that the dog to be entered is a dog for guarding, hunting or for guiding the blind. In addition, it shall be presented to the veterinary quarantine.

3. Frog meat.
4. Narcotic drugs of all kinds, forms and names in addition to the snuff, tumbak and cola nut (Cola acuminata) "Goro".
5. All foodstuffs made of animal blood.
6. Wines and intoxicants of all kinds including what contains alcoholic substances at any intoxicating ratio, as well as wine distillation appliances and materials which are not used except in its distillation.
7. The Holy Quran in commercial quantities.
8. Blank invoices addressed in the name of foreign companies abroad.
9. Advertising materials for cigarettes of all kinds.
10. The cross or any commodity with pictures, inscriptions, drawings, recitations or phrases including books, prospectuses and other publications, films and tapes which are contrary to the Islamic faith and morals or the publications regulation.
11. Empty packings coming from abroad for the purpose of their refilling domestically with origin indication affixed on them.
12. Dummies which are not in compliance with the Sharia provisions and general morals and imported for sale in commercial quantities.
13. Tools, machines and devices for gambling of all kinds.
14. Used and rethreaded tires.
15. Christmas trees.
16. Weapons and military equipment of all kinds and parts and ammunitions thereof exclusive of those for competent government sectors.
17. Night vision binoculars, binocular night vision cameras and telescopic sights for fitting to arms.
18. Explosive and radioactive substances, firecrackers, gunpowder salt of all kinds and potassium chlorates except with an official permit.
19. Fireworks of all kinds.
20. Medicaments not bearing a label or accompanied by a leaflet showing their composition and quantity of each component according to the regulation for practicing the profession of pharmacology and trade in medicines and medical preparations.
21. Goods on which is drawn the government emblem in the form of two crossed swords with a palm tree with long stem and leaves in the space above and between the blades properly represented.
22. Nutmeg fruit; seeds and powder thereof. Permission to import it is confined to its powder mixed with other spices within the limits of permissible ratio which does not exceed 20%.
23. Bonds and coupons for sacrificial animals (Adahiy and Hady), ransom (Fidyah) and charity (Sadaqah).

24. Cameras which strip the body of dresses in a naked form.
25. Massage devices presented in a manner violating morals.
26. Small cars and motorcycles for children which their height from their wheel axis does not exceed 50 cm, and equipped with petrol, gas or any combustible substance-powered engine as well as battery-powered if its speed exceeds 10 km/hour.
27. Unlocking devices used in opening doors and cars.
28. Annoying horns.
29. Disguise masks.
30. Empty bags imported separately bearing marks or data about foodstuffs or cement or their companies' trademarks. What is imported for domestic companies is excluded.
31. Transparent women' cloaks even if is for personal use.
32. Special forms of knives designed for aggressive purposes such as knives with two blades or with handle.
33. Entertainment devices which contain hysterical laughter.
34. Sodium carbonates (soda ash).
35. Pens in syringe form.
36. Goods bearing flags of foreign countries in a big prominent form.
37. Preparations which cause irritation to the organs of the body.
38. Specimen of Prophet Mohammed's (peace be upon him) stamp.
39. Goods bearing names and pictures of celebrities.
40. Wild animal hides.
41. Wireless video transmitters (video booster).
42. Videophones.
43. Suitcases containing radio, cassette recorder and alarm devices.
44. Greeting cards containing a small musical device that runs automatically upon moving the card.
45. Vehicle antennas similar to antennas of policemen' cars and wireless televisions.
46. Counterfeit money.
47. Potassium bromate which is used as a maturing agent in baking bread.
48. Vehicles with two exhaust pipes, 450 Horse Power and ordinary transmission.
49. Devices fixed behind the driver to alert him in case he sleeps.
50. Eagle emblem.
51. Devices which change the voice.
52. Laser spectacles with perforations.
53. Illuminated footwear in which mercury is used.
54. Games in the form of human hand which some drivers display prominently in their vehicles.
55. Electronic mihrab. (*Mihrab is a semi-circular niche in the wall of a mosque that indicates the direction of the Kaaba in Mecca and the direction that Muslims should face when praying*)

56. Kaaba Musharafa model. (*The Ka'bah, also referred as al-ka`bah al-musharrafah (The Holy Kaaba), is a building at the center of Islam's most sacred mosque, that is Al-Masjid Al-Harām (The Sacred Mosque), in Mecca, Hejaz, Saudi Arabia. Muslims face the Kaaba when performing prayer wherever they are in the world*)
57. Six-pointed star.
58. Old newspapers.
59. Vehicles with steering wheel on the right side.
60. Antique guns.
61. Laser pens.

(Source: Saudi Customs, retrieved on 26/8/2017)

There are some goods which are prohibited for export by Saudi Arabia, as follows:

1. Livestock and horses of all kinds (male and female).
2. Baby milk of all kinds.
3. Animal feeds such as barley and Sudanese sorghum.
4. Poultry feeds such as yellow corn and soya beans.
5. Natural sand and sand containing minerals.
6. Gas cylinders with the specifications of the National Gas & Industrial Company (GASCO).
7. Zamzam water.

(Source: Saudi Customs, retrieved on 26/8/2017)

In addition, the importation of certain articles requires special approval from the competent authorities such as: agricultural seeds, live animals, books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment and radio-controlled model airplanes; horses; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artefacts.

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

3.9.2 Tariffs:

As a member of the Gulf Cooperation Council (GCC), Saudi Arabia applies the GCC common external tariff of five percent for most products, with a limited number of exceptions. These exceptions include 666 products that may be imported duty free, including aircraft and most livestock.

Saudi Arabia applies a 12 percent tariff on 294 products, in some cases to protect local industries. Certain textile imports are among the products to which the 12 percent rate applies. Higher rates are applied to a smaller group of products: 15 percent for items including tents, aluminium bars and rods and furniture; and 20 percent on plastic bags and matches, among others.

The vast majority of food products are subject to a five percent import duty. However, higher import duties are applied to certain types of processed food products. Saudi Arabia ties the level of 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.

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

3.9.3 Government Procurement:

Several royal decrees apply to Saudi Arabia's government procurement. Under a 1983 decree, contractors must subcontract 30 percent of the value of any government contract, including support services, to firms that are majority-owned by Saudi nationals. An exemption is granted when no Saudi owned company can provide the goods or services necessary to fulfil the procurement requirement. Procurement regulations require preferential treatment for products of Saudi origin that satisfy the requirements of a procurement. In addition, Saudi Arabia gives up to a 10 percent price preference for GCC products over non-GCC products in all government procurements in which foreign suppliers participate. Most Saudi defense procurement is not subject to the general procurement decrees and regulations; instead, they are negotiated on a case-by-case basis.

Foreign suppliers that participate in government procurement are required to establish a training program for Saudi nationals. In addition, the government may favour joint venture companies with a Saudi partner and give preference to companies that use Saudi goods and services. For large military projects, there is frequently an offset requirement that is determined on a project-by-project basis. Foreign companies can provide services to the Saudi government directly without a local 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 signing a contract. In 2003, the Saudi Council of Ministers increased the transparency of government procurement. It required

procurement information, including the names of the parties, financial value, a brief description, duration, place of execution, and a point of contact, to be made public.

In its accession to the WTO, Saudi Arabia committed to initiate negotiations for accession to the WTO Agreement on Government Procurement (GPA) once it became a WTO Member. Although Saudi Arabia became an observer to the WTO Committee on Government Procurement in December 2007, it has not begun GPA accession negotiations, stating that it would begin accession when agreement had been reached on a revision of the GPA. Given that agreement was reached in December 2011 on the revision of the GPA text, it is expected that Saudi Arabia will begin its GPA accession negotiations early in 2012.

3.9.4 Intellectual Property Rights Protection (IPR)

The United States reported that in February 2010, it removed Saudi Arabia from the Special 301 Watch List in recognition of the significant progress that Saudi Arabia had made in the protection and enforcement of IPR, but said that it will carefully monitor Saudi Arabia's progress in continuing to improve its intellectual property rights (IPR) regime.

The six Member States of the GCC are working to harmonize their IP regimes. In connection with that effort, the GCC recently approved a common trademark law. Each Member State is expected to adopt that law. The United States has established a dialogue with GCC technical experts to discuss this law and other Customs Union efforts regarding IPR.

3.9.5 Services Barriers

Insurance:

In October 2003, the government enacted the Control Law for Co-Operative Insurance Companies, which requires all insurance companies operating in Saudi Arabia to be locally incorporated joint-stock companies (foreign equity is limited to 60 percent, and the remaining 40 percent must be sold in the Saudi stock market) and to operate on a cooperative or mutual basis (i.e., requiring that the profits be distributed between policyholders and the insurance company).

Banking:

Saudi Arabia limits foreign ownership in commercial banks to 40 percent of any individual bank operation. In the last few years, Saudi Arabia has taken steps to open up investment banking by granting operating licenses to foreign banks. The Saudi Arabian Monetary Agency (SAMA) granted 10 foreign bank licenses to operate in Saudi Arabia in December 2005.

The 2004 Saudi Capital Markets Law provides for the creation of investment banks and brokerages in Saudi Arabia, with foreign participation in these ventures capped at 60 percent. Saudi Arabia passed a regulation in August 2008 allowing non-residents to invest in swap agreements in the Saudi Stock Exchange, while local brokers and bankers retain legal title to traded shares. Since 2010, non-residents have also been able to access the market through exchange-traded funds, and many experts believe the market will open to foreign qualified institutional buyers in early 2012.

3.9.6 Investment Barriers

All foreign investment into Saudi Arabia requires a license from the Saudi Arabian General Investment Authority (SAGIA), which must be renewed annually or biannually, depending on the sector. While SAGIA is required to grant or refuse an investment license within 30 days of receiving a complete application, bureaucratic impediments arising in other ministries sometimes delay the process. Companies can also experience bureaucratic delays after receiving licenses from SAGIA, for example in obtaining a commercial registry or in purchasing property. SAGIA is developing an automated system that it intends to launch in 2012 to streamline the process and reduce delays. Foreign investment is currently prohibited in 16 manufacturing and service sectors and subsectors, including oil exploration, drilling and production and manufacturing and services related to military activity. Direct foreign participation in the Saudi stock market is prohibited, except that citizens of other GCC countries are treated as nationals. Foreign investors are permitted to purchase shares in bank-operated investment funds, though total foreign participation in these funds is limited to 10 percent of the total value of the fund. Equity held by foreign partners in a joint venture business is limited to 60 percent.

The Negative List:

Saudi Arabia has listed some business activities exclusively for the state or to the Saudi citizens and the foreigners are not allowed to invest in these business activities. This list is known as the “Negative List” and published by the Saudi Arabian General Investment Authority (SAGIA). Following are the activities included in the Negative List:

Industrial Sector:

- Oil exploration, drilling and production. Except the services related to mining sector listed at (CPC 5115+883) in International Industrial classification codes.
- Manufacturing of military equipment, devices and uniforms.
- Manufacturing of civilian explosives.

Service Sector

- Catering to military sectors.
- Security and detective services.
- Real estate investment in Makkah and Madina.
- Tourist orientation and guidance services related to Hajj and Umrah.
- Recruitment and employment services including local recruitment offices.
- Real estate brokerage.
- Printing and publishing. Except the following activities:
 - Pre-printing services internationally classified at (CPC 88442)
 - Printing Presses internationally classified at (CPC 88442)
 - Drawing and calligraphy internationally classified at (CPC 87501)
 - Photography internationally classified at (CPC 875)
 - Radio and Television Broadcasting Studios internationally classified at (CPC 96114)
 - Foreign Media Offices and Correspondents internationally classified at (CPC 962)
 - Promotion and Advertising internationally classified at (CPC 871)
 - Public Relations internationally classified at (CPC 86506)
 - Publication internationally classified at (CPC 88442)
 - Press Services internationally classified at (CPC 88442)
 - Production, selling and renting of computer software internationally classified at (CPC 88)
 - Media consultancies and studies internationally classified at (CPC 853)
 - Typing and copying internationally classified at (CPC 87505 + 87904).
 - Motion picture and video tape distribution services internationally classified at (CPC 96113).
- Commission agents internationally classified at (CPC 621).
- Audio-visual and media services.
- Land transportation services, excluding the intra-city passenger transport by trains
- Services provided by midwives, nurses, physical therapy services and quasi-doctoral services internationally classified at (CPC 93191).
- Fisheries.

(Source: SAGIA, retrieved on 14/8/2017)

3.9.7 Shipments:

Consolidated shipments are not allowed. Back-to-back shipments consigned to forwarding agents are not allowed for duty exempted shipments. Customs clearance is done at airport and seaport customs warehouses. There are no bonded warehouse facilities. Consignee's authorisation letter to

broker is required. Transshipments via Saudi ports are now allowed through special arrangement with shipping line agent. Temporary import on bond (duty on deposit) is permitted only to the importer under the special arrangements and prior approval from the ministry. Turnaround shipments are not allowed unless the import entry clearance has been processed. Actual description of material is to be declared on the Master Airway Bill (MAWB) and Ocean Bill of Lading (OBL) and they must match other shipping documents. Net weight/gross weight of shipments shown in all shipping documents should match. Chemical/hazardous shipments require prior approval before being moved from the port of origin. Chemical/hazardous shipments are dealt with on a case-by-case basis.

All shipments should be properly packed/palletised for handling by a forklift, including material stuffed in FCL containers. Pallets exceeding 2000 kilograms per piece should be loaded in open top flat rack containers because pallets/pieces loaded in a standard dry box container are not to exceed 2000 kilogram gross per piece. Each package should have proper marks and numbers and be identical to information in the OBL and other shipping documents.

3.9.8 Product certification, labelling and packaging:

Special certificates

The following certification from the appropriate authorities of the country or origin is required:

- Articles of raw hair must include a certificate that the consignment is free of anthrax germs.
- Used clothing must include a certificate indicating the clothes have been satisfactorily disinfected.
- Consignments of meat and meat products for human consumption must be accompanied by the halal certificate.
- All animals, animal products, plants and plant products (including seeds and grains) require health certification issued by the approved authority in the country of origin.
- Pharmaceuticals must be accompanied by a certificate of price issued by the approved authority and legalised by the Saudi Arabian Embassy.
- Steel for use in reinforced concrete must be covered by the following:
- A certificate from the factory testifying that the product is subject to continuous experiments at the plant itself. Certificate must include chemical analysis, description of mechanical testing (tension, extension and bending) and diameter.
- A certificate from appropriate authorities testifying that the production of the factory is subject to periodic inspection and testing by that authority.

Exporters may be required to comply with the procedures and guidelines of the International Conformity Certification Program (ICCP), which covers 76 product categories. The International Conformity Certification Programme (ICCP) was introduced by the Saudi Government in 1995 and is being managed by the SASO.

Labelling and marking:

Packing should be strong and should guard against extreme heat in summer, humidity in winter, and possible brief periods of storage in the open.

All products, materials and goods must bear the name of the country of manufacture. If the consignment does not have printed/embossed/engraved phrases 'made in' or 'product of' legible on its packaging, the customs department will not permit the goods to be cleared and the importer's agency will be responsible for returning the goods to the original source.

Port authorities require a label to be affixed to the inside of the container door indicating the following:

- The consignee name and address, plus their fax number;
- Details corresponding with those on the packing list;
- The mode of packaging and the sensitivity/damageability of the contents.

Note: a clause to this effect must be inserted in the accompanying documentation. Fines of 500 riyals (US\$ 133) per bill of lading will be imposed if this information is missing.

General cargo in containers must be palletised/unitised. If cargo is not palletised/unitised a fine of 5000 riyals (US\$ 1330) per container will be imposed on the shipper/consignee. The weight limit is 2000 kilograms per pallet or unit.

Dry bulk material should be packed in bags or bales and palletised, or could be shipped in jumbo bags fitted with lifting points. The shipment of dry bulk cargo by container is prohibited.

Specific regulations covering mechanical freight handling govern the types of containers that may be used.

The regulations governing the marking of packages are quite specific. Depicting human or animal forms and reproducing the government mark are prohibited.

The Saudi Arabian Standards Organisation (SASO) is responsible for establishing labelling guidelines and these are strictly enforced, especially with halal products. Labelling on foods must indicate, in both English and Arabic:

- Name of product
- Contents
- Net weight (in metric)
- Production and expiry dates (in Arabic only)
- Name of company and country of manufacture.

Adhesive labels on foodstuffs are not permitted.

Sweets, sugars and tahini sweets are prohibited unless net weight in English and Arabic is clearly marked in outer cover of packet.

Product literature for pharmaceuticals must be printed in both English and Arabic. Literature for products used in the treatment of neurotic and terminal diseases are exempt.

Insecticides must include detailed information of contents and use on all cans and packages.

Operating manuals must accompany every piece of equipment, machinery, device, tool or instrument imported into Saudi Arabia and must be printed in Arabic.

All cigarette packets must carry a legible indelible health warning in Arabic.

Special labelling for genetically modified food and non-genetically modified food products is required.

4 Foreign Investment and Investment Attractiveness Policy

4.1 The Saudi Arabian General Investment Authority (SAGIA)

Saudi Arabian General Investment Authority (SAGIA) is the responsible authority for issuing investment licences to foreign investors and coordinating with other related governmental bodies for their approval since 2000 and has been the central agency for inward investment into Saudi Arabia. SAGIA help industrial and service organizations to access business opportunities in Saudi Arabia which are aligned with Saudi Arabia's objectives for growing and diversifying its economy.

SAGIA is coordinating with other government entities to implement an integrated strategy for investor support. SAGIA work with investors from initial market entry to supporting their growth plans to facilitating the development of their businesses and to work with them to manage their contribution to the Saudi economy. SAGIA also facilitate introductions to co-investors, incentives providers and key stakeholders in Saudi Arabia.

According to SAGIA, the inward investment flows for the first 8 months of 2016 was US\$ 10.76 billion for a total of 63 projects. 36% of the investment were from the GCC and the remaining mainly from the US, Canada, Germany, India, China, Australia, Turkey. South Africa and Singapore.

4.2. National Investment Plan (NIP):

SAGIA, in coordination with a number of Saudi ministries, has launched the National Investment Plan (NIP) where various confirmed investment opportunities in Saudi Arabia have been consolidated under one program.

The collection of these investments are worth hundreds of billions of dollars. The NIP is a new positive phase of investment aimed at unlocking the country's potential, creating a win-win environment for both investors and Saudi Arabia. The NIP aims to transform the investment landscape to:

- Diversify the economy;
- Build the knowledge base;
- Enable high productivity employment; and
- Maintain ease of doing business.

4.3 Fiscal Incentives to foreign investors:

Corporate Tax: Saudi Arabia applies a flat rate of 20% on the profits of foreign companies. Foreign companies are allowed to carry forward losses on their balance sheets, effectively relieving companies of any tax burden until they become profitable. There are no restrictions on transferring capital and profits abroad.

Individual Income Tax: There is no individual income tax scheme in Saudi Arabia. Income tax is not imposed on individual's earnings if they are derived only from employment in Saudi Arabia.

Property Tax: There are no real estate tax in Saudi Arabia, but a local tax called 'zakat' may be payable on real estate if held for speculative purposes.

Tax on Rental Income: Non-resident individuals earning rental income from real estate are subject to withholding tax of 5% levied on the gross rent.

Capital Gains: Capital derived from trade or business are subject to 20% capital gains tax. Taxable capital gains are calculated as market value or selling price less acquisition costs and related expenses. Gains on the disposal of property other than assets used in a business activity are exempt from tax.

Sales Tax: There is currently no Value Added Tax (VAT) or sales tax in Saudi Arabia. The government is planning to introduce VAT in 2018.

Currency Stability: The Saudi Riyal (SAR) is pegged to the US dollar which is reported to as serving the Saudi economy in terms of managing inflation and potential currency swings.

4.4 Import Duties:

The general rate of import duty is 5%. Some limited numbers of products have tariff rates of either 12% or 20%. Customs duty exemption is available on all authorized imports for industrial establishments, equipment, machinery, tools, spare parts, raw materials or packaging materials if local supply does not exist or the local supply is not up to the specifications of the manufacturers. Recently the government applied 100% duty on tobacco.

Duty Drawback for Export: "Duty Drawback" is a refund available in Saudi Arabia to importers/exporters of raw material imports that are processed in Saudi Arabia and re-exported as

more finished products. To qualify for this, importers must inform Customs at the point of entry that the imported goods are raw materials for manufacturing.

The importer will pay the duty, but this is kept in bond and refunded on re-export of the goods. The import needs to provide the Customs Import Declaration, a receipt for payment of duty on the raw materials, the Certificate of Origin, and a copy of the invoice to the buyer certified by the Saudi Chamber of Commerce and Industry.

4.5 100% Ownership

As part of Vision 2030, the Government has approved the issuance of licenses allowing foreign companies 100% ownership in the trading sector. The country aims at becoming among the top 20 competitive economies in the world by 2020, hence focusing on eliminating barriers to reach this objective, while focusing on enhancing the ease of doing business in Saudi Arabia. The 100% ownership by foreign companies is now an option to enter the market of Saudi Arabia, in addition to the previous and still existing options, via a joint venture or through agencies. This offers direct access to the markets. It puts the investors in direct contact with their customers, while enhancing competitiveness and integration with global markets.

4.6 Market Entry Options

Foreign companies may choose one of the three options to enter the Saudi market in trading that is: through agencies, or partnerships, or 100% ownership.

Conditions of owning 100% trading license:

Companies aiming for 100% ownership in trading activities, who have a presence in at least three countries can enter the Saudi market either by:

Option 1: Investment of SAR 300 million (\$US 80 million) over the first five-year period (inclusive of a SAR 30 million paid-in capital - \$US8 million)

Option 2: Investment of SAR 200 million (\$US 53.3 million) over the first five-year period (inclusive of the initial SAR 30 million - \$US8 million), while committing to adding value to the Kingdom in at least one of the following areas during the first five years:

- a. Manufacturing: 30% of the company's products sold in the Saudi Arabia are manufactured locally.

- b. Research programs: R&D intensity of at least 5% of total Saudi sales.
- c. Distribution and logistics hubs: Establishment of a regional hub and an in-house sales and aftercare services.

If the investment goes through Option 1 or 2, it has to:

1- Recruit Saudis in compliance with the percentage determined by the Ministry of Labour, and develop and implement a plan to promote Saudi nationals to leadership positions in the first five years and to ensure its continuity.

2- Train 30% of Saudi nationals annually.

4.7 Property Solutions:

Saudi Arabia offers investors a wide range of property solutions with a large supply of industrial land and commercial real estate across the country. Saudi Arabia has a well-developed sea transport network which support the transport of petrochemicals. Saudi Ports Authority oversee the operations of ports management in the country.

Land and facilities with the required utility infrastructure: Electricity, water, gas and fuel are available in the industrial cities and economic cities at competitive prices. The industrial parks are equipped with public utilities including roads, desalinated water, sewage, electricity, telephone, mosques, clinics, fire station, restaurants, post offices and police stations.

Saudi Arabia currently has a total of 40 industrial and economic cities managed by the Saudi Industrial Property Authority (MODON), the Royal Commission for Jubail and Yanbu and by the Economic Cities Authority (ECA). The Industrial and economic cities offer clients significant advantages in terms of cost efficiency, infrastructure and services through their integrated business models and are part of KSA's Government efforts to encourage & support the diversification of the Saudi economy.

In addition, private industrial cities also offer property solutions. A brief overview of some of the key industrial property offerings in the country for investor are outline below.

MODON is responsible for developing industrial lands in Saudi Arabia in partnership with the private sector. MODON has been involved in developing 34 industrial cities with a combined area of more than 178 million square metres of which more than 50% is leased. MODON also provides

buildings of up to 1500 square metres in size to facilitate the SME sector. Each MODON industrial city has on site administration to handle the day to day needs of investors.

The Royal Commission for Jubail and Yanbu manages three world class industrial cities located in Jubail and Ras Alkhair on the east coast of the country and Yanbu on the west coast. Jubail and Yanbu are fully developed as industrial cities hosting industries such as petrochemical, mineral and synthetic material producers of downstream and finished products.

Jubail Industrial City (JIC): JIC has the necessary power infrastructure to operate continuously without failure while also meeting the community requirements within modern, high living standards and recreational facilities. The city has 85 square kilometres of industrial land, 27,000 residential units, 3 hospitals and 3 clinics, 89 schools and preschool facilities. The city produces 7% of the world's petrochemicals and contributes 11.5% of non-oil GDP of Saudi Arabia. The city has attracted over 50% of the country's total FDI.

Yanbu Industrial City (YIC): YIC has 11,500 square kilometres of industrial land has some 197 industries at the end of 2014, employing is over 40,000.

Economic Cities: Saudi Arabia has established four new Economic Cities. These are built on a unique model where each city is planned, developed and operated by a master developer from the private sector. The largest of the four cities is the King Abdullah Economic City (KAEC) with an area of 181 million square metres. KAEC is strategically located on the Red Sea coast with excellent access infrastructure including sea, air, rail and road. It is located 88 kilometres north of the city of Jeddah in the western province of Saudi Arabia.

4.8 Supportive Environment:

Saudi Arabia lies at the heart of the Middle East, providing easy access to export markets across the Middle East, Europe, Asia and Africa in addition to the Kingdom's own market opportunities underpinned by a strong and growing domestic economy. Saudi Arabia provides a welcoming and enabling environment for investors. This enabling environment underlies the country's membership of international trade organisations, its extensive trade and bilateral agreements and the support of several authorities and agencies, dedicated to streamlining businesses operations. These factors create a competitive operating environment that demonstrate the Kingdom's commitment to the needs of investors.

Foreign companies, who have been licensed to operate in the Kingdom, enjoy all the benefits, incentives and guarantees extended to national enterprises. A foreign industrial investor possesses

the right of 100 % ownership of their investment projects with the exception of activities in Consultancy, Banking, Telecommunication and EPC (Engineering, Procurement & Construction) contracting (as of July 2017 and further liberalization are under consideration).

Foreign investors shall receive the same treatment, protection and incentives accorded to a national investment since the Kingdom is a member of the Multilateral Investment Guarantee Agency (MIGA) of World Bank (<https://www.miga.org/>) and The ICSID Convention entered into force for Saudi Arabia on June 07, 1980

4.9 Financial Incentives:

Project Financing Options: The Saudi government offers a wide range of competitive financing opportunities to foreign investors in addition to having access to generous regional and international financial programs with financing support up to 75% of the project cost (Repayment period up to 15 years) and up to 50% contribution of Saudi Labour's Salaries (for 2 years). Following are the various government agencies which provide financing:

Saudi Industrial Development Fund (SIDF): SIDF provides investors locating in the country's major cities loan finance of up to 50% of total project costs over a 15 year period. Investments locating in smaller cities can qualify for loans up to 60% over a 20 year term while smaller urban areas not less than 150 kilometres from a major city can access loans of up to 75% of total project costs over a 20 year term.

Public Investment Fund (PIF): PIF provides medium and long term loans for large scale government and private industrial projects.

The Saudi Arabian Industrial Investment Company (SAIIC): SAIIC was established in 2014 with capital of SR. 2 billion (US\$ 533 million) of which 50% of the capital from PIF and 25% each from Aramco and SABIC. Investors interested in downstream processing opportunities relying on petrochemicals, plastics, fertilizers, steel, aluminium and basic industries are the investment focus of SAIIC.

Arab Fund for Economic and Social Development (AFESD): AFESD Participates in financing economic and social development projects in Arab countries.

Arab Monetary Fund (AMF): AMF Promotes the development of Arab financial markets and trade among member states and advises member states on investment of resources.

Arab Trade Financing Program (ATFP): ATFP provides medium and long-term loans to individuals and organizations for private and commercial trade.

Inter-Arab Investment Guarantee Corporation (IAIGC): IAIGC Provides insurance coverage for inter-Arab investments and export credits against commercial and non-commercial risks.

Islamic Development Bank (IDB): IDB Participates in equity capital and grants loans for productive projects and enterprises. It accepts deposits to mobilize financial resources through Sharia (Islamic) compatible avenues.

4.10 Human Resources:

With one of the fastest-growing higher education systems in the Middle East, Saudi Arabia has over 50 universities offering bachelors, masters and doctoral degrees across all areas of study. The graduates emanating from these universities together with the over 170,000 Saudi nationals studying overseas provide a strong and diverse talent pool to meet the needs of companies establishing operations in the Kingdom. In addition, investors also benefit from:-

- King Abdullah University for Science & Technology (KAUST) which is a globally renowned graduate research university;
- Technical and Vocational training for the needs of industry provided across the country by the Technical & Vocational Training Corporation (TVTC); and
- The Saudi Human Resources Development Fund (HRDF) was established to aid those companies involved in the preparation, training and employment of the national workforce in the private sector. The rates of contribution varies but include a 50% of the employee's salary up to certain limits and covering time period between 3 to 24 months.

4.11 FDI Flow – Inward and outward:

Foreign Direct Investment	2014	2015	2016
FDI Inward Flow (million USD)	8,012	8,141	7,453
FDI Stock (million USD)	215,909	224,050	231,502
Number of Greenfield Investments***	97	92	90
FDI Inwards (in % of GFCF****)	4.2	4.2	4.5
FDI Stock (in % of GDP)	28.5	34.4	36.2

Source: UNCTAD

Inward Investments:

In 2016 the inward FDIs to Saudi Arabia was worth 7,453 million US dollars and FDI balances incoming to Saudi Arabia amounted to some 231.5 billion US dollars by the end of 2016, according to UNCTAD estimations. The inward FDI Markets database of Saudi Arabia published by the Financial Times for the period from January 2003 to May 2015 shows the following:

- 1184 FDI projects are being implemented in Saudi Arabia by 886 Arab and foreign companies. It is estimated that the total investment cost of these projects, which employ roughly 169,000 workers is about \$ 153 billion.
- USA, France, Japan, UAE, China, the Netherlands, India, Malaysia, Singapore and Germany respectively were on the list of the most important countries investing in Saudi Arabia, in terms of investment cost of the projects. The share of USA, France and Japan accounted for around 49% of the total.
- Arab and foreign investments incoming to Saudi Arabia are concentrated in the chemicals sector with a percentage of 30.6%, while 25.2% are in the oil and gas sector and 11.2% in the minerals sector.
- Landmark Group came on top of the list of the 10 most important companies investing in Saudi Arabia where it implements 14 projects with an investment cost estimated at 1.2 billion US dollars.

Outward Investments:

In 2016, the outward FDIs from Saudi Arabia was worth 8359 million US dollars and the outward FDI balances from KSA amounted to some 80.424 billion US dollars by the end of 2016 d according to UNCTAD estimations.

The outward FDI Markets database of Saudi Arabia published by the Financial Times for the period from January 2003 to May 2015, it was as follows:

- The number of Saudi FDI projects abroad amounted to 526 projects that are being implemented by Saudi companies. Estimations reveal that the overall investment cost of those projects, which employ some 96 thousand workers, is close to 41.4 billion US dollars.
- China, Turkey, UAE, Jordan, South Korea, Egypt, Lebanon, South Africa, Pakistan and USA respectively were on the list of the most important countries receiving Saudi investments, in terms of investment cost of the projects. The share of China, Turkey and UAE accounted for around 32% of the total.
- Saudi Basic Industries Corporation (SABIC) came on top of list of the most important Saudi companies investing abroad, as it is implementing 81 projects with an investment cost estimated at 10 billion US dollars approximately.

Others: Saudi Aramco has investments in South Korea, Indonesia, United States, Netherlands and China.

Sources: UNCTAD, World Bank, Santandertrade, Saudi Aramco)

4.12 Saudi-Brazil Investment Data:

A. Saudi Companies/investments in Brazil (As of 28 May 2017)

Company: Saudi Agriculture and Livestock Investment Company (SALIC)
Website: www.salic.com
Sector: Food/Meat
Investment: 19.95 percent stake in Brazil-based Minerva Foods Co. (\$188.4 million).
Source: SALIC website.

Company: Millennium Inorganic Chemicals Do Brasil S/a by Crystal Saudi Arabia.
Website: www.cristal.com
Sector: Chemicals and Chemical products.
Investment: N/A
Source: Crystal Saudi website.

Company: Cristal Pigmentos do Brasil and Paraíba Mine by Crystal Saudi Arabia.
Website: www.cristal.com
Sector: Titanium products.
Investment: N/A
Source: Crystal Saudi website.

Company: SABIC Innovative Plastics South América
Subsidiary of Saudi Arabian Basic Industrial Corporation (SABIC)
Website: www.sabic.com
Sector: Biocompatible resin production
Investment: N/A
Source: SABIC website

Company: FAL coffee farm, Minas Gerais, a subsidiary of FAL Holding.
Sector: Agriculture – coffee farm.
Website: www.falholdings.com
Investment: N/A
Source: FAL Holdings website

Company: Amitech Brazil, a subsidiary of Amiantit Group.
Sector: Glass reinforced polyester (GRP) pipes.
Investment: No investment only a licensee in Brazil which is O-TEK TUBOS
Website: www.grupo-orbis.com

O-TEK is a subsidiary of Grupo Orbis, a Colombian multinational business group.

Sources: www.amiantitgroup.com and <http://o-tek.com/en>.

Company: GV PRODS.ESPORTIVOS LTDA by GREEN VISION CO.LTD.
A subsidiary of Mattex Group Saudi Arabia, Jeddah.

Sector: Infrastructure – sports floors.

Investment: US\$ 509,000.00

Websites www.thegrassspecialists.com and www.mattex.com/about

Sources: *Company websites and Banco Central do Brasil.*

Company: Ahmed Barnawi Serviços de Investimentos

Investment: Just business office only. Not yet made any other investment

Mr. Barnawi visited Ambassador on 16 March 2016

Source: Mr. Barnawi.

Notes:

- 1) *Official data of Ministry of Development, Industry and Foreign Trade (MDIC) is up to the end of December 2016 only;*
- 2) *Investments a part of global level operations such as those of Kingdom Holding Company (Citibank group, Four Seasons hotel etc.) are not included in this.*
- 3) *Information on individual levels investments is not available. Furthermore, there may have other Saudi companies in Brazil, but are not reported.*

B. Brazilian Companies/investments in Saudi Arabia

Company: Avibras Indústria Aeroespacial International Limited

Sector: Sector: Defence

Investment: N/A – Technical and Operational support branch

Source: AVIBRAS

Company: Brasil Foods (BRF) - Direct distribution of BRF products

Sector: Food (Poultry)

Investment: No (fixed) capital investment- in partnership with a Saudi company.

Website: <http://www.altakamul.com.sa/MainPortfolio.aspx>
<https://www.brf-global.com/en/about-brf/where-we-are>

Source: BRF

Company: Tantum

Sector: Consulting – Management - Training

Investment: N/A. Partnership with Saudi Company

Website: www.esconsulting.com.sa

Consulting projects in 2017: (1) NCGIS the Geo Spatial Commission (2) ELM (ELM is a joint-stock company owned by the Public Investment Fund - PIF)

Source: Tantum

Company: Puket Brazil

Sector: Apparels

Investment: Franchising

Website: www.puket.com.br

Status: Planned to open first store in 2016 in Dhahran Mall, Eastern Province. Contacted on 25 May 2017, but no reply yet and there is no information at its website about opening of its outlet in Saudi Arabia.

5 Market niches and opportunities for trade & investment

5.1 Trade sector:

As already stated in the beginning of this paper, Saudi Arabia ranks 29 and 31 respectively in the list of the largest exporters and importers in the world in 2016 with exports value of (F.O.B): US\$ 174.91 billion and imports value of (C.I.F): US\$ 139.39 billion. The imports of Saudi Arabia increased from US\$ 90.15 billion in 2007 to US\$ 174.67 billion in 2015. There was a decrease in 2016 due to the measures taken by the government to reduce the fiscal gap originated from the decrease in the oil revenue.

By the mid of 2017, Saudi Arabia managed to reduce its fiscal gap by about 50% and forecast to bring the fiscal sector under control. This is expected to make further increase in the economic activities and resuming of the halted development and other projects soon, which will further increase the demand for various products and services. Following is the summary of Saudi imports.

5.1.1 Import data.

Saudi imports value (US\$ millions, CIF)

Year	Value (in million US\$, CIF)
2007	90,157
2008	115,134
2009	95,544
2010	106,863
2011	131,586
2012	155,593
2013	168,155
2014	173,834
2015	174,675
2016	140,170

Source: General Authority for Statistics, Saudi Arabia

Saudi imports in 2016

Ch.	Products group	Value, million US\$ (CIF)
00	Live animals other than animals of division 03	903.47
01	Meat and meat preparations	2,376.53
02	Dairy products and birds' eggs	1,951.47

03	Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof	618.67
04	Cereals and cereal preparations	4,877.33
05	Vegetables and fruit	3,273.87
06	Sugars, sugar preparations and honey	994.93
07	Coffee, tea, cocoa, spices, and manufactures thereof	1,574.67
08	Feeding stuff for animals (not including un milled cereals)	733.87
09	Miscellaneous edible products and preparations	2,190.93
11	Beverages	225.07
12	Tobacco and tobacco manufactures	1,293.87
21	Hides, skins and fur skins, raw	0.27
22	Oil-seeds and oleaginous fruits	398.93
23	Crude rubber (including synthetic and reclaimed)	76.00
24	Cork and wood	536.27
25	Pulp and waste paper	60.53
26	Textile fibres (other than wool tops and other combed wool) and their wastes (not manufactured into yarn or fabric)	81.07
27	Crude fertilizers, other than those of Division 56, and crude minerals (excluding coal, petroleum and precious stones)	342.93
28	Metalliferous ores and metal scrap	914.93
29	Crude animal and vegetable materials, n.e.s.	301.07
32	Coal, coke and briquettes	52.53
33	Petroleum, petroleum products and related materials	1,702.67
34	Gas, natural and manufactured	2.93
41	Animal oils and fats	5.07
42	Fixed vegetable fats and oils, crude, refined or fractionated	826.93
43	Animal or vegetable fats and oils, processed; waxes of animal or vegetable origin; inedible mixtures or preparations of animal or vegetable fats or oils, n.e.s.	56.00
51	Organic chemicals	1,554.93
52	Inorganic chemicals	745.33
53	Dyeing, tanning and colouring materials	564.00
54	Medicinal and pharmaceutical products	5,256.00
55	Essential oils and perfume materials; toilet, polishing and cleansing preparations	2,435.73
56	Fertilizers (other than those of group 272)	96.00

57	Plastics in primary forms	1,419.20
58	Plastics in non-primary forms	839.73
59	Chemical materials and products, n.e.s.	1,973.33
61	Leather, leather manufactures, n.e.s., and dressed fur skins	11.47
62	Rubber manufactures, n.e.s.	1,746.13
63	Cork and wood manufactures (excluding furniture)	660.80
64	Paper, paperboard and articles of paper pulp, of paper or of paperboard	1,719.47
65	Textile yarn, fabrics, made-up articles, n.e.s., and related products	1,759.73
66	Non-metallic mineral manufactures, n.e.s.	1,918.40
67	Iron and steel	5,861.60
68	Non-ferrous metals	3,142.67
69	Manufactures of metals, n.e.s.	3,559.20
71	Power-generating machinery and equipment	4,028.00
72	Machinery specialized for particular industries	3,253.07
73	Metalworking machinery	502.93
74	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	9,773.33
75	Office machines and automatic data-processing machines	1,956.00
76	Telecommunications and sound-recording and reproducing apparatus and equipment	7,419.47
77	Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts, n.e.s., of electrical household-type equipment)	7,482.40
78	Road vehicles (including air-cushion vehicles)	18,117.87
79	Other transport equipment	4,133.60
81	Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s.	700.80
82	Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	1,610.13
83	Travel goods, handbags and similar containers	517.07
84	Articles of apparel and clothing accessories	3,747.20
85	Footwear	871.20
87	Professional, scientific and controlling instruments and apparatus, n.e.s.	2,468.53
88	Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks	799.47
89	Miscellaneous manufactured articles, n.e.s.	8,818.13
91	Postal packages not classified according to kind	14.40

97	Gold, non-monetary (excluding gold ores and concentrates)	2,320.27
Total US\$		140,170.40

Source: General Authority for Statistics, Saudi Arabia

Top 15 sources of imports of Saudi Arabia in 2016

Rank	COUNTRY	Value US\$ (Million) CIF
1	U.S.A	20,727.47
2	CHINA	20,082.40
3	GERMANY	9,154.93
4	UNITED ARAB EMIRATES	7,630.93
5	JAPAN	7,418.93
6	SOUTH KOREA	6,220.80
7	INDIA	5,243.20
8	FRANCE	4,935.20
9	ITALY	4,623.73
10	UNITED KINGDOM	3,314.40
11	TURKEY	3,217.07
12	THAILAND	2,989.60
13	BRAZIL	2,804.80
14	SPAIN	2,610.13
15	SWITZERLAND	2,438.67

Source: General Authority for Statistics, Saudi Arabia

Note: The difference in the value of exports by Brazil to Saudi Arabia is the difference between CIF and FOB values

5.1.2 Export data:

Year	Value (in million US\$, FOB)
2007	233,174.13
2008	313,461.87
2009	192,295.73
2010	251,142.67
2011	364,698.67
2012	388,400.53
2013	375,872.80
2014	342,432.53
2015	203,550.13
2016	183,579.47

Source: General Authority for Statistics, Saudi Arabia

Saudi Exports in 2016 (Value in US\$ millions, FOB)

Ch.	Products group	Value, million US\$ (CIF)
00	Live animals other than animals of division 03	77.33
01	Meat and meat preparations	251.20
02	Dairy products and birds' eggs	1,198.13
03	Fish (not marine mammals), crustaceans, molluscs and aquatic invertebrates, and preparations thereof	136.80
04	Cereals and cereal preparations	473.87
05	Vegetables and fruit	733.07
06	Sugars, sugar preparations and honey	272.27
07	Coffee, tea, cocoa, spices, and manufactures thereof	82.13
08	Feeding stuff for animals (not including un milled cereals)	26.40
09	Miscellaneous edible products and preparations	115.47
11	Beverages	182.40
12	Tobacco and tobacco manufactures	4.27
21	Hides, skins and fur skins, raw	1.33
22	Oil-seeds and oleaginous fruits	0.27
23	Crude rubber (including synthetic and reclaimed)	35.73
24	Cork and wood	12.27
25	Pulp and waste paper	33.60
26	Textile fibres (other than wool tops and other combed wool) and their wastes (not manufactured into yarn or fabric)	53.60
27	Crude fertilizers, other than those of Division 56, and crude minerals (excluding coal, petroleum and precious stones)	143.47
28	Metalliferous ores and metal scrap	896.53
29	Crude animal and vegetable materials, n.e.s.	9.60
32	Coal, coke and briquettes	0.27
33	Petroleum, petroleum products and related materials	131,908.53
34	Gas, natural and manufactured	4,289.60
41	Animal oils and fats	0.53
42	Fixed vegetable fats and oils, crude, refined or fractionated	222.93
43	Animal or vegetable fats and oils, processed; waxes of animal or vegetable origin; inedible mixtures or preparations of animal or vegetable fats or oils, n.e.s.	38.13
51	Organic chemicals	8,815.20
52	Inorganic chemicals	1,529.33
53	Dyeing, tanning and colouring materials	271.20
54	Medicinal and pharmaceutical products	526.40
55	Essential oils and perfume materials; toilet, polishing and cleansing preparations	846.93

56	Fertilizers (other than those of group 272)	903.47
57	Plastics in primary forms	13,873.60
58	Plastics in non-primary forms	686.67
59	Chemical materials and products, n.e.s.	543.20
61	Leather, leather manufactures, n.e.s., and dressed fur skins	59.73
62	Rubber manufactures, n.e.s.	33.87
63	Cork and wood manufactures (excluding furniture)	35.20
64	Paper, paperboard and articles of paper pulp, of paper or of paperboard	881.33
65	Textile yarn, fabrics, made-up articles, n.e.s., and related products	354.67
66	Non-metallic mineral manufactures, n.e.s.	563.73
67	Iron and steel	824.80
68	Non-ferrous metals	1,508.00
69	Manufactures of metals, n.e.s.	749.87
71	Power-generating machinery and equipment	571.20
72	Machinery specialized for particular industries	438.40
73	Metalworking machinery	14.93
74	General industrial machinery and equipment, n.e.s., and machine parts, n.e.s.	661.07
75	Office machines and automatic data-processing machines	95.47
76	Telecommunications and sound-recording and reproducing apparatus and equipment	297.07
77	Electrical machinery, apparatus and appliances, n.e.s., and electrical parts thereof (including non-electrical counterparts, n.e.s., of electrical household-type equipment)	802.13
78	Road vehicles (including air-cushion vehicles)	1,085.07
79	Other transport equipment	2,992.80
81	Prefabricated buildings; sanitary, plumbing, heating and lighting fixtures and fittings, n.e.s.	38.40
82	Furniture and parts thereof; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings	67.73
83	Travel goods, handbags and similar containers	7.73
84	Articles of apparel and clothing accessories	113.60
85	Footwear	14.13
87	Professional, scientific and controlling instruments and apparatus, n.e.s.	181.07
88	Photographic apparatus, equipment and supplies and optical goods, n.e.s.; watches and clocks	34.13
89	Miscellaneous manufactured articles, n.e.s.	1,046.67
91	Postal packages not classified according to kind	83.20
97	Gold, non-monetary (excluding gold ores and concentrates)	827.20
	Total value (US\$ million) FOB	183,578.93

Source: General Authority for Statistics, Saudi Arabia

Top 15 export destinations of Saudi products in 2016

Rank	Country	Value US\$ (Million) FOB
1	CHINA	21,310.93
2	JAPAN	19,291.20
3	U.S.A	17,634.13
4	INDIA	17,034.67
5	SOUTH KOREA	15,315.20
6	UNITED ARAB EMIRATES	12,041.07
7	SINGAPORE	8,900.53
8	TAIWAN	5,283.73
9	BAHRAIN	4,769.07
10	BELGIUM	4,291.47
11	THAILAND	3,834.40
12	EGYPT	3,726.40
13	NETHERLANDS	3,625.33
14	FRANCE	3,369.33
15	SPAIN	2,953.87
....
25	BRAZIL	1,453.87

Source: General Authority for Statistics, Saudi Arabia

5.1.3 Saudi-Brazil bilateral trade

(Value in Million US\$, F.O.B)

Year	Saudi imports from Brazil	Saudi Exports to Brazil	Total Trade
2014	2,542.09	3,299.25	5,841.34
2015	2,750.37	1,906.56	4,656.93
2016	2,487.25	1,300.62	3,787.87

Main products of Brazil's exports to Saudi Arabia in 2016 (Top Ten)

#	Products	Value (Million US\$, F.O.B)
1	Poultry and poultry products	1,161.40
2	Sugar	442.35
3	Soybean	188.19
4	Beef	111.43
5	Corn	107.58
6	Automobile vehicles, chassis, parts etc.	106.18
7	Cartridges (defense)	64.78
8	Pipes	51.82
9	Wood	24.30
10	Iron ore	21.46

Note: Saudi Arabia imported iron ore from Oman worth US\$ 266.33 in 2016. It is believed that this is from Vale Oman. In that case this value is to be added to the Brazilian iron ore exports to Saudi Arabia, that is US\$ 21.46+266.33 =US\$ 287.79 million and the total exports value will be US\$ (2,487.25+266.33) = US\$ 2753.78 million. In addition, BRF and other Brazilian products are also entering Saudi Arabia through UAE, which is registered as UAE exports to Saudi Arabia. Therefore, in reality, Brazil maintains the export value of over US\$ 3 billion to Saudi Arabia since 2012.

Main products of imports of Brazil from Saudi Arabia in 2016 (Top Five)

#	Products	Value (Million US\$, F.O.B)
1	Crude oil	884.89
2	Fertilizers and related petrochemicals	184.20
3	Ethylene glycol, Polypropylene etc.	106.97
4	Hydrogen diammonium & other phosphates	27.24
5	Aluminium alloys	24.21

Source: MDIC

5.2 Investment sector (opportunities)

At present, SAGIA has identified over 90 projects through the NIP specifically in the Healthcare, Transportation and Industrial parts and equipment sectors, among several others. These are the sectors poised for major growth in every sub-sector, and at every step in the value chain, according to a statement by SAGIA.

Healthcare:

Saudi Arabia is planning one of the largest healthcare expansions in the world. The Ministry of Health plans to spend US\$18.5 billion annually in the coming years. The sector will offer considerable opportunities across the value chain, with an estimated US\$ 1.6 billion spend annually in the coming year on medical equipment and device manufacturing. The investment strategy is to build domestic capability for the manufacture of medical devices and pharmaceuticals.

There is great scope for investment in healthcare sector, as the country still depends on imports for its healthcare products. Currently, however, 65% of the total healthcare expenditure is spent on importing goods. This creates a significant opportunity for private companies to invest in the localization of the healthcare system for up to US\$ 27 billion for manufacturing medical products and pharmaceuticals, and service provisioning. To catalyse this localization process, the government will commit partial annual purchasing volumes for medical products and some pharmaceuticals and will expand the service provisioning by growing the system infrastructure (e.g., number of beds from 40,000 to 73,000).

Transportation and aviation:

Saudi Arabia has a wide transport network with a particular strength in road and airport transportation and the country pursues a strategic goal of increasing infrastructure quality by 300% by 2024.

The massive expansion of transport infrastructure has already begun with Metro and bus projects in Riyadh and Makkah, rail projects such as the High-speed Haramain Rail and a massive increase in school bus transport. Spending on rail, metro and bus projects estimated from 2015 to 2024 was US\$ 141 billion. Saudi Arabia is looking for investors and suppliers to develop its transport infrastructure in a long-term partnership approach. It aims to not only develop its infrastructure, but also its transport industry through value chain integration, attraction and training of skilled workers and coordination across the various projects.

Major investments into public transport totalling upwards of US\$ 141 billion is anticipated in the coming years. These include:

Rail: Planned projects include the Land Bridge Project, a 950 km rail link between Jeddah-Dammam, a 2,400 km Mineral Line Project running north to south connecting Riyadh, Raz Azour, Hazm Al-Jalamid and Qurayyat. The Light Rail Transit Systems within cities such as Riyadh, Jeddah, Dammam. Makkah and Medina are being planned and developed plus projects to connect the East and West Coast and the Kingdom with Bahrain, Qatar and the UAE.

Sea Ports: Some of the opportunities include 2 ports construction and operations in King Abdullah Economic City and Jazan Economic City, the development and administration of Logistics Park adjacent to Yanbu Commercial Port, and a 2nd Container Terminal in Jubail Commercial Port.

Air: Major air aviation developments are taking place and the air operators are sought to drive expansions to country's air transport infrastructure. For example, significant upgrades are currently underway at Medina Airport, a new Cargo Village is being planned for Dammam airport. As part of promoting the private sector, the first planned private airport is currently in progress in Prince Abdul Aziz bin Musa'ed Economic City.

Road: SAGIA seeks to invest in roads to accommodate basic demand growth, in addition to traffic resulting from the establishment and evolution of the Economic Cities. Some of the opportunities include the design and supervision of new connections and expansions, and road services including but not limited to Public Transportation services.

Industrial Equipment:

The Industrial equipment and components sector is estimated at US\$ 15 billion industry in Saudi Arabia. Currently only 10% of this value is added locally, leading the government and the major industrial stakeholders, such as Aramco, SABIC, SEC, SWCC, to focus on nurturing a Saudi based industrial sector, opening tremendous investment opportunities for local and international manufacturers. They have already kicked off various individual as well as joint localization initiatives for the future aiming to create a local industrial equipment sector in the country with a goal to increase the level of local content.

As part of the local content, for example Saudi Aramco is targeting to increase its share of business channelled through local manufacturers from 25% to 70% by 2025, for their targeted categories

such as steel and piping, drilling equipment, and static equipment. Moreover, SABIC aims to increase to collaborate with key stakeholders to promote localization of equipment and parts. Overall, these ambitious initiatives by the country's major stakeholders are considered key enablers for tremendous investment opportunities in the future for OEM's willing to invest in a rapidly growing and sustainable industrial sector.

OTHER PROSPECTIVE INVESTMENT PROJECTS. Following are other potential investment projects identified by the SAGIA:

Agriculture:

Saudi Arabia has stopped large scale farming, such as wheat that deplete the rare and non-renewable ground water. Currently agriculture contributes less than 4% of the non-oil GDP. But the country still promote other type of farming including livestock and has achieved full self-sufficiency in numerous agricultural products, including dates, dairy and table eggs, and near self-sufficiency in other agricultural commodities such as vegetables (88%), fruits (57%), and poultry (44%) but, still there are many opportunities for investment in agriculture.

As part of its efforts to develop and promote future investments activities in the agriculture sector, the government is providing significant incentives that are valuable to current and potential investors. These incentives include subsidizing 70% of the use of modern irrigation methods, leasing lands for poultry related projects for US\$ 0.25 per acre, and subsidizing the production of corn, millet, sesame crops by US\$ 0.10 per kilogram. Furthermore, key investment opportunities lie in the fields of green houses, broiler production chains, and aquaculture farms.

Building Materials:

Saudi Arabia has a large and growing construction sector and the construction industry continues to grow until the oil price decrease, but in August 2017, the government announced restarting of the halted projects soon which would create significant opportunities to further localize the production of material inputs to the construction sector. According to SAGIA report, three categories of products, among many others, have greater scope for localization: 1) construction chemicals, such as adhesives and concretes, 2) building products like ceramics and pipes, and 3) building equipment & systems, such as security systems and switchgear.

Tourism Development:

Saudi Arabia is endowed with significant tourism assets, including natural parks, cultural sites, and major religious sites. However, awareness of the natural and cultural attractions is limited, and there is untapped opportunity. Tourist infrastructure (e.g., regional airports) and services (e.g., hotels, restaurants, and transportation), need ongoing investment and injection of international experience. To steer and grow the domestic tourism sector, the Supreme Commission for Tourism and Antiquities (SCTA) was established which later renamed as the Saudi Commission for Tourism and National Heritage (SCTH), with a mission to help Saudi Arabia for its economic, social, and environmental development and has laid out a strategy to be achieved by 2020.

In order to achieve its ambitious 2020 targets, SCTH is seeking investment from the private sector to supplement funds it receives from the Saudi government in the following tourism sub-sectors: accommodation (hotels and furnished apartments), restaurants and cafes, visitor facilities, decentralized tourism agencies, regional capabilities, quality assurance, and heritage villages. To support the development of these sub-sectors, SCTH will facilitate private investment, for example by encouraging government investment in tourism infrastructure, improving the efficiency of the licensing process, and providing investors with tourism-related information and data. Additionally, it will continue to provide investment incentives, such as financing for SMEs and loans for hotel investments through the Ministry of Finance.

Oil and Gas:

Saudi Arabia's oil and gas sector is led by Saudi Aramco, a fully integrated, global petroleum and chemicals enterprise. Supplying over 10% of the world's oil needs, with both natural gas and multiple crude oil grades, Saudi Aramco is a giant in the oil and gas industry world-wide. A world leader in hydrocarbons exploration, production, refining, distribution, shipping, and marketing.

Saudi Arabia is encouraging investment in its oil and gas industry to increase local content to industry inputs and develop its economy. Currently, roughly 25% of the manufactured inputs Saudi Aramco uses are produced locally. Yet, in the coming years, Saudi Aramco will purchase roughly US\$ 40 billion of manufactured inputs such as pipes and structural steel and US\$ 110 billion in services such as exploration and drilling. As a result, private companies have an opportunity to invest in the localization of over US\$ 30 billion in manufactured inputs. To spur this investment, Saudi Aramco and the Saudi government will provide numerous incentives to private investors, such as guidance and support, facilitated land allocation in industrial parks, and loans for SMEs. Furthermore, Saudi Aramco will provide exclusivity to local producers in bidding, offer these producers a price advantage of up to 10%, and award long-term 5 to 10-year Corporate Procurement Agreements.

Mining:

Saudi Arabia possesses one of the most abundant supplies of mineral resources of any country in the world and the country is committed to developing the metals and mining sector as a pillar of industrialization, to provide material to other fast-growing sectors and secure supply for the construction and infrastructure sectors. For this reason, the Saudi Government established the Saudi Arabian Mining Company (Maaden) in 1997 as a catalyst for private investment. Since its inception, Maaden has adopted an aggressive exploration and mineral exploitation program, and has actively sought strategic partnerships with the private sector. Saudi Arabia enjoys significant cost advantages in mining, mainly due to low energy and logistics costs. However, metals and mineral processing still have lower productivity compared to international benchmarks and would benefit from best-practices and knowledge transfer.

Even more than other sectors, the potential in mining is unproven and subject to validation through exploration in the coming years. To attract and support exploration efforts, focused investment is required in geo-scientific data (including high resolution geological, electromagnetic, radiometric, and geochemical mapping). In addition, innovations in financing (e.g., through a state-backed exploration fund) will be critical to diversify and grow the base of international investors in this sector. Maaden, as key player in the sector, has identified numerous downstream opportunities for private investors to further develop its phosphate and aluminium upstream operations.

Information and Communication

Although Saudi Arabia has come a long way in establishing and prompting the Information and Communication Technology (ICT) sector based on well-established and strong fundamentals, resulting in increasing the volume of spending and demand, the largest share of the demand is met by imports rather than domestic production. Mobile penetration in Saudi Arabia is among the highest in the GCC. On the other hand, broadband services are still underpenetrated, and requires significant investment. The Second Five-Year Plan of Communications and Information Technology includes, within its four strategic concepts, goals and projects seeking to provide competitive communications and technology information industry, national qualified and outstanding cadres in the field of Communications and Information Technology, and Communications and IT services with high quality and favourable prices, and an integrated national security information system. In addition, it aims at supporting the regulatory and legislative environment and material, information, and financial infrastructures. Moreover, the country has adopted policies supporting the communications sector, since the Communications and Information Technology Commission (CITC) has set legislation for services of mobile virtual network operators.

Housing:

In recent years, Saudi Arabia has put a focus on developing its housing sector. By 2019, Saudi Arabia will have an additional demand of 1.25 million new housing units, requiring an estimated 480 square kilometres of residential land and an investment of roughly US\$ 167 billion. To meet the demand, the Ministry of Housing invests US\$ 70 billion, the Real Estate Development Fund US\$ 40 billion, and other government agencies US\$ 7 billion to construct a total of 850,000 units.

In addition, Saudi Arabia is seeking roughly US\$ 50 billion in private investment to provide a further 400,000 units. To attract private investment, the Ministry is focusing on partnering with interested companies to build villas and multi-storey apartment buildings, either on government or privately owned land. It has implemented a regulatory framework to organize this partnership process and provides a package of incentives to attract skilled and experienced private companies to the Kingdom.

Downstream Chemicals:

The country has been investing heavily in this sector since 1985 and has recently, which has taken the market from US\$ 0.5 billion to US\$ 22 billion in the span of 25 years and in the process, pushing companies like SABIC to the top ranks worldwide. SABIC employs over 40,000 people and is a diversified manufacturing company, active in chemicals is ranked 2nd globally in terms of earnings by Process Worldwide. Overall, the country accounts for about 10% of the sector globally and is ranked 10th as a petrochemical producer. Its competitive advantage lies in its strategic proximity to the growing economies of Asia, its vast resources of inexpensively extractable feedstock, and its commitment to growing the industry by easing regulations and providing support.

Given sustained demand growth, there remains opportunity for the petrochemicals sector to expand if it can maintain its historical cost advantages. Saudi Arabia has allocated US\$ 91 billion dollars to expand and develop the petrochemical sector, including growth in high-value downstream chemicals and increased localization of derivatives production in high demand areas such as construction chemicals and chemical end products such as polymers and plastics. Furthermore, many of Saudi Arabia's planned petrochemicals projects are geared towards providing feedstock and raw materials for the automotive and electronics industries. A clear indicator of the promising future of opportunities in this sector are the number, size and nature of the mega projects setting up such as Sadara, a joint venture between Aramco and Dow Chemical (a collection of 26 plants producing more than 38 products with revenues expected to reach US\$ 10 billion annually). Plasticchem (a special zone for plastic production), Kayan (expected to produce 5.5 metric tons of

various products), Satorp refinery, & the Chevron Philips complex (specialized in nylon and its derivatives worth USD1.2 billion).

Defense:

As part of its efforts towards achieving a high level of security and stability, Saudi Arabia allocates a significant share for defense sector in its annual budgets and is considered as one of the world's largest spenders in military and defence. In fact, Saudi Arabia was 3rd in the 2015 in the list of top military spenders after USA and China spending US\$ 87.2 billion and 4th in 2017 after USA, China and Russia with a spending of US\$ 63.7 billion.

The Country is still the world's biggest military importer, which justifies the government's desire to achieve self-sufficiency and reduce expenditure. As part of achieving this vision, Saudi Arabia is currently experiencing a good progress in key military industries like military spare-parts, as there are 120 factories in the kingdom now producing 160 different types of spare parts.

The Saudi Ministry of Defence has announced in 2012 its ambition of empowering the private sector to reach a capability of having more 1000 military industries. Until 2013, US\$ 5.5 billion was invested in this sector. Moreover, the Ministry of Defence has already been encouraging investment in the defence sector and already signed more than 100 contracts with Saudi companies for spare-parts supplies. Going forward, more investment opportunities are expected to arise as the Ministry of Defence is targeting to increase the percentage of locally sourced spare parts to 80% by 2020.

Engineering:

Infrastructure projects in execution in the country currently are estimated at around US\$ 260 billion. Saudi Arabia is the largest construction market in the Middle East, larger than other GCC countries and Turkey. Future infrastructure projects in the Kingdom until 2036 are estimated at around US\$ 747 billion. The construction sector, though there was slow in recent years (due to fall in oil revenue) is showing signs of growth. This growth along with the rapidly growing population offers excellent opportunities in all aspects of engineering discipline, including green building and sustainable development.

Four major economic cities will prove to be a huge opportunity for the engineering services sector. Each of these cities will be specialized in certain areas. Knowledge Economic City (US\$ 8 billion), to be completed in 2020, focuses on knowledge based industries; Prince Abdulaziz bin Musaid Economic City (US\$ 8 billion), to be completed 2022, focuses on logistics, agribusiness, minerals, and construction materials; King Abdullah Economic City (US\$ 93 billion), to be completed in

2029, focuses on logistics and light industries; and Jazan Economic City (US\$ 27 billion), to be completed in 2036, focuses on energy and labour intensive industries.

Education:

The Saudi Education system is divided into K-12 Education (5 Million students), Higher Education (over 34 Universities and 1.5 Million students), and Technical and Vocational Education (over 80 colleges, 150,000 students). The system has undergone significant investment and rapid expansion, for example doubling the number of universities in the last 10 years and almost doubling the number of vocational training colleges in the last 5 years in partnership with international training providers in a Public Private Partnership model “Colleges of Excellence”

This historical growth rate of 10% in the Education sector is expected to be sustained and going forward with significant investments by the Saudi Government. For example, US\$ 53 billion has been allocated to projects in the Education sector for the 2017 budget, in addition to US\$ 21 billion approved five-year plan driven by the Tatweer education development company.

There are several broad opportunity areas for the private sector to explore in the education system, including setting up privately operated colleges and universities; establishing pre-school institutions and day-care offerings; enhancing labour market linkages and job placement programs to match graduates to jobs; and creating and delivering blended learning innovations. In addition, there is opportunity for private sector provision of support services to existing public and private education institutions. Examples include: site maintenance, canteen operations, cleaning services, IT infrastructure and management services.

Renewable Energy:

With only a fraction of 1 percent of the country’s energy supply coming from renewable energy, the country is currently progressing ambitious plans for alternative energy and energy conversions. This plan is in particular driven by the large demand for fossil fuels for power, industry, transportation and desalination, which is estimated to grow from 3.4 million barrels of oil per day in 2010 to reach to 8.3 million barrels of oil per day in 2028. Therefore, King Abdullah City for Atomic and Renewable Energy (KACARE) was established in 2010 with the mandate to develop the renewable power supply sector.

With an aspiration of being the world’s leading market for renewable energy, Saudi Arabia is making an aggressive investment budget of US\$ 109 billion. As the power consumption in 2032 is estimated to be 121 GW, the country aims to use renewable energy to generate as much as third of the demand by then. By 2038, and in addition to the 41 GW of solar power and the 21 GW of

geothermal and wind power, the country's sustainable energy programs through KACARE aims at generating 18 GW of nuclear energy, 3 GW of waste to energy, 1 GW of geothermal and an additional 9 GW of wind power.

Moreover, these activities will be associated with strategic plans to build solar plants with 80% of the components made domestically, enabling Saudi Arabia to be a regional hub for exports of renewable energy technology.

Automobile

The GCC region is one of the highest growing automotive markets globally, where the domestic demand is largely met through imports. The annual car sales exceeded 1.2 million, with Saudi Arabia alone importing 800,000 cars every year. The number car sales is expected to reach 1 million cars in 2020. In addition, the tire market size of Saudi Arabia is estimated at over 30 million tires annually. Due to the high demand in the automotive industry that is being met by imports with no local footprint, the government has started the Industrial Cluster program (NICDP), which aims to encourage local and foreign investments to make Saudi Arabia a major player in vehicle production. Currently, several players have started their operations such as ISUZU Motors with an investment of US\$ 100 million on a factory that produced its first truck in 2012, and will have a capacity of 25,000 trucks a year by 2017, with exports of 40% of production.

The Ministry of Commerce and Investment (MCI) is targeting a production assembly of 600,000 cars a year by 2025 through its Industrial Cluster program, which fully supports potential investors capturing significant investment opportunities such as automotive manufacturing and assembly, tire manufacturing and auto spare-parts. For Instance, Indian-owned Jaguar Land Rover (JLR) exploring setting up a facility in the kingdom that has a potential to produce 50,000 Land Rovers a year by 2017. Another example is Renault Trucks, which announced a plan with the local firm, Zahid Tractor, to build a truck-assembly plant which will produce 4,000 trucks annually.

Note: Mercedes Benz and BMW are considering setting up assembly plants in Saudi Arabia, according to media reports.

Power and Electricity:

The utilities sector, including electricity generation and distribution and water desalination, treatment, and distribution is a strategically critical sector in Saudi Arabia which contributes US\$ 8 billion to GDP. Saudi Arabia has high per capita electricity consumption, over 7,500 kWh per person, mainly driven by subsidized energy tariffs and lack of energy efficiency measures. Demand is growing at 5% per year, due to increased urbanization and population growth, industrial development in energy intensive sectors, and subsidies in energy tariffs. Water demand

is increasing even steeper, with consumption rising by 7.5% annually. To accelerate addition of capacity, the government has encouraged the development of private investment in power and desalination. In 2008, the Ministry of Water and Electricity (Now the Ministry of Energy, Industry, and Mineral Resources) awarded more than 743 contracts worth over US\$ 3 billion and plans to launch ten IWPPs (independent water and power producers) by 2016 at a total investment of US\$ 16 billion. However, Saudi Electricity Company remains the major player in Generation (and the only player in Transmission and Distribution).

The demand for power is forecasted to grow at around 4.5% a year until 2020. Furthermore, King Abdullah Centre Atomic and Renewable Energy (KACARE) estimates total demand to reach 121 GW by 2032. The government has therefore responded with plans of investing US\$ 80 billion in the electric power sector. As for water, more than US\$ 66 billion in long-term capital investments have been committed to water and sanitation projects over the next 10 years. Specific to water reuse, Saudi Arabia is aggressively targeting 100 percent reclamation (reuse) of wastewater from cities with 5,000 inhabitants or greater by 2025.

Other Opportunities:

There are also other opportunities for foreign investors in Business to Business (B2B), Business to Consumer (B2C) and Business to Government (B2G) sectors.

The “Vision 2030” has set the country on opening up opportunities throughout the economy, across sectors and different types of businesses, trade being one of these sectors which include wholesale, retail and e-commerce.

E-commerce is currently on the rise in the country, creating opportunities for investors to deploy modern retail formats to capture the ongoing migration to online stores. The E-commerce value chain will also create opportunity to enhance logistics development and technology to stimulate productivity and growth.

PART II

**PROSPECTS
FOR TRADE AND
INVESTMENT PROMOTION**

6 General impression on Brazil and on Brazilian products

6.1 General impression about Brazil

The relations between Saudi Arabia and Brazil is beyond commercial and beyond bi-lateral. When talks about Brazil, the Saudis says that the “two economies have several similarities, complementarities and synergies”. This view itself reveals the image of Brazil among Saudis.

Several factors have become instrumental in building this positive image about Brazil. Prominent among them is the position of the two countries in the respective region. Brazil is the largest economy in Latin America and Saudi Arabia is the largest economy in the Gulf region and Saudis are well aware of the importance of further enhancing the bilateral ties between the two countries taking into consideration this similarity.

The presence of the largest Arab community in Brazil and Brazil’s favourable stand on Arab cause especially its stand on Palestine, have also made significant influence in creating a good image about Brazil among Saudis.

Several other factors such as the complementarities of trade exchange and the passion for football and tourism, among others, have also contributed immensely in creating a good image on Brazil among the Arabs and especially among Saudis.

Moreover, as already stated in this paper, both countries cooperate and support each other at various levels and causes. Saudis in fact, consider Brazil not just as a trading partner, but far beyond that. Whenever interact with Saudis at all levels, they emphasise and reiterate their strong interest in cooperating with Brazil in diverse sectors of mutual interests and they strive towards its materialization by exploring the ways and means. Acquisition of 20% stake in Minerva by SALIC of Saudi Arabia, new defence contract by Saudi Ministry of Defence with AVIBRAS etc. are clear evidences for the growing interests among Saudis towards Brazil.

Brazil and Saudi Arabia established diplomatic relations in 1968. It is important to note that between the establishment of diplomatic relations in 1968 and the adoption of the new priorities of Brazil’s foreign policy in 2003 the Kingdom went through some significant changes. The consolidation of Brazil’s new foreign policy agenda and the transformation observed in Saudi Arabia paved the way for closer relations between the two countries. Saudi perception of Brazil’s importance in Latin America became evident and the country became Saudi Arabia’s strategic partner in the region.

Brazil's abundant natural resources, agricultural commodities and with a strong industrial sector also impressed by the Saudis. In this new reality, the modest political interaction between Saudi Arabia and Brazil of previous decades gave way to a more asserted and strengthened interaction. The increase in the number of high-level visits is a clear indication of the mutual perception both countries developed about each other. In 2000, the Custodian of the Two Holy Mosques King Abdullah, then crown prince, made a landmark visit to Brazil. In 2009, President Lula da Silva made the first visit by a Brazilian head of state to the Kingdom.

Such closer cooperation produced changes in all aspects of the bilateral relations, most notably in the number of agreements negotiated between the two countries. As already mentioned in this paper, a number of cooperation agreements have already been signed by and between the two countries and are negotiating on some others. The economic relations, specifically trade relations, have proven to be the most prosperous aspect of relations between Saudi Arabia and Brazil since 1968. Bilateral trade went from \$1.5 billion in 1997 to \$6 billion in 2012 and it continues to maintain since then.

The list of products exported by Brazil continues to be dominated by food-related items, but Saudi Arabia has also made acquisitions of mid-size aircraft and business jets produced by Brazil's aerospace company Embraer.

The boundaries and parameters of cooperation and bi-lateral relations are, in fact, much wider and are not limited to trade or investment. It is far beyond than that which is obvious from the manifestations of the two countries in strengthening the south-south relations.

The first summit of the South American and Arab Countries (ASPA) took place in Brazil in 2005, the second in Qatar in 2009, the third in Peru in 2012 and the fourth in Saudi Arabia in 2015. This cooperation mechanism, a Brazilian diplomatic initiative, has produced concrete results and has brought the two regions closer in areas such as international policy coordination, trade, culture, finance and environment. Saudi Arabia has responded very positively to this mechanism of regional cooperation.

At the multilateral level, relations between Brazil and Saudi Arabia have followed the positive trend of the last decade. Two facts are worth noting: Brazil became an observer of the Arab League in 2003; and Mercosur and the Gulf Cooperation Council signed the Agreement for Economic Cooperation in 2005. The two blocs are now negotiating a free trade area that will certainly bring many benefits for the countries in the two regions.

Now there is an on-going negotiation with the Organization of Islamic Cooperation (OIC) for Brazil's observer status at OIC. Brazil has participated in the Friends of Yemen summit and subsequent meeting held in Riyadh.

6.2 General impression/image on Brazilian products

Saudis and residents are aware of the quality and price competitiveness of both industrial and consumer products. The incidents that took place in Brazil in the animal and poultry products industry didn't create any negative impacts in the country other than some regulatory measures. In reality, Saudi Arabia counts on Brazil especially for poultry and animal products and the concerned government officials as well as importers explicitly mention this, at all occasions.

Following are the broad groups of other major Brazilian products that are well known in the Saudi markets:

- Apparels, footwear, household appliances, utensils and cutlery, cosmetics and personal care products, chocolate and confectionary etc.
- Animal feeds (soybean meal and corn), agricultural and construction equipment and machinery, healthcare sector devices, agricultural inputs and veterinary products.
- Sugar (refined and non-refined), orange juice, coffee, cocoa products, milk powder and fruits.
- Safety and security/defense sector products.
- Embraer business jet is known among the business community.

Note. Although Saudi Airlines acquired Embraer Commercial jets, it has decided recently to stop using this due to complaints from its passengers (or due to propaganda against Embraer), but NAS aviation is still using the Embraer commercial jets.

7 Export & Investment Promotion Opportunities

7.1 Export Promotion Opportunities

Following are the major products groups that still have very good potential for exports from Brazil to Saudi Arabia:

1. Equipment and Machinery for agriculture, construction and industry.
2. Medical-hospital-laboratory-dental equipment and devices.
3. Transportation products: Railway supplies, business jets and buses.
4. Building materials: Hardware, sanitary ware, tiles and wood products.
5. Soybean meal.
6. Feed corn.
7. Feed barley.
8. Rice: Although the Saudi market is dominated by Indian basmati rice, there is good opportunity to export rice similar to what the US long grain parboiled rice and medium grain rice or Thailand white rice.
9. Wheat: The Saudi government procure wheat every year through international tenders. This is another opportunity if Brazil can supply the required quantity. The Saudi Grains Organization (SAGO) issued six international wheat import tenders in 2016 to import a total of about 3.5 million MT by the end of June 30, 2017, an increase of 21 percent compared to a year earlier. (*Gain Report*).
10. Defence sector products.
11. Cosmetics and personal care products.
12. Apparels.
13. Furniture.
14. Footwear.
15. Veterinary products.
16. Fruits.
17. Organic food products.
18. Wood and wood products.
19. Sisal (in raw form).
20. Electro-domestic/Household appliances.

7.2 Investment Promotion Opportunities

Saudi Arabia is promoting investments abroad as part of its strategic plans to ensure adequate supply of various products, diversify sources of income, internationalisation and diversification of its business activities, and expansion of markets for its products and above all develop new partnerships, international presence and image.

At present there are three government entities entrusted with overseas investments in various business activities, which are the SALIC (Saudi Agricultural and Livestock Investment Company), the PIF (Public Investment Fund) and Saudi Aramco.

7.2.1 The Saudi Agricultural and Livestock Investment Company (SALIC):

<http://www.salic.com/English/Pages/default.aspx>

SALIC is a joint stock company owned by Saudi Arabia's Public Investment Fund (PIF). It was created on the basis of Saudi Royal Decree No. M/22 of April 2009 with an initial capital of SR 3 billion (US\$ 800 million).

SALIC operates as an independent corporation pursuing global agribusiness and investment strategy without receiving government subsidies and grants for its ongoing operations.

It pursue investment opportunities in countries that welcome foreign investment and have significant agricultural resources. Its objective is to help achieve stable food supplies and prices, and avert food shortages and crises in the long term by partnering with governments, companies and communities and is keen on investing in and creating Greenfield agricultural projects and pursuing partnerships with international and domestic agribusiness investors.

It has already identified nine priority products for investment and the business activities will cover the entire 'farm-to-plate' value chain for these products. Its's major investment destinations are countries that are surplus producers of one or more of the nine products.

Following is the list published by SALIC as favoured investment destinations for the nine essential food items.

Products	Priority investment destinations
Wheat	Canada, Australia, France, the Black Sea region and the Balkan
Barley	Canada, Australia, France, the Black Sea Region and the Balkan
Corn	Brazil , Argentina, Uruguay, the United States, Romania
Soybean	Brazil , Argentina, Uruguay, the United States, Romania
Rice	India, Pakistan, Australia
Sugar	Brazil , Thailand
Vegetable Oil	Canada, the United States, Thailand and Ukraine
Green fodder	Australia, Romania and Ukraine
Red meat	Australia, Brazil , Canada, New Zealand, Uruguay, Kazakhstan, Romania, India and Pakistan

Source: SALIC

SALIC and Brazil:

As already been stated in the previous section, SALIC has made an investment in Brazil in the (Red meat) and is exploring investments in other items as highlighted in the above list. Following is a report published at the SALIC's website concerning its first investment in Brazil:

“SALIC acquired 20% of Brazil's' Minerva Foods for SAR 707 million

23/12/2015

Saudi Agriculture and Livestock Co. (SALIC) has signed an agreement to acquire a 19.95 percent stake in Brazil-based Minerva Foods Co. for a total of SAR 707 million (\$188.4 million).

The Brazilian company from a world leader in the field of red meat companies and is providing high-quality products in line with Islamic standards for meat (Halal), a company listed in the

Brazilian stock market, with annual sales exceeding 7 billion Brazilian riyals and exports its products to more than 100 countries around the world.

The CEO of Saudi Agriculture and Livestock Co. Abdullah Aldubaikhi explained that SALIC is very pleased to be making this investment in Minerva, a company with a strong market position and prospects both in South America and internationally. SALIC UK is looking forward to supporting Minerva in realizing its plans to expand its operations into new markets and in particular in the Middle East.”

He stated that The deal will be completion of the acquisition procedures during the first quarter of fiscal year 2016, noting that the volume of trade exchange between the Saudi Kingdom and Brazil rate exceeded 12 billion riyals during the last three years.”



The CEO of SALIC Mr. Abdullah Aldubaikhi (in the middle of first row) with Minerva Executives in Brazil, in 2015 (http://www.salic.com/English/NewsAndMedia/News/Pages/SALIC_BRAZIL_RED_MEAT.aspx)

Other recent development related to SALIC and Brazil:

Brazilian Minister of Agriculture (MAPA) visited SALIC during his trip to Saudi Arabia in May 2017. Following is the news published by SALIC at its website concerning this visit.

“SALIC CEO Met the Brazilian Minister of Agriculture – 16/5/2017

The CEO of Saudi Agriculture and Livestock Co. (SALIC) Eng. Abdullah Ali Aldubaikhi has met the Brazilian Minister of Agriculture His Excellency Mr. Blairo Maggi and his accompanying delegation, on Tuesday 16th of May 2017. During the meeting, they discussed subjects and areas related to agricultural investment and livestock production and the most notably subjects were: The Brazilian meat crisis and its impacts, the plans toward creating a new investment opportunities in the Brazilian market, the new government regulations for external investors and the Infrastructure projects under construction.

The meeting was attended by executives from SALIC as well as the Brazilian ambassador His Excellency Mr. Flavio Marega and his accompanying delegation.”



His Excellency Mr. Blairo Maggi along with Ambassador Flavio Marega, Mr. Maurício Lopes (President of EMBRAPA), Secretary Odilson Silva (MAPA) and Minister Alberto Fonseca meeting with the CEO of SALIC at its Headquarters in Riyadh in May 2017.

Source: http://www.salic.com/English/NewsAndMedia/News/Pages/CEO_MET_BRZIL_MIN_AGRI.aspx

7.2.2 The Public Investment Fund (PIF)

PIF: (<http://pif.gov.sa/index.html>)

The official statements about PIF are as follows:

“The Public Investment Fund (PIF) is building a world-class domestic and international investment portfolio, and is positioned to be transformed into the world’s largest sovereign wealth fund.

The Public Investment Fund seeks to become one of the largest sovereign wealth funds in the world. To achieve this, the Fund is building a world-class, diversified portfolio through investments in attractive, long-term opportunities at both the domestic and international level.

Overview

The Public Investment Fund was originally established in 1971 to invest in commercial projects.

In addition to making select investments in a range of companies and assets domestically and internationally, the Fund has contributed to the establishment of numerous Saudi Arabian companies, supporting innovation, diversification and non-oil sector development in the Kingdom.

Redefined Strategy and Mandate

In March 2015, the Council of Ministers issued a decree to transfer oversight of the Public Investment Fund to the Council of Economic and Development Affairs (CEDA). As part of this process, a new Board was appointed, chaired by HRH the chairman of CEDA.

To help achieve Saudi Arabia’s vision of a sustainable, diversified economy, the Board of Directors has taken several steps to clearly define the Public Investment Fund’s vision, objectives and strategy in line with Saudi Vision 2030.

Most important among those steps are the efforts currently underway to implement a restructuring program. The program aims to better enable the Fund to build and manage its current and future portfolio through a regulated institutional structure aligned with the Public Investment Fund’s core objectives.

The Public Investment Fund is seeking to become a leading global impactful investor in line with the objective of Vision 2030 and to drive the economic transformation of Saudi Arabia, through active long-term investments and maintaining high standards of governance and transparency.

The Public Investment Fund is developing a portfolio of high quality domestic and international investments, diversified across sectors, geographies and asset classes.

Working alongside global strategic partners and renowned investment managers, PIF acts as the Kingdom's main investment arm to deliver a strategy focused on achieving attractive financial returns and long-term value for the Kingdom of Saudi Arabia.

At home, PIF is driving strategic and sustainable diversification in line with the objectives of Saudi Vision 2030, and is supporting key sectors by creating and investing in commercially viable opportunities, enabling growth in different industries for the private sector. The Fund remains committed to holding a strong and diversified portfolio of investments in the Kingdom, including listed and privately held companies. As part of this commitment the Fund is working to unlock value within the domestic portfolio and create globally-competitive national champions across multiple sectors.

Internationally, PIF is investing in a diversified portfolio across a range of asset classes. PIF has already invested in some of the world's most innovative companies, forming partnerships that will ensure Saudi Arabia is at the forefront of emerging trends while supporting the Kingdom's development consistent with the Vision 2030 blueprint.

Governance:

His Royal Highness Mohammad bin Salman Al-Saud, Crown Prince, Deputy Prime Minister and the Chairman of the Council of Economic and Development Affairs is the Chairman of the Public Investment Fund and the Board of Directors composed of ministers and experts."

Investments:

As stated in section 1.4 of this paper, in 2015 the PIF began making a number of high-profile investments, including acquiring a 38% stake in South Korea's Posco Engineering & Construction Co. in July 2015 and establishing a sizable fund with French firms in October 2015. In June 2016, it was announced that the PIF was acquiring an approximate 5 percent stake in Uber for an investment of \$3.5 billion, the largest ever single investment in the App-based ride sharing company.

On 14 October 2016 Japan's SoftBank announced it had signed a memorandum of understanding with the PIF for the establishment of a London-based SoftBank Vision Fund which aims to invest up to \$45 billion over five years in the technical sector.

In March 2016, it was announced that ownership of Saudi Aramco would be transferred to the PIF and that the Kingdom will seek to list 5 percent of Aramco's shares by 2017. The PIF expects to become the largest sovereign wealth fund in the world with assets of \$2 trillion.

On May 20, 2017, during the Saudi-US CEO Forum which was part of President Donald Trump's official trip to Saudi Arabia, the Public Investment Fund (PIF) announced plans to invest \$40 billion in infrastructure projects, mostly in the U.S. Saudi Arabia, which is working to diversify its economy" and entered into business deals with General Electric, Lockheed Martin and the Blackstone Group.

7.2.3 Saudi Aramco

Saudi Aramco, the State oil company has several investments in South Korea, Indonesia, United States, Netherlands, Egypt and China. It is expected to sign a final deal with PetroChina, China's second-largest state-run refiner, within six months to invest in its Yunnan refinery, Saudi Arabia's Energy Minister Khalid al-Falih told Reuters on Wednesday 23/8/2017). Aramco will own a "big stake" in the 260,000-barrel per day Anning plant in Yunnan province, he added. Aramco is looking to invest \$1 billion-\$1.5 billion in the refinery as well as the retail assets of PetroChina, sources told Reuters in 2015. Following are the international joint ventures of Saudi Aramco and its majority held subsidiaries:

Motiva Enterprises LLC, Houston, USA.

Arlanxeo Holding BV, Maastricht, Netherlands.

The Arab Petroleum Pipeline Co. (SUMED), Alexandria, Egypt.

Fujian Refining and Petrochemical Company Ltd., Fujian, China.

Sinopec SenMei Petroleum Company Ltd, China.

S-Oil Corporation, Seoul, South Korea.

Showa Shell Sekiyu KK, Tokyo, Japan.

Saudi Aramco Energy Ventures

(Extracts from the <https://saev.com/>)

Saudi Aramco Energy Ventures (SAEV) is the corporate venturing subsidiary of Saudi Aramco, the world's leading integrated energy and Chemicals Company. It was created to invest globally into early-stage and high growth companies with technologies of strategic importance to Aramco,

to accelerate their development and their deployment in the Kingdom of Saudi Arabia. It invests in upstream and downstream oil and gas, petrochemicals, renewables, energy efficiency and water sectors. Its objective is to deploy technologies that enhance the identification and management of reserves, enhance primary energy production, improve operational efficiency, increase value capture in downstream processing, and support optimization of Kingdom energy and water consumption.

It aims at becoming a value-added strategic investor and actively support portfolio companies in accessing the Saudi Arabian and regional market, including facilitating business development, localization, and accessing of technical and operational expertise. The team of highly experienced investment professionals provides portfolio companies with guidance and support, and access to a global network.

STRATEGY:

Approach:

SAEV seeks minority equity ownership positions and in most cases seek board seats or board observer rights. It makes direct investments into venture companies, and also invest selectively via best-in-class venture capital funds and aims at becoming a value-adding strategic investor, supporting our portfolio companies throughout their development and leveraging our relationship with Aramco. The investment strategy of SAEV is characterized as follows:

Sectors: Upstream and downstream oil & gas, petrochemicals, water and renewables technologies with application in the Saudi Arabian market.

Stage: Prototype to early expansion stage.

Geographies: Global.

Ticket size: Typically \$5-10 million over 2-3 rounds of financing, but flexibility to invest from \$1 million up to \$30 million total exposure per company.

Ownership: 5% to 35%.

Syndication: Often act as lead investors but will follow or syndicate with others as appropriate.

Engagement: Typically seek Board or observer seats and actively engage with portfolio companies in supporting company development and in facilitating business or technology development in Saudi Arabia and the GCC region.

Holding period: Flexible, but seek alignment with management and other shareholders.

Criteria: SAEV performs a 360° assessment of investment opportunities and the factors it considers include:

- Fit with Aramco technical needs, or with broader technology needs of the Kingdom of Saudi Arabia, and scale of potential impact.
- Fit with fund strategy (sectors, geography, and stage).

- Capabilities and track record of management team.
- Uniqueness and benefits of technology, and strength of intellectual property protection.
- Size of addressable market.
- Technical, IP, market, legal and financial risks.
- Willingness to engage with us as investor and strategic partner.

Target Sectors:

SAEV invests in technologies in upstream and downstream oil and gas, petrochemicals, water, energy efficiency and renewable with application to the Saudi Arabian market. Specific areas of interest are highlighted below, though it will consider any technology applicable to its circumstances. Information and communications technologies applicable to upstream or downstream operations (the "digital oilfield") are of high interest.

Upstream Oil & Gas: Focus areas include seismic and imaging technologies, reservoir engineering, fluid flow control, productivity enhancement techniques, metering and intelligent wells, artificial lift, smart fluids, tight gas and unconventional gas production, extended reach and slim-hole drilling, drilling and production fluids and hardware, computational modelling, sensing and intervention, analytics, automation and visualization.

Downstream Oil & Gas: Its downstream interest areas include the following: whole-crude desulfurization, refining advancements, corrosion and scaling detection and prevention, advanced fuel formulations and advanced engines, oil and gas sensing and treatment, robotics, functional materials, predictive maintenance, sensors, analytics, automation and visualization, and technologies that can significantly contribute to enhanced operational efficiency and effectiveness.

Petrochemicals: Its interests focus on enhancing productivity in chemicals production and downstream vertical integration from hydrocarbon feedstocks to basic and intermediate petrochemicals. This includes technologies for direct crude-to-chemicals processing as well as technologies that use CO₂ as a feed stocks. SAEV will also selectively invest in differentiated specialty chemical technologies that may be localized in Saudi Arabia, particularly into chemical industry clusters being developed around Saudi Aramco's integrated chemical mega-projects, such as Petro Rabigh and Sadara.

Water: SAEV have wide-ranging interests in water technologies, both for application in Saudi Aramco's operations as well as more broadly in the Kingdom. Specific areas include desalination systems, components, and pre-treatment systems, wastewater treatment and recycling (including

municipal, industrial and produced water), seawater injection, water distribution, and technologies that improve water resource efficiency at point of use.

Energy Efficiency: SAEV focuses on energy efficiency technologies that have near-term potential for deployment in the Saudi Arabian market. These include technologies to enhance efficiency of power generation and distribution, industrial efficiency technologies, including in the areas of rotating machinery, heat exchangers, waste heat recovery, waste pressure recovery, monitoring, analytics and asset visualization systems. Industrial efficiency focuses on petrochemicals, water, cement and metal industries that are major energy consumers in the Saudi Arabian market. Technologies enhancing end-use efficiency in the government, residential, hospitality and commercial sectors will be considered where economics are attractive in the Saudi Arabian market and where emerging regulations are likely to drive adoption.

Renewable: Saudi Arabia has abundant solar energy resources suitable for both concentrating and non-concentrating systems. Significant wind and geothermal resources are also available, particularly in western regions. SAEV seeks to invest in solar technologies; particularly those tackling unique challenges to solar systems in the region, such as extreme ambient temperatures, dust, sand, humidity and salinity of washing water, or those enhancing the likelihood of supply chain localization in Kingdom. Solar energy systems are expected to be deployed in the Kingdom in both utility-scale and distributed.

Source: <https://saev.com/>

7.2.4 Other possibilities for attracting FDI from Saudi Arabia

Following are some of the leading Saudi companies which invests abroad reported by the Financial Times.

Top important Saudi Arabia companies investing abroad between January 2003 and May 2015

Company	Projects	Value in Million US\$
Saudi Basic Industries (SABIC)	81	9,977
ACWA Power International 5	5	2,880
Al-Tuwairqi Group (ATG)	8	2,693
Saudi Aramco	25	2,042
Saudi Binladin Group (SBG)	17	1,806
Fawaz Alhokair Group	40	1,463
Al Hokair	5	1,302

Dallah Albaraka Group	51	1,087
Aujan Industries	8	865
Sidar	2	750
Other Companies	284	16,515
Total	526	41,381

As stated in section 4.12, other Saudi companies are also present in Brazil which is a clear evidence on Saud's interested in exploring new destinations for investments and business partnerships. In 2010 a high-level investment delegation visited Brazil led by H.E. Dr. Fahad A. Balghunaim, the Saudi minister of agriculture. Following were the business representatives who visited Brazil in 2010 with the Saudi Minister exploring investment opportunities in Brazilian agribusiness:

#	Company	Delegate	Website
1	National Agricultural Development Company (NADEC)	Abdulaziz S. Albabtain Executive Director.	www.nadec.com.sa
2	ARASCO	Abdullah S. Alrubaian Chairman	www.arasco.com
3	Alkhorayef Group (Water, Energy & Equip. works)	Mohammed A. Alkhorayef Executive Director	www.alkhorayef.com
4	Alsanie Group	Dr. Abdullah M. Alsanie Chairman	www.alsanie.com.sa
5	Saudi Agricultural Development Co. (INMA)	Hasan M. Alshehri General Manager.	www.inmanet.com.sa
6	Arabian Integral Ministration Company (AIMCO)	Ibrahim A. Althonayan CEO	http://iyainvestment.com/en/Details.aspx?id=15
7	Alrasheed Greenhouses	Mohammed A. Alrashid Manager	www.saudi-greenhouses.com
8	Anaam International Holding Group	Hassan S. Alyamani CEO	www.anaamgroup.com/en
9	Hamooud A. Alkhalaf Trading and Transportation Establishment	Hamooud A. Alkalaf	N/A
10	Sulaiman Aljabri Establishment for Livestock:	Sulaiman S Aljabri	https://aljabri-sa.business1.com/

Other Saudi Companies investing in agriculture and other sectors abroad:

Al Rajhi International for Investment

Contact: Dr. Fred Kars

Director: Business Development

P.O. Box 325496, Riyadh 11371, Saudi Arabia.

Tel: +966-11-4711660

Fax: +966-11-4744550

Mob: +966 53 260 4427

E-mail: fred@raii.net

Website: <http://www.raii.net/>

Projects: Egypt, Sudan, Poland and Ukraine

Al Rajhi Agriculture and Infrastructure Company

(Subsidiary/partnership of Al Rajhi International for Investment – above)

Projects in Saudi Arabia, Egypt, Sudan, Senegal and Mauritania

PO Box 20, Al Lith 21961

Kingdom of Saudi Arabia

Mobile Number: +966508171491

Telephone Number: +966177329586

Fax Number: +966177329586

Website: www.raicsa.com

Email Address: info@raicsa.com

Sudan: <http://www.raicsa.com/Project02.aspx>

Almarai Company

Contact: Mr. Saif Al Kamil,

Executive Office of the Chief Executive Officer.

P. O. Box 8524, Riyadh 11492, Saudi Arabia.

T: +966 11 528 6371

F: +966 11 470 1555

E: saif.alkamil@almarai.com

Website: <http://www.almarai.com>

United States: <http://www.reuters.com/article/almarai-california-idUSL8N14U05620160110>

<http://www.farmlandgrab.org/post/view/23252-almarai-acquires-huge-farmland-in-arizona>

Argentina: <http://www.bloomberg.com/news/articles/2011-12-21/almarai-acquires-argentina-farm-operator-fondomonte-for-312-million-riyals>

<http://www.farmlandgrab.org/post/view/23379-saudi-firm-moves-toward-100-use-of-imported-animal-feeds>

Egypt: <http://www.farmlandgrab.org/post/view/23647-saudis-almarai-pepsico-to-invest-at-least-345m-in-egypt>

The National Agricultural Development Company (NADEC)

(One among the companies visited Brazil in 2010 exploring investment opportunities)

Contact: Mr. Muhammad Ishaque Dawood

Executive Assistant to the CEO

E-mail: mi.dawood@nadec.com.sa

Riyadh, Saudi Arabia

Tel: +966-11-2027810/2027710

Fax: +966-11-4055522

Mobile: +966-533-521-873

Website: <http://www.nadec.com.sa>

Nadec in Sudan: <http://www.argaam.com/en/article/articledetail/id/402971>

The Savola Group

Contact: Ms. Hanan B-Shammakh

Headquarter, Business Park

Ashati District, Jeddah, Saudi Arabia

Tel: +966-12-6573333

Fax: +966-12-648-4119

E-mail: info@savola.com; IR@savola.com

Website: <http://www.savola.com>

Sudan: Savola Edible Oils (Sudan) Ltd.

(<http://www.argaam.com/en/article/articledetail/id/371412>)

Proejcts/subsidiaries:Savola Foods Emerging Markets Company (Virgin Island (Britain):Edible Oils (Algeria, Sudan, Morocco)

Afia International Co. KSA: Edible Oils & Fats (KSA, Gulf, Egypt, Iran, Turkey, Kazakhstan, Jordan)

United Sugar Company KSA: Sugar cubes, Beet sugar and Sweeteners (KSA and Egypt)

Kingdom Holding Company

HRH Prince Al Waleed Bin Talal Bin Abdulaziz Al Saud,

Chairman of the Kingdom Holding Company

P.O. Box 1, Riyadh 11321, Saudi Arabia

Tel: +966 11 211 1111. Fax: +966 11 211 1112

Contact: Mrs. Heba J. Fatani,

Senior Executive Manager Corporate Communications

Kingdom Holding Company +966 (11) 2111111. +966 (11) 2111204

E-mail: heba@kingdom.com.sa

Investment in Egypt:

<http://www.kingdom.com.sa/investments/agriculture/kadco>

<http://www.kingdom.com.sa/investments/agriculture>

Al Muhadib Group

Mr. Sulaiman A.K. Al-Muhaidib, Chairman

E-mail: sulaiman@muhaidib.com

Investmetns in Virgin Island (Britain) Algeria, Sudan, Morocco, Egypt, Iran, Turkey, Kazakhstan and Jordan

<http://www.muhaidib.com>

Star Holding Company

HRH Prince Bandar bin Saud bin Khaled Al Saud, President
Diversified group (Star Holding), exploring investments in Brazil
E-mail: star@star.com.sa
<http://www.star.com.sa>

AL Reef Sugar Refinery Co.

Dr. Khalid Saleh Almusa
Business Development Consultant
khalidalmusa@gmail.com
New Sugar Refinery project in Jeddah. Part of A.K. Saeed Group – looking for a strategic partner to supply raw sugar.
www.resreco.com

FAL Holdings Arabia Co. Ltd.

(Included in the list of those who have investment in Brazil)
Mr. Fahad M. S. Al-Athel
Chairman and CEO
E-mail: fahadm@falgroup.com.sa
Investment in Brazil (Agriculture-coffee:FAL coffee farm, Minas Gerais)
<http://www.falholdings.com>

His Excellency Sheik Khalil Bin Ladin

Honorary Consul of Brazil, Jeddah
E-mail: kabdullah@sbg.com.sa
Personal investment in Brazil (Agriculture)
<http://www.sbg.com.sa>

7.3 Actions suggested for Export & Investment Promotion

7.3.1 Trade and Investment delegation from Brazil to Saudi Arabia.

Organize trade and investment delegations from Brazil to Saudi Arabia. One multi-sector delegation from Brazil targeting trade and investment in a year, would be more effective with a 5 full day program in Saudi Arabia, as follows:

3 days in Riyadh (Sunday, Monday and Tuesday)

1 day in Jeddah (Wednesday)

1 day in Eastern Province - Alkhobar / Dammam (Thursday)

The most ideal time for the delegation to visit Saudi Arabia in 2018 is April and May and the delegation, ideally, could be composed of:

Government:

MRE, MDIC and MAPA

Embrapa, ANVISA, Apex Brasil, CVM, Banco Central Do Brasil, Banco do Brasil, BNDES,

Private & other entities:

CNI, FIESP, FIERGS, SEBRAE, SENAI, SENAD, CCAB, BM & Bovespa, ANICER and ABC (Ceramics), ABICAB (Chocolate & Confectionary), IBRAM (Mining) ABCE (Engineering), ABDIB (Basic Industries), ABIA (Food), ABIMDE (Defense), ABIMO (Medical), ABIC (Coffee), ABICALÇADOS (Footwear), ABIEC (Meat), ABPA (Poultry), ABIFRA (Fragrance), ABIHPEC (Cosmetics), ABIMAQ (Machinery), Abimovel (Furniture), ABIMCI (Wood), ABINEE (Electrical), ABITAM (Metal Pipes), ABITRIGO (Wheat), ABM (Metal), ABRAVA (Air-conditioning), ABRAVEST (Clothing), ANFAVEA (Automobile), Associquim (Chemical), ASSOCITRUS (Citrus), CBIC (Construction), ONIP (Petroleum) and ABIARROZ (Rice), ABF (Franchising).

Private companies:

The delegation could be composed of private companies from the following:

- Wheat for human consumption (government procurement);
- Soybean meal, Corn, Barley and Wheat for animal feed;
- Defense products
- Railway supplies, Passenger Buses and Business Jets
- Rice, Chocolate and Confectionary, Organic Foods, Canned Foods, Coffee and Fresh Fruits;
- Fruit Juice concentrates and milk powder (industrial use);
- Machinery and Equipment (Agricultural, Construction and Industrial);
- Medical-Hospital-Laboratory-Dental Equipment and Devices;

- Building materials: Wood and Wood Products, Sisal Fibre, Sanitary ware, Ceramics, Pipes and fittings, Electrical products and Tiles;
- Apparels, Footwear and Furniture
- Cosmetics and personal care products
- Electro-domestic/household appliances
- Utensils, cutlery and other kitchenware
- Others: Metal products and chemicals for industrial use, especially for oil and gas industry
- Meat and poultry products and sugar (although the market for these products are almost saturated, still there is demand from importers).

Suggested actions in Saudi Arabia during the visit of delegation from Brazil:

A. Specific Program:

- One week Brazilian consumer products festival in cooperation with any of the leading hypermarket chains in Riyadh, Jeddah and AL Khobar/Dammam.
- Investment Seminar at Riyadh Chamber of Commerce & Industry, Jeddah Chamber of Commerce and Industry and Al Sharqiya Chamber (Dammam) of Commerce and Industry.
- Joint Business Council formation and meeting at the Council of Saudi Chambers in Riyadh.
- Brazilian Churrasco Nights in Riyadh, Jeddah and Alkhobar/Dammam.

B. Special Visits

Depends on the nature and size of the Brazilian delegation members, special meetings with the following authorities, companies and other entities in Saudi Arabia, are suggested.

Meetings with government authorities:

- Ministry of Commerce and Investment - MCI
- Public Investment Fund
- Ministry of Defense – Procurement Department
- Ministry of Interior – Procurement Department
- Ministry of National Guard – Procurement Department
- Saudi Agricultural and Livestock Investment Company – SALIC
- Saudi Grains Organization – SAGO

- Military Industries Corporation
- Agricultural Development Fund
- Saudi Arabian Monetary Agency - SAMA
- Saudi Food and Drug Authority – SFDA
- Saudi Standards, Metrology and Quality Organization - SASO
- Gulf Standards Organization - GSO
- Saudi Customs
- Saudi Ports Authority
- Saudi Railway Organization
- King Abdullah City for Atomic and Renewable Energy - KACARE
- King Abdulaziz City for Science and Technology - KACST
- Industrial Cities Authority - MODON
- Economic Cities Authority
- General Authority of Civil Aviation – GACA
- Capital Market Authority – CMA
- Saudi Stock Exchange – Tadawul
- Ministry of Health
- Ministry of Education
- Ministry of Labour and Social Development
- Ministry of Transportation
- Ministry of Housing
- Ministry of Environment, Water and Electricity
- Small and Medium Size Enterprises Authority
- Saudi Export Development Authority
- Royal Commission for Jubail and Yanbu – Headquarters
- Saline Water Conversion Corporation – SWCC
- Saudi Commission for Tourism & National Heritage: SCTH

Meetings with the following government controlled companies and private aviation companies are also suggested:

- Saudi Aramco
- Saudi Arabian Basic Industries Corporation (SABIC)
- Saudi Arabian Public Transport Corporation - SAPTCO
- Saudi Arabian Mining Company
- Saudi Arabian Airlines

- NAS Aviation
- Nesma Airlines

Meetings with other entities suggested are:

- Council of Saudi Chambers
- Riyadh, Jeddah and Dammam Chambers of Commerce and Industries
- Haj Transport Syndicate

C. Business to Business (B2B) Meetings

Depends on the nature and size of the delegation members, arrange B2B meetings at the following locations:

Riyadh Chamber of Commerce and Industry – one day from 10.00 to 13:00 hrs

Jeddah Chamber of Commerce and Industry – one day from 10.00 to 13:00 hrs

Al Sharqiya (Dammam) Chamber of Commerce and Industry – one day from 10.00 to 13:00 hrs

7.3.2 Trade and Investment delegation from Saudi Arabia to Brazil

Organize a multi-sector trade and investment delegation from Saudi Arabia to visit Brazil similar to the one suggested from Brazil to Saudi Arabia in a year, but with a 15 day program in the following States of Brazil, as follows:

Two days programs, which include seminars, B2B, site visits and visiting tourist centres.

- São Paulo
- Rio de Janeiro
- Minas Gerais
- Goiás and Federal District
- Santa Catarina and Rio Grande do Sul

More program could be arranged, if there is time, taking into consideration the weekends and the time required for travel from one State to the other, the site visits and tours.

The delegation could be composed of the companies from the same sectors indicated in the previous section (Private Companies).

With regard to officials, it is too difficult to get Saudi officials to join the private delegation unless it is organized/initiated by the Saudi government. Therefore, it is better to organize private delegations.

The Saudis prefer to travel abroad during the summer (June and July) to escape from the high temperature and if possible, the delegation from Saudi Arabia could be considered during these two months.

Another favourable time for Saudis is during the month of Ramadan (In 2018 it will be from the mid of May to the mid of June). During the Islamic month of Ramadan, the business in Saudi Arabia is usually slow, the working hours are less and the government will be closed between 12 to 15 or more days.

The third favourable time is during the Hajj period (the annual pilgrimage) which will be in the first week of September in 2018. The government will be closed for two weeks or more during that time.

Indicative program:

A broad or indicative outline of programs suggested in Brazil for a Saudi business delegation to Brazil.

- Investment Seminars
- B2B meetings
- Site visits to company facilities
- Site visits to agricultural farms
- Site visits to diary/livestock farms and slaughter houses
- Visits to government authorities
- Visits to important tourist centre

7.3.3 Online Business to Business (B2B) Meet

In order to facilitate match-making between Brazilian exporters and Saudi importers, online b2b meet could be arranged on monthly basis. This would help ease budgetary burden, free from the hectic tasks related to organizing missions, travelling time and other logistical issues. On the other hand the online B2B meet program is expected to help identifying business partners and concluding business deals within very short time.

Steps required:

- Create a sub-website or redesign the existing one if available, so as to enable online meeting between exporters and importers with live video chat (in English), virtual show room for the products and other related features such as to get price quotes in real time, conclude deals in real time etc.
- Prepare a schedule of online B2B meet for one year and circulate the information among the potential Brazilian exporters and Saudi importers.
- Select only the exporters who have the capability to export the required products in sufficient quantity on regular basis and can meet with the standard and other regulatory requirements of Saudi Arabia.
- If there are substantial number of participants from both sides, set the date and time of the event and inform the registered exporters and importers.
- Event monitoring and technical control by a web administrator in Brazil.

7.3.4 Business to Government (B2G) Program

Saudi Arabian government is doing international procurement mainly in defense products and for grains.

Defense Products:

Defense products (weapons and military equipment and supplies) are procured from various traditional international suppliers and also from new sources in three ways, as follows:

- a. From foreign suppliers on the basis of a government to government contract. To supply for such contract, the contracted government (for example the USA or UK) source the products from the private or government companies in their country and supply to Saudi Arabia.
- b. Saudi government enter into contract with companies in Saudi Arabia to supply certain products and the Saudi company's source the products from other countries and supply to the Saudi government.
- c. Saudi government also directly source defense products from authorized and trusted companies from other countries. (The defense supply and operation contract with AVIBRAS is a typical example for this model of defense procurement).

Aside from AVIBRAS, some other Brazilian companies from the defense sector are exporting to Saudi Arabia. As already mentioned, Saudi Arabia is now the fourth largest military spender in the world and there is great scope for Brazilian companies to explore this sector.

If there is any possibility for government to government level agreement by and between Saudi Arabia and Brazil, it would be more effective and would help increase the market share for Brazil significantly.

Grains Procurement:

As already stated in the previous sections, the Saudi Grains Organization (SAGO) procure grains through international tenders. SAGO issued six international wheat import tenders in 2016 to import a total of about 3.5 million MT by the end of June 30, 2017, an increase of 21 percent compared to a year earlier. This is another opportunity for Brazilian companies if they can supply the minimum required quantity.

7.3.5 Joint Ventures

Consider setting up Joint Ventures in Saudi Arabia in the following fields which create opportunities to export raw materials, industrial inputs and machinery from Brazil:

1. Defence sector products manufacturing.
2. Medical-hospital-laboratory-dental devices, equipment and disposables manufacturing.
3. Pharmaceuticals products manufacturing.
4. Cosmetics and personal care products manufacturing.
5. Electro-domestic appliances assembly plants.
6. Passenger bus assembly plants.
7. Oil industry equipment, machinery and spare parts manufacturing.
8. Food processing plants.
9. Animal feed processing plants.
10. Furniture manufacturing plants.
11. Building materials manufacturing.

7.3.6 Contract Farming

Contract framing is another area which Brazilian agribusiness companies could explore with Saudi companies.

This may help overcome the difficulties which Saudi companies are facing in meeting the Saudi government's requirements for supporting investments in agriculture in Brazil. However, more in-depth study on this possibility is to be conducted.

7.3.7 Export Consortium

If sectoral consortiums of small and medium size enterprises (SME) is created specifically for Saudi Arabia, though not at extensively, would help the Brazilian SME to get regular buyer from Saudi Arabia and can supply on regular basis.

If such consortiums are created, it would also help overcome the difficulties Brazilian companies are facing such as the language issues, knowledge on the procedures and other risks involved in the international trade etc.

Moreover, if any one or more SME are not capable to supply the quota the other member can fill the gap thereby the consortium can supply the products to Saudi importers without any interruption.

7.3.8 Specific actions in relation to SALIC

SALIC is seriously exploring opportunities in Brazil for the products mentioned in the previous sections. Therefore, the following actions are suggested in relations to SALIC:

- a. Identify more partners for SALIC in Brazil similar to what it did with Minerva;
- b. Study the possibility of forming a Joint Venture Company in Brazil by SALIC and a competent Brazilian company and propose to SALIC;
- c. Consider the possibility of signing MoUs with SALIC ensuring government/institutional support to expand its investments in Brazil. Hope this would help win the confidence of SALIC and help expedite its investment decision in relation to Brazil.

7.3.9 Specific actions in relation to PIF

For the PIF, all the three actions suggested for SALIC could be considered. That is:

- a. Identify investment opportunities for PIF in Brazil and introduce to PIF;
- b. Study the possibility of forming a Joint Venture Company in Brazil for PIF and propose to PIF;

- c. Consider the possibility of signing MoUs with PIF ensuring government/institutional support to invest in Brazil. Hope this would help win the confidence of PIF and help expedite its investment decision in relation to Brazil.

For a quick start there is any opportunity for Brazilian companies and relevant entities. PIF is organizing an event titled “Future investments Summit”, which is going to take place at King Abdul Aziz International Conference Centre and The Ritz-Carlton, Riyadh from 24 to 26 October 2017. Participating in this event would help interact with PIF executives and for networking with decision makers and professionals from the respective sector.

According to the official statement “The Future Investment Initiative (FII)” by the Public Investment Fund of Saudi Arabia (PIF) is an innovative high-level initiative and is a pioneering new global investment event that will connect the world’s most powerful investors, business leaders, thought leaders and public officials with the path breaking innovations that are defining the future.

Hosted under the patronage of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al-Saud, the forum will bring together global CEOs and investors with world-leading experts and visionaries from a range of industries, to explore the evolving role of sovereign wealth in driving the next wave of business, innovation, technology and investment.

<http://futureinvestmentinitiative.com/en/program>

7.3.10 Specific actions in relation to Saudi Aramco.

For the Saudi Aramco, all the three actions suggested for SALIC and PIF could be considered. That is:

- a. Identify investment opportunities for Saudi Aramco in Brazil and introduce to them;
- b. Study the possibility of forming a Joint Venture Company in Brazil and propose to them;
- c. Consider the possibility of signing MoUs with Saudi Aramco ensuring government/institutional support to invest in Brazil. Hope this would help win the confidence of Saudi Aramco and help expedite its investment decision in relation to Brazil.

7.3.11 Actions suggested in relation to other Saudi Companies

For other Saudi companies mentioned in the previous section, consider the possibilities of identifying investment opportunities for Saudi private companies in Brazil and submit proposals to

them. This could be done as part of the programs for the suggested trade and investment delegations visits from Brazil to Saudi Arabia as well as from Saudi Arabia to Brazil.

7.3.11 Joint Investment Fund

Saudi Arabia created joint investment fund with a number of countries. On 24 August 2017, Reuters quoted Saudi Energy Minister Khalid al-Falih as saying that “Saudi Arabia and China plan to establish and operate jointly a US\$ 20 billion investment fund, sharing costs and profits on a 50:50 basis.”

In March 2017, Saudi Arabia signed agreement to set up a US\$ 3 billion joint investment fund for Jordan, among 15 cooperation agreements that were signed, according to AFP report.

It was reported in April 2016 that a memorandum of understanding (MOU) was inked for the establishment of a joint investment fund, with a capital of US\$ 16bn between Saudi Public Investment Fund and its entities, and the Egyptian government and its entities.

As stated in the previous sections, in October 2106 Saudi Arabia’s Public Investment Fund (PIF) teamed up with Japan’s SoftBank Group to create a tech investment fund that would potentially reach \$100 billion, becoming one of the largest private equity investors in the world. The Londonbased fund, titled ‘Softbank Vision Fund’, will be bolstered with up to US\$4 5 billion from the Saudi PIF over the next five years, and US\$ 25 billion from Japanese telecommunication giant Softbank.

In June 2015, the Saudi Press Agency was quoted as saying that “Saudi Arabia and a Russian state fund have signed a memorandum of understanding to jointly invest as much as US\$ 10 billion.”

All these proves Saudi Arabia’s serious interests in developing partnerships with various countries, not just with its traditional allies.

Brazil can also consider the possibilities of setting up a joint investment fund with Saudi Arabia for mutual benefits.

7.3.12 Participation in Trade Fairs in Saudi Arabia.

Participation in the important trade fairs in Saudi Arabia is a good opportunity to new buyers for Brazilian products. But, as already mentioned, participation from Brazil in local trade fairs is

negligible. If there are a significant number of companies interested in participating the local trade fairs, the following are suggested:

1. Saudi Food-Agriculture (<http://www.recexpo.com/>)
2. Saudi Build (<http://www.recexpo.com/>)
3. Saudi Healthcare (<http://www.recexpo.com/>)
4. Jeddah International Trade Fair (<http://acexpos.com/>)
5. Saudi International Motor Show (<http://acexpos.com/>)
6. INTERSEC – Security and Safety Show (<http://acexpos.com/>)

7.3.13 Follow-up, Coordination and Arbitration Cell

Mere business delegation and just putting together the Brazilian exporters with Saudi importers are not sufficient for a sustainable business relation. If there is special division in Apex Brasil for follow-up, coordination and arbitration, the results would have been far better.

9 Overview of Apex Brasil actions in Saudi Arabia

Apex Brasil Program in relation to Saudi Arabia in 2016 - 2017

1. Brazilian Churrasco Night: 28 Feb 2016:

ABIEC-APEX-CCAB delegation visited Saudi Arabia and organized a Brazilian Churrasco at the Residence of Ambassador marking the lifting of the temporary ban on Brazilian beef exports by the Saudi Food and Drugs Authority (SFDA).

Outcome: About 160 Saudi businessmen, officials and diplomatic mission heads participated in this event and the participants were able to realize the quality of Brazilian beef.

2. APEX sponsored buyer program- SIAL PARIS 2016:

SECOM suggested five companies to APEX Brasil be invited for the SIAL PARIS 2016 (Paris, France, October 16 to 20, 2016). Out of that Apex chosen three companies and invitations were sent by Apex and later these invitations were retransmitted by SECOM to the three companies.

Outcome: No information received about the participation of these invitees.

3. Saudi Agriculture & Agro Food 2016:

Apex Brasil organized Brazilian participation at Saudi Agriculture & Agro Food 2016 from October 3 to 5, held in Riyadh. Mr. Sidi Ahmed Naji, the Market Intelligence Analyst at the Arab-Brazilian Chamber of Commerce (CCAB) and Mr. Deigo Pichineli, the Technical Demonstrator for Foreign Market at BALDAN Implementos Agrícolas S/A participated in this event.

Outcome: There were only two participants from Brazil in a large pavilion rented by Apex Brasil, which could accommodate about ten participants. If there were at least five participants it would have created a good image about Brazil, besides the returns to the amount spent for the pavilion.

4. Foodex Saudi 2016 and the visit of Apex Brasil COO for MENA:

Apex Brasil and Abiarroz participated in the Foodex Saudi trade fair which took place at Jeddah Centre for Forums and Events during 21 - 24 November 2016. Mr. Diogo Thomé was present in the trade fair on behalf of Abiarroz and Ms. Karen Jones, the Chief Operating Officer of Apex Brasil, Middle East and North Africa (MENA) were present in the event. Later

Ms. Karent visited Brazilian Embassy in Riyadh and met with Ambassador Flavio Marega and Minister Alberto Fonseca, Head of SECOM.

Outcome: If there were more participants from Brazil, this also would have created a better image about Brazil besides returns to the amount spent and efforts made for this participations.

5. Research on Medical Equipment:

SECOM reviewed the list of Saudi medical equipment distributors as per request from Apex Brasil, Dubai in March 2017

6. Gulf Food 2017:

As per request from Apex Brasil, SECOM Riyadh sent invitations to over 100 Saudi companies inviting to visit the Brazilian pavilion at the Gulf Food 2017, which took place in Dubai, UAE, from 26 February to 2 March, 2017.

7. Saudi Food Jeddah 2017:

SECOM participated in the Saudi Food Jeddah 2017 from 23 to 26 April 2017 with the support of DPR. Apex Brasil Dubai supported the SECOM by providing with the list of the Brazilian companies based in UAE and SECOM sent invitations to all of them.

8. APAS 2017 Project:

SECOM Riyadh prepared a list of 200 selected companies to be invited to the APAS 2017 trade fair which took place in São Paulo from 2 to 5 of May 2017.

Outcome: As per the report received from Apex Brasil, buyer(s) from Saudi Arabia was also among those international participants.

10 References

International organizations:

- The World Bank - WB
- United Nations Conference on Trade and Development -UNCTAD
- International Finance Centre - IFC
- International Monetary Fund – IMF

Publications/media/periodicals:

- Economic Intelligence Unit – EIU
- Economist magazine
- Foreign Policy magazine
- Middle East Economic Digest
- Intelligence online
- Gulf States Newsletter
- Arabnews daily
- Saudi Gazette daily
- Jains Defence News
- Sovereign Wealth Fund Institute
- SIPRI, Sweden

Saudi Arabia – government:

- Ministry of Commerce and Investment (MCI)
- Ministry of Finance (MOF)
- Saudi Arabian Monetary Agency (SAMA)
- Authority of General Statistics (
- Industrial Cluster Program (ICP)
- Economic Cities Authority (ECA)
- Saudi Industrial Property Authority (MODON):
- The Royal Commission for Jubail and Yanbu (RCJY)
- King Abdullah Financial District (KAFD)
- Public Investment Fund (PIF)
- Saudi Arabian General Investment Authority(SAGIA)
- Saudi Customs

- Saudi Press Agency (SPA)
- Saudi Aramco
- Saudi Arabian Basic Industries Corporation (SABIC)
- Saudi Agricultural and Livestock Investment Company (SALIC)
- Saudi Arabian Airlines
- Saudi Industrial Development Fund (SIDF)
- Real Estate Development Fund (REDF)
- Social Development Bank (previously the Saudi Credit & Saving Bank (SCSB))
- Agricultural Development Fund (SADF).
- Ministry of Environment, Water and Agriculture (MEWA)
- Future investments Summit 2017
- Vision 2030
- Ministry of Foreign Affairs
- General Authority of Zaka and Tax (GAZT)
- Ministry of Energy, Industry and Mineral Resources
- King Abdullah City for Atomic and Renewable Energy (KACARE)
- Saudi Food and Drugs Authority (SFDA)
- Saudi Arabian Standards Organization (SASO)
- Saudi Grains Organization (GSFMO)
- Tatweer Education Development Company
- Communication and Information Technology Commission (CITC)
- Saudi Commission for Tourism & National Heritage: SCTH
- Human Resources Development Fund (HRDF)
- King Abdullah University for Science and Technology (KAUCST)
- King Abdullah City for Science and Technology (KACST)
- Technical and Vocational Training Corporation (TVTC)
- King Saud University (KSU)
- Ministry of Economy and Planning (MEP)

Brazil:

- Ministry of Development Industry and Foreign Trade (MDIC)
- Banco central do Brasil
- Banco do Brasil
- Avibras Indústria Aeroespacial International Limited
- Brasil Foods (BRF)
- Tantum
- Puket Brazil

Saudi Arabia – private and others

- Samba Financial Group
- Jadwa Investment
- Arab National Bank
- NAS Aviation
- Al Rajhi International for Investment
- Al Rajhi Agriculture and Infrastructure Company
- Almarai Company
- The National Agricultural Development Company (NADEC)
- The Savola Group
- Kingdom Holding Company
- Al Muhadib Group
- Star Holding Company
- AL Reef Sugar Refinery Co.
- FAL Holdings Arabia Co. Ltd.
- Crystal Saudi Arabia.
- Amiantit Group
- Mattex Group Saudi Arabia
- Saudi Electricity Company
- Saudi Arabian Mining Company (MAADEN)
- Al Rajihi Capital

Others:

- Organization of Islamic Cooperation (OIC)
- Islamic Development Bank (IDB)
- Cooperation Council of the States of Gulf (GCC)
- US Trade
- Gain Report
- CIA report on Saudi Arabia