

An Introduction to Saudi Arabia



Jeddah, Saudi Arabia

Geography & Population



The Kingdom of Saudi Arabia lies between the Red Sea and the Arabian Gulf and has a land mass about the size of Western Europe. It contains the world's largest continuous sand desert, known as the Empty Quarter, and it is the biggest and most dominant country of the Arabian Peninsula.

Saudi Arabia is bordered by Jordan to the north; Iraq and Kuwait to the northeast; Qatar and the United Arab Emirates to the east; and Yemen and the Sultanate of Oman to the south.

Riyadh is the Kingdom's capital with an estimated population of around five million, the main Saudi government offices are also situated here. Other key cities are Jeddah, the commercial capital which is located on the Red Sea coast and Dammam on the Arabian Gulf.

Political Overview

Saudi Arabia is named after the ruling Al Saud family. The Kingdom was established by King Abdul Aziz bin Abdul Rahman Al Saud in 1932. Since his death in 1953, Saudi Arabia has been ruled by several of his sons, although decisions are taken by consensus within a wide circle of Princes and trusted advisors.

The Kingdom is an absolute monarchy and is currently ruled by King Abdullah bin Abdul Aziz Al Saud, Custodian of the Two Holy Mosques. The King heads the government and is also Commander of the Armed Forces. Crown Prince Salman bin Abdul Aziz Al Saud is Deputy Prime Minister and Minister for Defence. Executive power rests with the Council of Ministers, who are appointed by the King. All political parties are banned.

A national Consultative Council, the Majlis Al Shura, was formed in 1993. The King appoints the members, who have advisory powers to review and provide consultation on issues of public interest. 20 women were appointed to the Shura Council for the first time in 2013. Local government is administered through general municipal councils, district councils and tribal and village councils. The country is divided into 13 provinces, with a governor and deputy governor in each one. Each province has its own council that advises the governor and deals with the development of the province. These councils deliberate on the needs of their province, work on the development budget, consider future development plans and monitor ongoing projects. The governor and deputy governor of each province serve as chairman and vice-chairman of their respective provincial council.

Demand for political reform has increased in recent years and in 2011 the country held its first elections, to elect half of the members of the municipal councils.

The Holy Koran is the constitution of the country and the government operates on the basis of Islamic law (Sharia). Saudi Arabia has also introduced several secular codes including Investment Fund Regulations, Tax Regulations, Insurance Regulations as well as others. It is the development of these laws and their regulations which show the Government's commitment to economic diversification and private sector growth.

Economic Overview



With a population of over 28 million, the Kingdom of Saudi Arabia is the largest economy in the Arab world, and accounts for 25% of the Arab world's GDP.

Saudi Arabia has an oil based economy with strong government controls over major economic activities. The Kingdom possesses around 25% of the world's oil reserves, is the largest swing exporter of petroleum and plays a leading role in OPEC. The petroleum sector accounts for roughly 80% of budget revenues, 45% of GDP and 90% of export earnings.

Saudi Arabia has witnessed a period of relatively high growth and economic progress over the past few years. This has been based on a strong oil sector and record oil revenues, allowing the Kingdom to increase public spending on infrastructure and welfare to match the increasing needs of a fast growing Saudi population. In turn the non-oil private sector is feeding off this upturn in public spending.

In recent years, the Saudi government has realised the need to pursue a strategy of economic diversification and reform. Reforms are underway to:

- Reduce reliance on oil and gas - The government is encouraging the growth of the private sector and foreign investment through new initiatives and the opening up of previously restricted industries.
- Increasing employment opportunities for Saudis - Efforts are particularly focused on employing the large youth population, which generally lacks the education and technical skills the private sector needs. The Kingdom has seen a substantial boost in spending on employer led vocational training and education, including a number of new women's colleges and the opening of Princess Noura University - a women only facility - which can take up to 50,000 students.

The government is also encouraging foreign companies to invest in vocational and technical training in support of Saudisation.

- Attracting local and foreign private investment across all sectors - The government is focusing on getting private and foreign investment in key sectors including

petrochemicals, automobile assembly, biotechnology and other knowledge driven industries.

All of the above has been made easier by the Foreign Investment Act of 2000, which led to the establishment of the **Saudi Arabian General Investment Agency (SAGIA)**. SAGIA is tasked with increasing the country's competitiveness and providing a one-stop shop for inward investment.

You will find more information on their website: www.sagia.gov.sa

As part of its effort to attract foreign investment, Saudi Arabia joined the WTO in December 2005 after many years of negotiations. This committed the country to further liberalisation of its trading regime and the creation of a more transparent and predictable environment for trade and foreign investment, in accordance with WTO rules.

The World Bank "Ease of Doing Business 2011" report saw Saudi Arabia move up to 11th in the world rankings, ahead of all other Arab and Middle Eastern countries, although it slipped to 22nd in the 2012 report.

The Government's national budget for the 2013 fiscal year, was the largest to date and dedicated 46% of total spending to education and training, health and social development and infrastructure. It also demonstrates that the Kingdom is dedicated to continuing stimulatory spending to develop the economy and persuade private investors to do the same as they gradually emerge from a phase of deleveraging. A slowdown in the pace of budget growth, however, also signals the state's goal to rein in overspending and employ more prudent and efficient fiscal policies in the coming years.

Following the political unrest in several parts of the Middle East and North Africa Region, in early 2011, King Abdullah unveiled social benefits worth USD \$91 billion, with decrees outlining a boost in welfare benefits, a minimum wage of SR3000 (USD \$800) for state employees, bonuses for public sector workers and students, and a drive to build new housing. SR250 billion (USD \$66.7 billion) will be spent on creating half a million housing units and SR16 billion (USD \$4.3 billion) will be spent on medical facilities.



Infrastructure Development

The Saudi population is one of the fastest growing in the world and it is expected that there will be 29 million Saudis in 2020 - some 50% of Saudis are under 25 years old.

Massive investment will be required to meet the needs of this growing population, creating extensive investment opportunities. Major projects in power, water, oil & gas, petrochemicals, communications, transport, mining, construction and social infrastructure add up to an estimated USD \$1,000 billion of investment opportunity over the next 20 years.

Source - UKTI

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