



The Gateway to Saudi Arabia

Industrial Investors Guide



« Industrialization

is our choice for diversifying
our sources of income

The Custodian of The Two Holy Mosques
King Abdullah Bin Abdulaziz Al Saud



Saudi Credit Rating

FitchRatings

AA-

MOODY'S

Aa3

STANDARD
& POOR'S

AA-

Saudi Arabia Economy Profile Ranking By «Doing Business 2012



Out of 183 countries
Source : Doing Business / www.doingbusiness.org



Investor Guide To Saudi Arabia

This Guide was developed by the National Industrial Clusters Development Program (IC) in order to provide interested industrial investors world-wide with a brief overview about Saudi Arabia's advantages from an industrial perspective. All information has been taken from the respective Government Agencies whenever possible. Other sources have been used wherever seen necessary.

Disclaimer: The information contained herein is provided as a guide only. The IC has attempted to make this guide as accurate as possible, the information in it is provided without any express or implied warranty.



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1.0

Saudi Arabia – The Gateway to the Middle East

Saudi Arabia lies at the heart of the Middle East. The outstanding geo-strategic location provides easy access to export markets in Europe, Asia and Africa and the strong and continuously growing domestic market provides a strong backbone for your business.

By choosing the right strategic location for your company, you are creating a decisive competitive advantage in the global marketplace. As one of the leading business centers in the Middle East, Saudi Arabia provides an ideal platform and environment for research and development, efficient production and top-notch service by future-oriented companies.

Saudi Arabia is distinguished by the variety of investment opportunities for industrial investors. The extensive area of the Kingdom

and the plethora of investment opportunities throughout the nation allow you, the investor, a chance to select the province and environment that best suits your commercial plan, products, and services.

Saudi Arabia is the reliable energy supplier to the world, and is home to the largest oil reserve in the world, in addition to vast reserves for other natural resources. International standards show the strength of the local economy, and the credibility of the economic reform policies carried out by the Saudi government.

Saudi Arabia offers both natural and historical wonders, from the mountain resorts of Taif and the majesty of ancient Nabatean tombs to the multicolored coral reefs of the Red Sea.

« **Saudi Arabia**
lies at the heart of the
Middle East



- **Riyadh:** Riyadh the capital of the Kingdom is the geographic and cultural hub of the country and its largest city. Once surrounded by mud-brick walls, modern Riyadh – whose name comes from the Arabic word for garden (rowdhah) – is a contemporary city with an ever-expanding network of modern roads, high rises, residential suburbs and industrial parks.

- **Jeddah:** Jeddah is a sparkling, modern commercial center that is considered one of Saudi Arabia's most vibrant cities. It is alive with more than 300 gardens, and is home to one of the world's tallest fountains. One of Jeddah's leading attractions is the Corniche, a promenade that extends for miles along the Red Sea, interspersed with parks, fountains, lakes and kiosks. Its coastal location near the spectacular Red Sea coral reefs makes it a popular spot for water sports.

- **Eastern Province:** The capital of the Eastern Province, Dammam – along with nearby Dhahran and Khobar – is an important hub for shipping, oil, commerce and industry, and the home of the national oil company, Saudi Aramco. Dammam is linked to Bahrain via the King Fahd Causeway, an engineering masterpiece that stretches 15.5 miles across the sea and reclaimed land.

- **Asir Province:** Asir Province is an extensive region of steep mountains, lush greenery and cool breezes.

- **Taif:** The mountain resort city is located at 1,700 meters above sea level in the southwest region of Saudi Arabia. Its pleasant climate, lush parks, sunny skies and exotic wildlife have long drawn visitors to this resort town each summer.

Thank you for
considering
Saudi Arabia as
business location



Saudi Arabia – Facts & Figures

Saudi Arabia has a rapidly growing economy with an average current GDP growth rate of 11.9 percent (2005-2011). Moreover, Saudi Arabia is the largest free market economy in the region, accounting for 18 percent of total Arab GDP (IMF, 2012).

According to the Ease of Doing Business Ranking by the World Bank and the Global Competitiveness Report by the World Economic Forum, Saudi Arabia is by far the best location in the whole of the Middle East for your investments.

Ease of doing Business

01	Singapore	49	Oman
04	United States	62	Poland
12	Saudi Arabia	71	Turkey
19	Germany	91	China
26	Switzerland	126	Brazil
33	UAE		
36	Qatar		

Source: The World Bank Group Reports

Saudi Arabia is Ranked 17th in Global Competitiveness

01	Switzerland	17	Saudi Arabia
02	Singapore	26	China
05	United States	27	UAE
06	Germany	32	Oman
14	Qatar	41	Poland
		53	Brazil
		58	Turky

Source: World Economic Forum





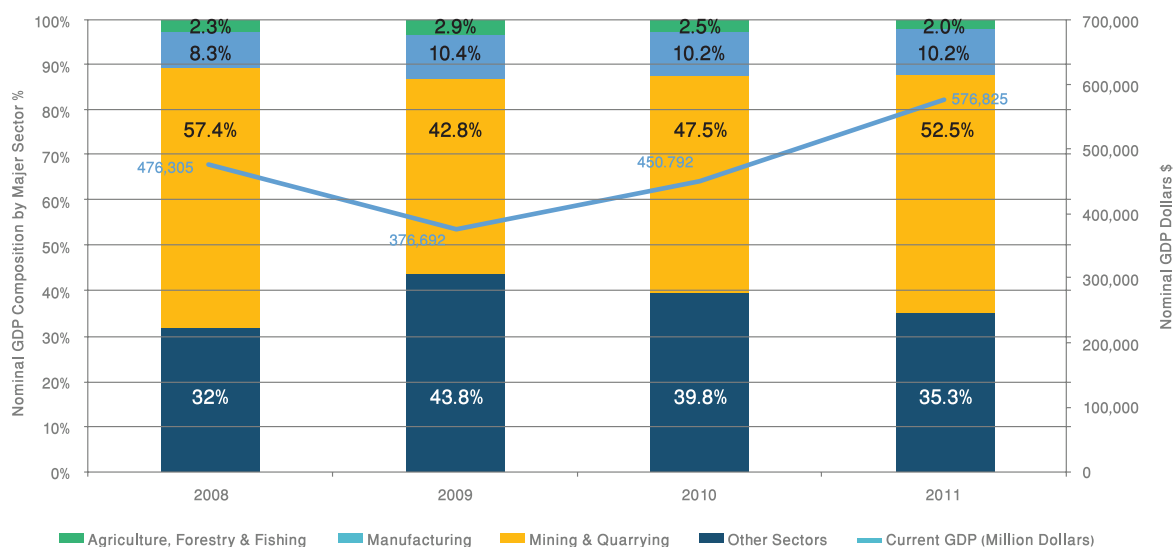
Selected Economic Indicators

	2005	2006	2007	2008	2009	2010	2011	CAGR
Current GDP (USD million)	315,337	356,155	384,686	476,305	376,692	450,792	576,825	
Current GDP Growth Rate		12.9%	8.0%	23.8%	-20.9%	19.7%	28.0%	11.9%
Current GDP per Capita Growth (USD)	13,517	14,765	15,424	18,471	14,129	16,355	20,332	
Current GDP per Capita Growth Rate		9.2%	4.5%	19.8%	-23.5%	15.8%	24.3%	8.3%
Trade Balance (USD million)	121,109	141,317	143,017	198,328	96,752	144,280	233,043	
Trade Balance Growth		16.7%	1.2%	38.7%	-51.2%	49.1%	61.5%	19.3%
Population (million)	23.3	24.1	24.9	25.8	26.7	27.1	28.4	
Population Growth Rate		3.4%	3.4%	3.4%	3.4%	1.8%	4.5%	3.3%

Source: CDSI & The World Bank



Saudi Arabia Current GDP Composition (2008 - 2011)



Note: Other Sectors include; Wholesale & Retail Trade, Restaurants & Hotels & Transport, Storage & Communication & Finance, Insurance, Real Estate & Business Services & Community, Social & Personal Services, Produces of Government Services & Import Duties -(Imputed Bank Services Charge)

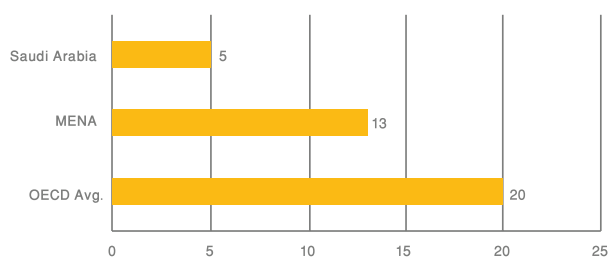
Source: CDSI 2011



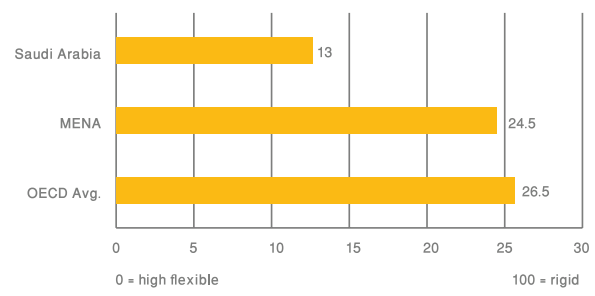
2.0

Key Competitiveness Indicators

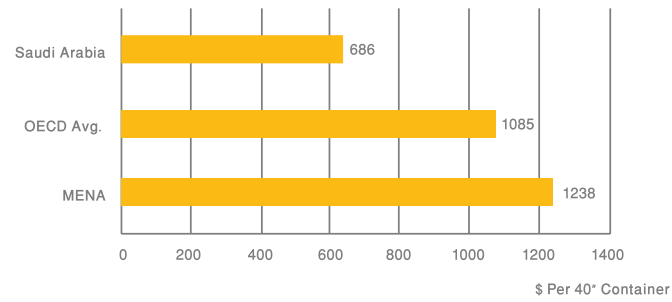
Starting a Business



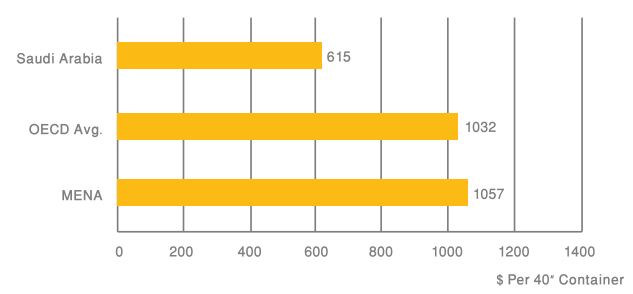
Rigidity of Employment



Cost of Export



Cost of Import





3.0

Saudi Arabia – Useful Information for Investors

Investment Support

The Saudi Arabian Government has aimed to create a hospitable climate for investment by establishing several authorities and agencies, dedicated to providing the best and most convenient support for businesses.

The Saudi Arabia General Investment Authority (SAGIA) assists investors by providing information and statistics for investment projects that lie within the scope of Saudi Arabia's development plans and to facilitate the preparation of feasibility studies for projects. SAGIA provides assistance to investors for investment in Saudi Arabia through real-time information exchange

between bankers, executives, lawyers, analysts, and government agencies, and simplifies interactions between SAGIA and its partners in areas such as visa and licensing applications. SAGIA also provides investors with a full suite of travel and freight services for their employees and clients.

Investors can choose between Investment Service Centers in Riyadh, Dammam and Jeddah, which have been established to serve as “one stop shops” for prospective investors from pre-investment assistance up to the beginning of the project. In addition to the Investment Service Centers, SAGIA operates nine International Offices

in Australia, China, United States, United Kingdom, Germany, France, Italy, Japan, and Singapore, capable of providing expert advice on aspects of investing and operating a business in Saudi Arabia.

Additional information is available at:

www.sagia.gov.sa



3.0

Project Ownership

The laws of Saudi Arabia do not distinguish between local and foreign investors. A foreign investor possesses the right of 100 % ownership of their projects including land, plant and buildings (residential as well as commercial). Real-estate necessary for the project can be owned with the exception of two cities of Holy Makkah and Medina. Foreign investors are also able to hold investment licenses in more than one type of activity.

« The laws of Saudi Arabia **do not distinguish** between local and foreign investors

Industrial Infrastructure and Economic Cities

Real estate for industrial usage is available at different industrial cities at competitive costs. Saudi Arabia currently has in total 30 industrial and economic cities managed by the Saudi Industrial Property Authority (MO-DON), the Royal Commission for Jubail and Yanbu (RCJY) and by The Economic Cities Authority. In addition, private industrial cities offer further opportunities and locations. The Industrial and Economic Cities offer to their tenants significant advantages in terms of cost efficiency and infrastructure through their integrated business models, and constitute a major part of the Saudi Arabian Government's efforts to encourage the diversification of the Saudi economy.



MODON

The Saudi Industrial Property Authority (MODON) is responsible for developing and supervising industrial lands in Saudi Arabia. MODON's 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 developed 23 industrial cities, with an area of more than 92 million sqm, 58% of which has already been rented. MODON has also committed to the development of more than 800 million sqm at 18 additional cities.

Current MODON industrial areas consist of 2,320 factories, employing 120,000 workers.

Each industrial city has an on-site administration to handle the day-to-day needs of investors and oversee the site development process.

Additional information is available at:

www.modon.gov.sa

RCJY

The Royal Commission for Jubail and Yanbu (RCJY) manages three world class industrial sites located on Saudi Arabia's Eastern and Western coasts. Jubail and Yanbu are fully developed, stand-alone cities, hosting widely diversified industries from petrochemical and synthetic material producers to home appliances manufacturing. Due to their offshore location, both cities are excellent place for families and each possesses ample amenities, including many sport and leisure facilities activities, developed to

meet the needs of their residents.

Since their opening, the Saudi Arabian Government has already invested USD 25 billion in developing the industrial cities of Jubail and Yanbu. This has yielded the establishment of more than 233 industries with total investments of about USD 119 billion and resulting in employment opportunities for more than 107,000 employees. The total population of the RCJY cities is about 154,000, with 61% of the residents located in Jubail.

On 19th October 2009, the Government authorized RCJY to undertake the administration of "Ras Al-Khair" a new Minerals Industrial City to provide it with utilities and other facilities for developing metals and downstream mining.

More information is available at:

www.rcjy.gov.sa



Economic Cities

Saudi Arabia has established four new Economic Cities, fully planned and under construction, where up to five million residents will live, work and play. Each will be an exciting economic hub, designed to maximize investment potential and deliver considerable advantages to businesses located there. At a cost of more than USD 60 billion, this visionary development project will spur the development of the Saudi economy onto a new level through the promotion of economic diversification, the creation of over a million new employment opportunities, the construction of new housing for five million residents and, most significantly, is expected to contribute \$150billion to Saudi Arabia's GDP.

The most advanced of these projects is King Abdullah Economic City (KAEC), located 80

km north of Jeddah. Additional information about these industrial areas is available at:

www.sagia.gov.sa

Private Industrial Cities

There are a number of private industrial cities, the largest being Rabigh Conversion Industrial Park (CIP).

Rabigh CIP

Rabigh CIP is a petrochemical conversion park, located just 15 kilometers north of King Abdullah Economic City (KAEC) on the shorelines of the Red Sea, known as one of the best diving areas in the world. It will include an international port, through which products from Rabigh CIP can be transported across the globe.

The businesses of the Rabigh CIP will ben-

efit significantly from competitively priced resins supplied by Petro Rabigh, negotiated individually with tenants.

Due to the extent of interest from investors, Saudi Aramco and Sumitomo have already begun the planned second phase expansion of Rabigh CIP.

The nearby town of Rabigh has amenities such as shops, hotels, restaurants, apartments, etc. Further development of the tourism resources of the Red Sea Coast including the area of Rabigh is planned.

Additional information about these industrial areas is available at:

www.petrorabigh.com



Land-Indicative Prices

Category	Unit	KAEC	MODON	RCJY	Rabigh CIP
		Rabigh	Across KSA	Jubail & Yanbu	Rabigh
Industrial Land Allocation Fee	US\$/m ²	N/A	1.06-13.33	N/A	N/A
	SR/m ²	N/A	4.00-50.00	N/A	N/A
Industrial Land Rental Fee	US\$/m ²	4.00	0.26-0.53	1.20	1.60
	SR/m ²	15.00	1.00-2.00	4.50	6.00
Commercial/Offices Land Rental Fee	US\$/m ²	13.40	N/A	N/A	N/A
	SR/m ²	50.00	N/A	N/A	N/A
Labour Housing Land Fee	US\$/m ²	4.30	N/A	N/A	N/A
	SR/m ²	16.00	N/A	N/A	N/A

Source: Land Developers
All Prices Per Year

Power and Utility Prices

Utilities-Indicative Prices:

Item	Unit	US\$/Unit
Gas	mmBtu	0.75
Diesel	liter	0.10
Refined Fuel Oil	liter	0.033
Potable Water up to	m³	1.76
Process Water	m³	1.76
Sea Water Cooling	m³000	15.14
Sanitary Wastewater up to	m³	1.432
Industrial Wastewater up to	m³	1.048
Reclaimed Water	m³	0.44

Source: Royal Commission for Jubail & Yanbu

Industrial Power Consumption Tariff

Consumption Period	Seasonal tariff for factories with electromechanical meter		Variable tariff for factories with digitals meter	
	Consumption Hours	Tariff (\$/KWh)	Consumption Hours	Tariff (\$/KWh)
Oct. - Apr.	All	0.032 for small consumers	All	0.032 for small consumers
		0.037 for large consumers		0.037 for large consumers
May - Sep.	All	0.04	Off-peak Hours Sat. -Thur. 00:00 -08:00 Fri. 09:00 - 21:00	0.026
			Peak Hours Sat. - Thur. 12:00 - 17:00	0.069
			Other times	0.04

Source: ECRA



Project Finance

Saudi Arabia offers a wide range of competitive financing opportunities funded by the Government. In addition, there are the typical range of commercial banks and private equity firms. The section below provides some information relating to finance:

Saudi Industrial Development Fund

The Saudi Industrial Development Fund (SIDF) is the arm of the Ministry of Finance responsible for supporting industrial development in Saudi Arabia. SIDF offers medium- and long-term low-cost industrial loans, limited up to 75% of the total project cost and up to USD 320 million in less developed areas and USD 240 million in developed areas. Loans are provided for a maximum term of 20 years, including two years grace period with repayment sched-

ules designed to match the projected cash flow of the project.

To apply for a loan, the proper registration and loan application must be completed along with a bankable feasibility study of the project. There are limitations to the type of projects SIDF funds. Namely, they do not assist in:

- Projects that are more than one year from the start of project execution.
- Used machinery, equipment and vehicles purchase that are more than one year old from the date of customs clearance
- Used or imported furniture purchases
- Buildings that are more than one year old from the date of their construction, as well as imported steel hangers.

Additional conditions:

- Locally manufactured materials must be used in implementing, furnishing and operating the project.
- A Saudi auditing firm must be employed to audit the project's financial accounts throughout the term of the loan.
- Saudi nationals should be encouraged to work in the project and plans for their recruitments should be made available.

Please find more information at:

www.sidf.gov.sa



3.0

The Public Investment Fund (PIF)

The Public Investment Fund (PIF) provides medium- and long-term loans for large scale government and private industrial projects. The motive behind the establishment of PIF was thus to provide financing for certain productive projects that are of a commercial nature and are considered to have a significant importance in the development of the national economy. Finance is available to both public and private institutions, regardless of whether the projects are undertaken independently or in partnership between governmental authorities and private institutions. PIF's funding is handled through loans or guarantees, and in special cases, through allocations of public funds to specific projects.

More information about PIF can be found at www.mof.gov.sa

Saudi Credit & Saving Bank

Saudi Credit & Saving Bank (SCB) provides interest free loans for small enterprises, employers, and emerging trades to encourage them to run their own businesses independently. In collaboration with SCB, MODON recently launched Small-Medium-Enterprises' (SME's) financing targeted at the under-developed regions of Hail, Al-Jouf, Tabuk, Najran, Jazan and Ar'ar, with the express aim of promoting economic development and create employment. These projects are required to be constructed in MODON's industrial cities). SCB finances up to USD 800,000 per project and the investor's share of financing is open.

More information can be found at www.scb.gov.sa

Arab Fund for Economic and Social Development

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

More information can be found at www.arabfund.org

Arab Monetary Fund

The Arab Monetary Fund promotes the development of Arab financial markets and trade among member states and advises member states on investment of resources through Arab Trade Financing Program (ATFP). ATFP's mission is to contribute to the promotion of trade exchanges of commodities of Arab origin through the provision of a financial facility.

More information can be found at www.atfp.org.ae



Inter-Arab Investment Guarantee Corporation

Inter-Arab Investment Guarantee Corporation provides insurance coverage for inter-Arab investments and export credits against commercial and non-commercial risks.

More information can be found at

www.iaigc.net

Islamic Development Bank

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

More information can be found at

www.isdb.org

Local Financing Options

Saudi Arabia is home to the leading Arab investment banks, such as Samba, SABB

and Al Rahji, all of which are included in the list of the largest one thousand banks in the world. Eleven of the twelve leading Saudi banks have an aggregate Tier 1 capital of \$37.9bn, with four of the local banks among the top 10 Arab banks by assets.

In addition, and as a result of several policy measures in the second half of the 20th century, many foreign banks chose to conduct their business in Saudi Arabia from other Gulf Cooperation Council (GCC) hubs such as Bahrain and Dubai. Ten foreign banks licensed to operate in Saudi by the Saudi Arabian Monetary Agency: BNP Paribas, J.P Morgan, National Bank of Kuwait, National Bank of Bahrain, Emirates Bank, Gulf International Bank, State Bank of India (SBI), National Bank of Pakistan and Deutsche Bank.

Offset Program

The Economic Offset-Program helps en-

courage both direct and indirect foreign investment in the Kingdom. The program requires the winner of certain government contracts to reinvest in the local economy and encourages firms from to set up local high-tech plants as joint ventures with Saudi companies. Direct offsets are classified as cooperation between the purchasing and selling countries in supplementing elements of the underlying purchased product through co-production, technology licenses, and other supply arrangements. The indirect program consists of an arrangement by the selling country to assist the importing country in its general development and investment strategy.

Project proposals for the program are evaluated by the Saudi Economic Offset Committee, which is a part of the Ministry of Defense. Typically, the Economic Offset Program requires an investment of about



35 percent of the total contract value, giving the foreign company between 10 and 12 years to identify potential investment projects, receive proposal, find Saudi partners, and initiate operation.

More information about the Economic Offset Program can be found at:

www.offset.org.sa

Human Resources

The development of human capital is the key to the success and a necessary factor for competitiveness. Saudi Arabia is committed to providing the best human capital through an ambitious and intensive investment program in the education sector to meet the demands of industrial diversification and sustainable growth respectively.

Innovation

The 9th Development Plan (2010 - 2014) of the Kingdom of Saudi Arabia aims to establish a national base of science and technology to foster innovation and sustainable economic growth through the establishment of King Abdulaziz City for Science & Technology (KACST) as an independent scientific organization, on par with the Fraunhofer-Institute in Germany and the Massachusetts Institute of Technology in the US.

www.kacst.edu.sa

Higher Education

The Ministry of Higher Education (MOHE) organizes and plans higher education in Saudi Arabia and is responsible for both public and private universities, as well as overseeing scholarship programs. Cur-

rently, there are more than 250,000 Saudi nationals obtaining their university education locally and at international universities around the world. The scholarship program has been extended recently for another five years.

King Abdullah University for Science & Technology (KAUST) is a globally renowned graduate research university that makes significant contributions to scientific and technological advancement, and plays a crucial role in the development of Saudi Arabia and the world.

www.kaust.edu.sa

Riyadh Techno Valley (RTV) is dedicated to attracting local and global investment in the field of technological research. The



RTV project will facilitate dynamic research activity within the university and enable the existing economic institutions in the Kingdom to harness innovation to generate or transfer advanced technology, in accordance with Government's aim of establishing Saudi Arabia as a leading knowledge-based economy.

www.rtv.com.sa

Dhahran Technology Valley (DTV) is a major undertaking initiated by King Fahd University of Petroleum & Minerals (KFUPM) in 2006. It is envisioned to be the Middle East's most prestigious industrial research and development (R&D) and technology nucleus. The valley also provides development, production, and marketing support services for innovation that originates from academic research, but within a business environ-

ment. It has been established to provide infrastructure for industrial R&D to flourish in the Kingdom.

Furthermore, numerous Saudi research centers and universities have signed agreements with international companies such as Schlumberger, Intel Corp, CIBA Specialty Chemical and JCCP to establish mutually beneficial relationships with DTV.

Academia support from KFUPM will serve as a catalyst in the development of industrial R&D in Saudi Arabia. The faculty at KFUPM is designed to match the leading international facilities at Singapore, Hong Kong, Cambridge, Oxford, Aston, Warwick, Sheffield, Aberdeen, New York, North Carolina and Silicon Valley.

More information about Higher Education in Saudi Arabia is available at MOHE website

www.kfupm.edu.sa

Technical and Vocational Training

In addition to higher education, Saudi Arabia has a strong commitment to technical training for its workforce through the Technical and Vocational Training Corporation (TVTC). TVTC is the driver of vocational and technical training in Saudi Arabia and works to provide skilled labor to industry. Through its colleges spread throughout the Kingdom, TVTC provide two years courses to educate students on production technology, electronics, manufacturing mechanics, control technology, industrial electronics, and computing. They also offer industrial institutes with 3-years programs for courses in English, Mathematics, Physics, and Chemistry. TVTC has announced plans to double the current capacity in order to provide sufficient qualified national labor.



Saudi Workforce Development Funding

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 HRDF shares the cost of the training and employment of the trainees by providing the following:

- During the training period, assistance towards the cost of the training is up to SR 500 per month if internally trained or up to 75% of tuition at an external training agency, as well as up to 75% of a subsistence allowance (with limits).
- During the post training period, assistance up to 50% of the employee's salary for a period of up to two years, whether the trainee has received training previously or is a new trainee.

Additionally, the HRDF also conducts studies and programs aimed at promoting the employment of Saudi nationals, and provides loans to private sector organizations to establish workforce training and modernization programs.

Additional information about the fund is available at

www.hrdf.org.sa

Labor Regulations

Saudi Arabia's labor regulations are derived from the international labor system and are managed by the Ministry of Labor. The regulations cover the rights of workers and employers in all aspects of employment, Non-Saudis employment, training and rehabilitation, contracts, work environment and conditions, part time work, work risk, women employment, teenager employment, maritime working, quarries and mines working and inspection, and settlement of disputes.

The Ministry of Labor also provides free recruitment services for Saudi nationals. More information about Ministry of Labor is available at their website:

www.mol.gov.sa



Labor Cost

Saudi Arabia offers excellent skill sets at decent wages and salaries. Moreover, Saudi Arabia has one of the most flexible labor laws in the world, which allows easy hiring and headcount adjustments.

Social Insurance

There are two components of social insurance charges in Saudi Arabia, the Occupational Hazards Component to cover work related injuries, illness and death, and Annuities Component to cover pensions.

- The Occupational Hazards component is applied to all workers without any discrimination as to gender, race, nationality, and age. The contributions for the Occupational Hazards components is fixed at 2% of the contributory wages of the employee and shall be payable by the employer.

- The Annuities component is applied to all Saudi workers. The contribution for the Annuities Branch in respect of the contributing workers is fixed at 18% of contributory wage, of which 9% is payable by the employer and 9% is payable by the employee. These contributions are computed on the basis of the basic monthly wage + home allowance received by the contributor. The maximum contributory wage is set at USD 12,000 per month, beyond which no contribution is levied.

More information is available at www.gosi.gov.sa

Trade Agreements and Regulations

Saudi Arabia is signatory to a number of trade agreements. These agreements fall into three main categories:

World Trade Organization Agreement

Saudi Arabia has been a member of the World Trade Organization (WTO) since 11th December 2005. Pursuant to its membership, Saudi Arabia agreed to undertake a series of commitments to further liberalize its trade regime and accelerate its integration in the World economy, while offering a transparent and predictable environment for trade and foreign investment in accordance with WTO rules.



Free Trade Agreement with Other Economic Blocks

Gulf Cooperation Council (GCC)

Agreements:

The GCC Customs Union came into effect on January 1st, 2003 and transformed the six GCC member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE) into a single customs zone. The Customs Union implemented a common customs tariff of 5% on all foreign goods imported into the GCC and the principle of “single point entry” adopted for the Customs Union. Furthermore, the Customs Union established the free movement of goods among the GCC States and the treatment of the goods produced in any of the GCC States as national products. GCC countries have already signed a Free Trade Agreement with Singapore and Euro-

pean Free Trade Association (EFTA) which include Switzerland, Norway, Iceland, and Liechtenstein and is currently negotiating with several other countries like China, South Korea, Australia and New Zealand. For more information please visit:

www.gcc-sg.org

Greater Arab Free Trade Area (GAFTA)

The Greater Arab Free Trade Area (GAFTA) is a Trade Facilitation and Development Agreement established by the Social and Economic Council of the Arab League. Under the terms of the agreement, there is a full exemption of customs duties and charges between members of GAFTA, for goods with a local content exceeding 40%. Some GAFTA members do not require authentication of certificates of origin and accompanying documents by embassies and consulates.



GAFTA includes the following Arab countries

Algeria	Palestine
Bahrain	Qatar
Egypt	Saudi Arabia
Iraq	Sudan
Jordan	Syria
Kuwait	Tunisia
Lebanon	UAE
Libya	Yemen
Morocco	

Investment Promotion & Protection Agreements (Bilateral Agreements)

These agreements aim to promote and protect the investments of the nationals and enterprises of one contracting party in the territory of the other contracting party by providing an appropriate legislative environment to stimulate and increase investment, trade and industrial activity. The agreement also provides adequate guarantees to nationals or enterprises of the other contracting party to transfer their profits, dividends and other current income. The investment will not be subject to expropriation except for a public purpose and against prompt and adequate compensation. Saudi Arabia has signed Investment Promotion & Protection Agreements with the following 23 countries:

Investment Promotion & Protection Agreements

Austria	Luxembourg
Azerbaijan	Malaysia
Belarus	Philippines
Belgium	Singapore
China	South Korea
Czech Republic	Spain
Egypt	Sweden
France	Switzerland
Germany	Taiwan
India	Turkey
Indonesia	Ukraine
Italy	



Avoidance of Double Taxation Agreements

In order to attract investment, Saudi Arabia has entered into agreements to eliminate the double payment of taxes by foreign nationals and enterprises operating within its borders.

Economic, Trade and Technical Cooperation Agreements

Economic, Trade and Technical Cooperation Agreements allow for the free inflow of goods, capital, and services and the free movement of individual and investment between Saudi Arabia and other nations, and have been signed selectively to develop economic, trade and technical cooperation and to create appropriate conditions to develop cooperation on the basis of reciprocal interests.

Import & Export Support

Tax Free Bonded Zones

Saudi Arabia has two tax free bonded zones where the goods, spare parts, and raw materials are imported and stored, located at King Abdulaziz Port in Dammam (www.reexport.com) and at Jeddah Islamic Port (www.tusdeer.com). A new bonded zone will be located at Jazan Economic City in the near future.

Industrial Projects inputs may be eligible for totally or partially exemption from customs duties in accordance with GCC Unified Industrial System. Investors are eligible for exemption from import duties on new machinery, equipment, tools and spare parts used for the manufacture of industrial products, as well as on any imported material used for manufacturing products intended for re-export at SAGIA economic cities bonded zones.

Please find more information at:

www.reexport.com (Dammam),
www.tusdeer.com (Jeddah),
www.jazanecity.com (Jazan)

Saudi Fund for Development

The Saudi Fund for Development provides guarantee, financial services for exporters and foreign importers of goods from Saudi Arabia.

Please find more information at:

www.sfd.gov.sa

Saudi Export Program

Saudi Arabia has formed the Saudi Export Program (SEP), under the Saudi Fund for Development, to assist Saudi exporters and foreign buyers (importers) by providing financing and insurance to facilitate the



development and diversification of non-oil exports from Saudi Arabia.

More information about SEP can be found at: www.sep.gov.sa

Saudi Export Development Center

Promotion of Saudi non-oil exports of products and services by the Saudi Export Development Center, established under the umbrella of Saudi Council of Chambers of Commerce and Industry.

Please find more information at:

www.sedc.org.sa

Saudi Industrial Exports Company

Saudi Industrial Exports Company (SIEC), a Joint Stock Company formed by the leading industrial, commercial and financial entities of Saudi Arabia, is the premier Middle East

Trading House and is concerned with buying, selling and providing related services for shipping, financing and warehousing.

Please find more information at:

www.siec.com.sa

« The Saudi Fund for Development

provides guarantee, financial services for exporters and foreign importers of goods from Saudi Arabia



3.0

Resolving Legal Disputes

Resolution of disputes involves three important considerations: whether to use Saudi courts, courts of other countries (similar type of Saudi tribunals in which the dispute will be resolved) and the possibility of arbitration.

If a commercial dispute arises between a foreign company and a Saudi party, the foreign party should consider suing the party in Saudi Arabia. In regards of government agencies the Saudi law prohibits to bring them to court in another country. Therefore bringing a suit directly in Saudi Arabia provides best assurance that a favorable judgment will be enforced.

Before suing a Saudi in another country, it should be checked whether Saudi Arabia has a reciprocal enforcement treaty with that country. If company sues a Saudi in a

non-treaty country and attempts to enforce a judgment in Saudi Arabia, the Board of Grievance would review the judgment to make sure that it does not violate Saudi public policy. For example, no such treaty exists between the United States and Saudi Arabia.

Arbitration presents a viable alternative to resolving disputes through Saudi judicial system. However, some important rules to keep in mind when considering arbitration are that the arbitrators must be Saudi nationals or Muslims, the proceedings must be conducted in Arabic, and Sharia law must be followed. The chairman of the arbitrators must be an expert in Sharia or Saudi commercial law. Furthermore, Saudi Arabia requires a court to approve the arbitration award.

For more information please visit:

www.moj.gov.sa

Taxation, Duties & Foreign Exchange

Taxation

The tax environment in Saudi Arabia is very favorable according to World Bank “Ease of Doing Business” 2011 report. Saudi Arabia was ranked 7th in view of paying tax out of 183 economies.

Saudi Arabia has no personal income tax. The corporate tax rate on profits for foreign countries is 20% and Saudi Arabia is one of the few countries in the world which allow companies to indefinitely carry forward losses on their balance sheets, effectively relieving companies of the tax burden until they become profitable.



The Department of Zakat and Income Tax (DZIT) is responsible for the administration and collection of Zakat (often compared to the system of tithing and alms) and Tax on Income. DZIT operates ten field offices in addition to its headquarters in Riyadh.

More information about Zakat can be found at their website at:

www.zakat.gov.sa

Duties

The general rate of import duty is 5%. Some limited numbers of products have tariff rates of either 12% or 20%.

However, customs duty exemption is available on all authorized imports for industrial establishments, equipment, machinery, tools, spare parts, raw materials (whether primary or semi manufactured) or packag-

ing materials if local supply does not exist or the local supply is not up to the specifications of the manufacturers.

More information about exemptions and duties can be found at Saudi Customs website www.customs.gov.sa

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 goods. To trigger Duty Drawback status, importers or their agents must inform Customs at the point of entry that the imported goods are raw materials that will be further processed and re-exported. The importer will pay the duty assessed on importation, but the amount is kept in bond and re-

funded on re-export of the goods. Prior to re-export, the exporter must submit all export documentation together with a copy of 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. Customs use a standard formula to determine how much of the imported raw material is used in the final exported product. The same formula is applied to every product. More information can be found at Ministry of Commerce and Industry at:

www.moci.gov.sa

Foreign-Exchange Regulation

The Saudi Riyal is freely convertible and pegged to the US dollar at a rate of 3.75



3.0

SAR: 1 USD. For current account transactions, Saudi Arabia does not have specific legislation on the regulation and the control of foreign exchange; however, the Saudi Arabian Monetary Agency (SAMA) must be notified of transactions in excess of SAR 100,000 (USD 26,667).

As part of inter GCC cooperation, the GCC plans on establishing a unified currency. Policy decisions regarding exchange rate, form, use and application, and bearing standard still have to be fixed.

More information can be found at SAMA website www.sama.gov.sa

Specific Tax Incentives

Saudi government is offering conditioned extra incentives to investors in specific regions (Hail, Northern Border, Jazan, Al-Jouf, Najran, Al-Bahah).

The incentives include:

1. Up to 50% tax credit on Saudi national worker's payroll for 10 years.
2. Up to 50% tax credit on Saudi national worker' training cost for 10 years.
3. A onetime industrial capital investment credit of 15% carried forward up to 10 years. (All of the three incentives are applicable to Jazan and Hail economic cities).
4. Mineral investors will enjoy a 20% reduction in their tax liability.

Regulatory Incentives

In 2000, the Saudi government announced a new Foreign Investment Law, introducing major regulatory incentives including (but not limited to):

- Equal benefits, incentives and guarantees for foreign investors and domestic companies.
- 100% foreign ownership of companies and property.
- 100% property ownership for foreign investors.
- No restrictions on repatriation of capital
- The ability for foreign investors to sponsor foreign employees.



Competitiveness

The National Competitiveness Centre (NCC) was established recently under SAGIA umbrella to assess and support the development of competitiveness in Saudi Arabia. NCC's mission is to achieve a sustainable increase in the standard of living and prosperity of the population of the Saudi Arabia, encouraging growth in productivity and diversifying of the economy away from oil sectors, which in turn leads to increased employment, increased business formation and growth in FDI.

More information can be found at www.saudincc.org.sa

Basic Materials in Saudi Arabia

Saudi Arabia has the largest known deposits of mineral resources in the Middle East with proven reserves including 20 million tons of gold ore and 60 million tons of copper. Minerals in Saudi Arabia can be found into two areas: the Arabian Shield in the West running parallel to the Red Sea, which is a major area for precious minerals such as gold, silver and basic minerals such as copper and zinc in addition to some industrial minerals, and a second area in the East of sedimentary rocks containing economically attractive industrial minerals. These sedimentary rocks slide deep into the Arabian Gulf where they form natural storage area for oil and gas.

Saudi Arabia is the world's 11th largest petrochemicals supplier, accounting for 7% of total global supply. Key products include LDPE, LLDPE, HDPE, PP (homopolymer & copolymer), Vinyl Acetate Monomer (VAM) and Acetic Acid.

Please find more information about basic materials in Saudi Arabia at:

www.mopm.gov.sa
www.sabic.com
www.saudiaramco.com
www.maaden.com.sa
www.petrorabigh.com
www.tasnee.com
www.sipchem.com
www.sadara.com
www.rajhisteel.com



3.0

Standardization

Saudi Arabia has formed Saudi Standards, Meteorology and Quality Organization (SASO) to maintain public health and safety through the regulation of standards. They are the sole organization overseeing the standards and measurements within the Saudi Arabia, responsible for:

- The formulation and approval of national standards for all commodities and products as well as standards concerned with metrology, calibration, marking and identification of commodities and products, methods of sampling, inspection and testing,
- Publishing Saudi standards by the most proper means,
- Promoting standardization awareness and coordinating all activities relating to standards and measurements in Saudi Arabia,
- Setting the rules for granting certificates of conformity and quality mark and regulating their issuance and use,
- Participating in the Arab, Regional and In-

ternational Organizations.

More information about SASO can be found at their website:

www.saso.gov.sa

Transportation & logistic

Sea Ports

Saudi Arabia has the largest marine network in the Middle East, consisting of nine ports (five of which are container ports): King Abdulaziz Seaport, Jubail Commercial Port, King Fahad Jubail Industrial Port, Jazan Port, Jeddah Islamic Port, Dhiba Port, Yanbu Commercial Port and King Fahad Yunbu Industrial Port, Ras Al-Khair Port. In total these ports are capable of handling 252 million tons of cargo annually

All ports are managed, operated and maintained by private sector companies under long term contracts. As part of Saudi Arabia's export development initiatives, it

makes exemption of export goods from storage fees for 10 days and 50 percent reduction in port fees on all exports.

www.ports.gov.sa

Road Network

At the end of 2008, Saudi Arabia had 184 thousand kilometers of paved roads, including an integrated highway system connecting major population and industrial centres, and in the last few years has been adding to that at a pace of about 2,500 kilometers per year. A substantial majority of all cargo is transported nationwide by road.

For more information visit the Ministry of transportation website:

www.mot.gov.sa

Air Travel

There are 27 airports across Saudi Arabia of which four, at Riyadh, Jeddah, Dammam, and Madinah, are international. In 2010, it



over 45 million passengers passed through Saudi Arabia, with aircraft operations reaching 408,683 in number. Cargo & mail handled was 503,164 metric tons.

Air travel is the preferred method of passenger travel within Saudi Arabia, because of the distances separating the main cities. Several major international airlines offer services in and out of Saudi Arabia.

More information about Airports in Saudi Arabia available at General Authority of Civil aviation:

www.gaca.gov.sa

Railways

The Saudi Railways organization (SRO) provides services over a network of 1,423 kilometers of track between Dammam and Riyadh, either direct or via Abqaiq and Hofuf, with branch lines to Dammam Port, Dhahran, Al-Judaidah, Ain Haradh and Al-Kharj. SRO carries 1.1 million passengers

and handles over 3.4 million tons of cargo annually.

Planned expansions of the railway network included new track from Riyadh to Jeddah, from Al-Jalamid phosphate deposit in the far North Via Hail and Buraidah to Ri-

yadh, between Dammam and Jubail and between the bauxite deposit at Al-Zubirah and Jubail.

More information about Saudi Railway organization is available at

www.saudirailways.org





4.0

Industrial Clusters

National Industrial Clusters Development Program

The government, through its National Industry Strategy and other initiatives, has enacted to diversify the economy and increase the manufacturing share to the GDP. To support in achieving this goal the government identified five industrial sectors to focus on as a starting point for its industrial diversification. As a consequence of diligent assessment following industrial sectors were identified:

- Automotive
- Minerals and Metals Processing
- Plastic and Packaging
- Solar Energy
- Home Appliances

The mission of the National Industrial Clusters Development Program (IC) is to identify potential business opportunities and

to attract local and international investors within the five clusters to invest, relocate or expand existing manufacturing activities to Saudi Arabia.

The IC is also responsible for providing support in identification and activation of key enablers, driving processes and coordinating with other government agencies.

Furthermore the IC facilitates and helps potential companies (investors) evaluating investment opportunities.

www.ic.gov.sa

« Increase the manufacturing share to the **GDP**



Minerals and Metals Processing Cluster

The Minerals and Metals Cluster objective is to establish sustainable and competitive primary and intermediate minerals and metals industries that will enable manufacturing activities in a wide variety of domestic and global products.

The cluster is designed to meet current and future domestic demand. In addition, the cluster promotes the development of high value added export oriented and globally competitive products that utilize the attractive cost environment in Saudi Arabia.

The minerals with high potential for industrial development include Bauxite, Silica-Quartz, Magnesite, Tantalite, Zinc, Copper

ores, Ilmenite and Rare Earths. Metals development is currently active in Specialty Steels, Automotive Steels, Steel Plate, Aluminum Auto Sheet Products, Aluminum Flat Rolled Products, Aluminum Billets, Copper and Zinc refining and downstream products, as well as Titanium Metal and Silicon Metal.

« Enable
manufacturing activities in a wide variety of domestic and global products



4.0

Automotive Cluster

The objective of the Automotive Cluster is to enable the Kingdom to actively participate in the USD 2.7 trillion/yr global automotive trade market and capture a share of the USD 45.4 billion/yr automotive imports market in the MENA region by initiating and developing a fully competitive local automotive industry. This will create a very substantial number of high quality job opportunities for young Saudis coming out of specialized schools and technical universities.

The Automotive Cluster covers the entire automotive value stream, from the vehicle assembly operations through to the direct or indirect suppliers of OE automotive parts, components, modules and sub-assemblies, as well as the technical support services that go with them.

Some typical anchor projects being pursued include vehicle assembly (cars, trucks and buses), tire manufacturing, aluminum

automotive castings (wheels, power-train, suspension) and plastic injection-molded components manufacturing.

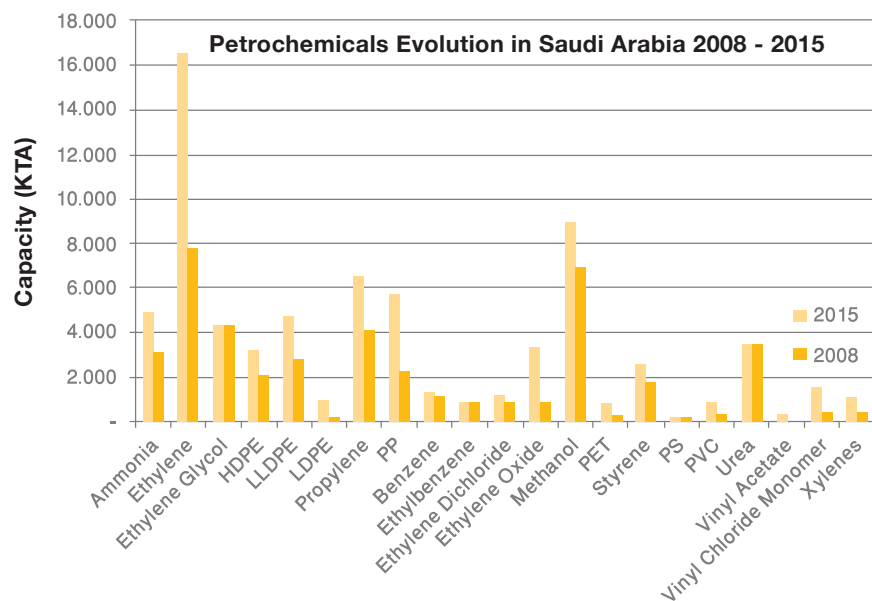




Plastic and Packaging Cluster

Saudi Arabia is well known for its world class petrochemical industries, with production projected over 100 million tons/yr by 2016.

The objective of the Plastic and Packaging Cluster is the development of an export-oriented and globally competitive Plastic and Packaging industry that leverages the Kingdom's petrochemical resources, as well as the expansion of other industries like food and Pharmaceuticals, for the purpose of significantly contributing to the diversification of the economy and creating substantial number of rewarding job opportunities.





4.0

By positioning Saudi Arabia as a Global Top Ten Exporter of Plastics & Packaging by 2020 and as recognized CPG Packaging Service Center, the cluster aims to attract global CPG players, stimulate the expansion of the existing CPG industry within the Saudi Arabia and to support other clusters in the development of parts made from plastic materials.

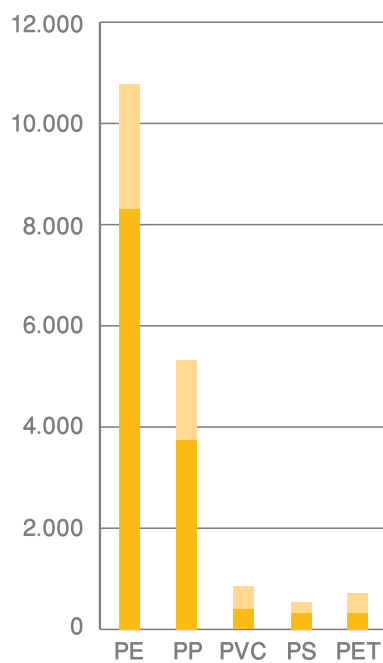
The Middle East Packaging market is estimated at around USD 5 billion and predicted to grow by 45% by 2016. This growth is driven by the existing Bulk Polymers production of 15 million tons/yr, as well as Spe-

cialty Polymers that will be available in Saudi Arabia in the coming three to five years. The Cluster is therefore primarily focused on polymers in the Bulk Industrial Packaging, Food, and Pharmaceutical sector to facilitate the subsequent rapid expansion of Fast Moving Consumer Goods (FMCG), Industrial Polymers and Chemicals, Logistics, Pharmaceutical and Retail industries.

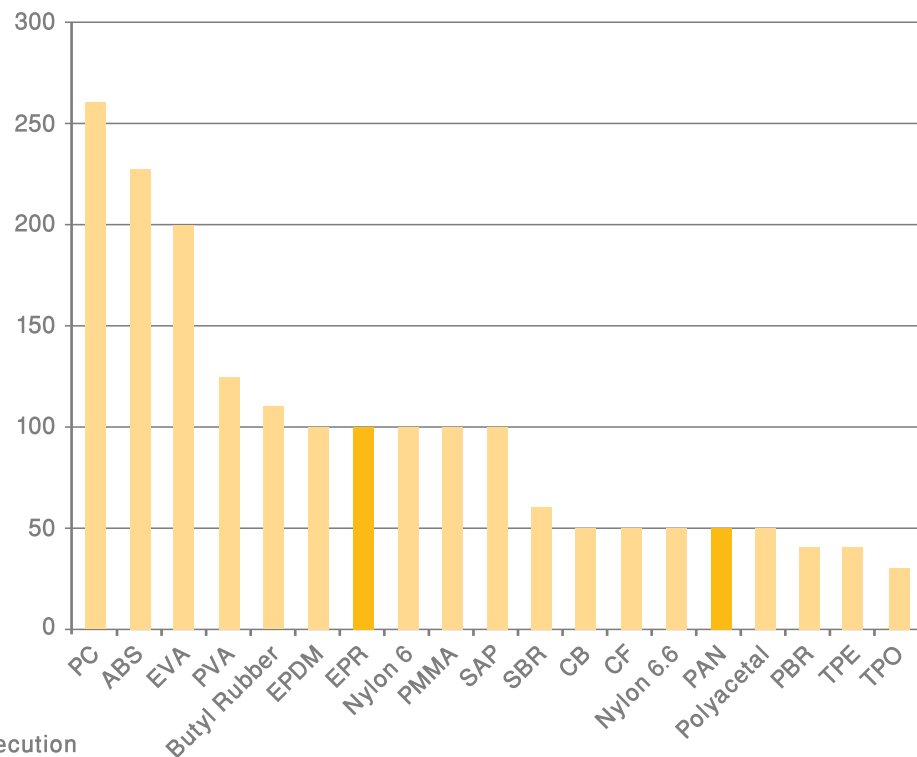
« The IC aims to **attract global players**, stimulate the expansion of the existing industry



Bulk Polymers (KTA)



Specialty Polymers (KTA)



■ Existing Capacities ■ Execution



Solar Energy Cluster

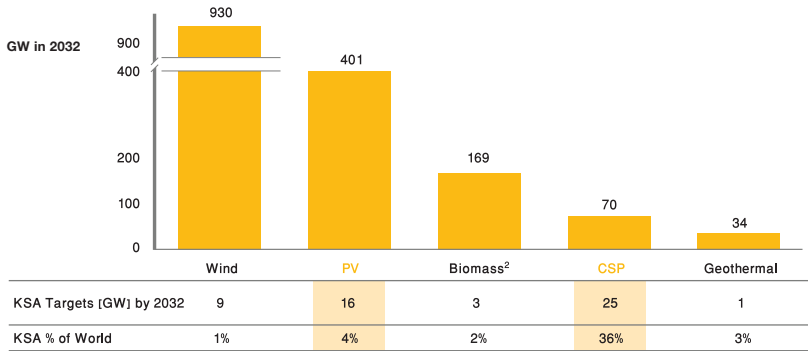
The establishment of local solar manufacturing activities is within the focus of Saudi Arabia's efforts to diversify the national economy and to contribute to the country's energy mix in the future. Solar energy industries bear enormous potential in Saudi Arabia in several fields such as power generation, district cooling and seawater desalination.

King Abdullah City for Atomic and Renewable Energies (KA-CARE), the government entity responsible for alternative energy development, announced long-term Renewable Energy (RE) development targets. By 2032, the country plans to generate almost a quarter of its electricity from solar energy, with 41 GW of solar power capacity. The 41 GW of planned solar power capacity is divided into 16 GW of photovoltaic (PV)

technology and 25 GW of concentrated solar power (CSP) technology.* Part of the government objectives to turn Saudi Arabia into "The Kingdom of Sustainable Energy" is the development of local solar manufacturing capacity with the involve-

ment of the private sector. The Solar Energy Industry Cluster is working with several local and international companies to promote and develop various industries along the value and supply chains of the PV and CSP technologies.

Saudi Arabia Renewable Energy Targets by 2032



*Announced by KACARE on 8th of May 2012 at the 4th Saudi Solar Energy Forum

Source: KACARE



Home Appliances Cluster

Manufacturing home appliances and air conditioners in Saudi Arabia bears advantages in three ways: First, the ongoing demand of high efficient products is fueled by a constant growth of the population at 3.3% and growth of new homes at 4.5%.

Second, the excellent geo-strategic position of Saudi Arabia makes it easy to export to Northern Africa, the Middle East and

southern Europe. Furthermore producing home appliances in Saudi Arabia gives the opportunity export to other GAFTA countries at no import duty.

Third, dominating the manufacturing cost is

essential to the industry. Saudi Arabia offers the supply of plastic products, sheet metal and aluminum at competitive prices, as well as low utility costs and incentives for investors.

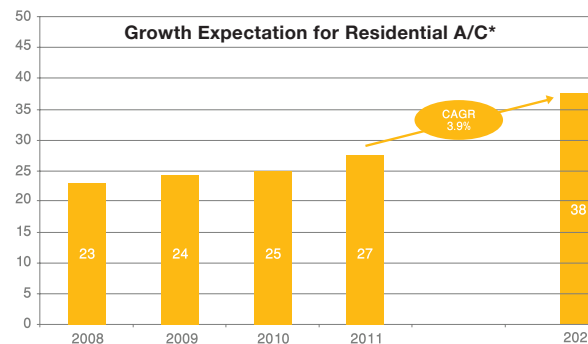
Thousand Units	Market size MENA ¹	Market Size Saudi Arabia ²	Ownership Saudi Arabia ³
Refrigerators	8,010	732	91 %
Washing machines	6,450	812	93%
Cookers/Ovens	3,730	335	97%

¹ 2010 data incl. following countries: KSA Algeria, Kenya, Morocco, Nigeria, Sudan, Tunisia, Bahrain, Qatar, Kuwait, Oman, UAE, KSA, Iran, Iraq, Lebanon, Syria, Jordan, Egypt, Libya, Pakistan, Israel, Turkey.

² Based on GfK market data 2010 (sell thru)

³ Based on customer survey conducted by Pan Arabic Research 2009

Million Units



Source: GfK

*Incl. Saudi Arabia, Iran, Iraq, Egypt, Syria, Jordan and UAE

National Industrial Clusters Development Program Board of Directors

H.E. The Minister of Commerce & Industry chairs the Program's Board of Directors which is comprised of National & International leaders



Dr. Tawfig F. Alrabiah
Minister of
Commerce &
Industry



**HRH Prince Faisal bin
Turki bin Abdulaziz**
Vice Chairman
Advisor – Ministry of
Petroleum & Mineral
Resources



**H.E. Dr. Ali N. Al-
Ghafis**
Governor – TVTC



**Mr. Mohammed H.
Al-Mady**
Vice Chairman & CEO
of SABIC



**H.E. Abdul Latif
Othman**
SAGIA Governor
& Senior VP of Saudi Aramco



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Deputy Minister -
MOEP



**Dr. Abdulaziz A.
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Private Sector



Mr. Ali A. Alayed
Director General
– SIDF



Dr. Philip Yeo
Ex Chairman of
Singapore EDB



**Mr. Ahmed N. Al-
Swaidan**
Private Sector



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Volvo-Trucks



Mr. Azzam Y. Shalabi
President - Clusters
Program



5.0 Saudi Arabia - Starting a Business

Eight Steps to Starting a Business in Saudi Arabia

Step	Pre-Step	Description	Concerned Agencies
1		Pre-Application Preparation	SAGIA
2	1	Investment Required Condition and Documents	SAGIA
3	2	Obtain Investment License	Apply with SAGIA => Investment License
4	3	Open the "700-File"	Open "700-File" at Labor Office "700-File" Residency Card (Iqama) for Investor
5	4	Obtain Commercial Registration	Apply with Ministry of Commerce and Industry (MOCI) Commercial Registration
6	5	Registration of Entity and Employees	Register with: •Department of Zakat and Income Tax (DZIT) •General Organization of Social Insurance (GOSI) Labor Office
7	3,5	Apply for Land	Royal Commission, MODON, SAGIA Economic Cities or Private Sector
8	3,5,7	Apply for SIDF Loan (optional)	SIDF
Commence Business in Saudi Arabia			



www.saudi.gov.sa

6.0

Important & Useful Links

- Department of zakat and Income Tax, www.zakat.gov.sa
- General Organization for Social Insurance, www.gosi.gov.sa
- General Organization for Technical Education and Vocational Training, www.tvtc.gov.sa
- Ministry of Commerce and Industry, www.mci.gov.sa
- Ministry of Finance, www.mof.gov.sa
- Ministry of Labor, www.mol.gov.sa
- Ministry of Petroleum & Mineral Resources, www.mopm.gov.sa
- National Industrial Clusters Development Program, www.ic.gov.sa
- Public Investment Fund, (via) www.mof.gov.sa
- Royal Commission for Jubail and Yanbu, www.rcjy.gov.sa
- Saudi Arabia General Investment Authority, www.sagia.gov.sa
- Saudi Arabian Oil Company (Saudi Aramco), www.saudiaramco.com
- Saudi Basic Industries Corporation, www.sabic.com
- Saudi Electric Company, www.se.com.sa
- Saudi Industrial Development Fund, www.sidf.gov.sa
- Saudi Industrial Property Authority (MODON) www.modon.gov.sa
- Saudi Ports Authority, www.ports.gov.sa



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