Saudi Arabia

RISK & COMPLIANCE

DATE: September 2018

KNOWYOURCOUNTRY

Executive Summary - Saudi Arabia	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	Not on EU White list equivalent jurisdictions Failed States Index (Political)(Average score)
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations US Dept of State Money Laundering assessment Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average score)

Major Investment Areas:

Agriculture - products:

wheat, barley, tomatoes, melons, dates, citrus; mutton, chickens, eggs, milk

Industries:

crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertilizer, plastics, metals, commercial ship repair, commercial aircraft repair, construction

Exports - commodities:

petroleum and petroleum products 90%

Exports - partners:

US 14.3%, China 13.7%, Japan 13.7%, South Korea 9.9%, India 8.2%, Singapore 4.3% (2012)

Imports - commodities:

machinery and equipment, foodstuffs, chemicals, motor vehicles, textiles

Imports - partners:

China 13.5%, US 13.2%, South Korea 6.7%, Germany 6.5%, India 6.3%, Japan 6% (2012)

Investment Restrictions:

The government encourages investment in transportation, education, health, information and communications technology, life sciences, and energy; as well as in four "Economic Cities" that are in various states of development. The Economic Cities are to be new, comprehensive developments in different regions focusing on particular industries.

The foreign-direct-investment law, revised in 2000, permits foreigners to invest in all sectors of the economy, except for specific activities contained in a "negative list," currently three industrial sectors and 13 service sectors. The list includes real-estate investment in Mecca and Medina, some subsectors in printing and publishing, audiovisual and media services, land-transportation services excluding inter-city transport by trains, and upstream petroleum.

Contents

Section 1 - Background

Saudi Arabia is the birthplace of Islam and home to Islam's two holiest shrines in Mecca and Medina. The king's official title is the Custodian of the Two Holy Mosques. The modern Saudi state was founded in 1932 by ABD AL-AZIZ bin Abd al-Rahman Al SAUD (Ibn Saud) after a 30-year campaign to unify most of the Arabian Peninsula. One of his male descendants rules the country today, as required by the country's 1992 Basic Law. King ABDALLAH bin Abd al-Aziz ascended to the throne in 2005. The king instituted an interfaith dialogue initiative in 2008 to encourage religious tolerance on a global level; in 2009, he reshuffled the cabinet, which led to more moderates holding ministerial and judicial positions, and appointed the first female to the cabinet. The 2010-12 uprisings across Middle Eastern and North African countries sparked modest incidents in Saudi cities, predominantly by Shia demonstrators calling for the release of detainees and the withdrawal from Bahrain of the Gulf Cooperation Council's Peninsula Shield Force. Protests in general were met by a strong police presence, with some arrests, but not the level of bloodshed seen in protests elsewhere in the region. In response to the unrest, King ABDALLAH in February and March 2011 announced a series of benefits to Saudi citizens including funds to build affordable housing, salary increases for government workers, and unemployment entitlements. To promote increased political participation, the government held elections nationwide in September 2011 for half the members of 285 municipal councils. Also in September, the king announced that women will be allowed to run for and vote in future municipal elections - first held in 2005 - and serve as full members of the advisory Consultative Council. During 2012, Shia protests increased in violence, while peaceful Sunni protests expanded. The country remains a leading producer of oil and natural gas and holds about 17% of the world's proven oil reserves. The government continues to pursue economic reform and diversification, particularly since Saudi Arabia's accession to the WTO in December 2005, and promotes foreign investment in the kingdom. A burgeoning population, aquifer depletion, and an economy largely dependent on petroleum output and prices are ongoing governmental concerns.


0 100 200 km
0 100 200 mi
LEB.
SYRIA
IS.
JORDAN
IRAQ
IRAN
KUWAIT
Tabūk
Ḥā'il
Hafar al Bāṭin
Al Jubayl
Buraydah
Ad Dammām
BAHRAIN
Persian Gulf
Al Hufūf
QATAR
EGYPT
Medina
Yanbu' al Baḥr
RIYADH
U.A.E.
Jeddah
Mecca
Aṭ Ṭā' if
Red Sea
Khamīs Mushayt
Jabal Sawdā'
Najrān
SUDAN
OMAN
ERITREA
YEMEN
ETH.
Arabian Sea

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Saudi Arabia is not currently on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Saudi Arabia was undertaken by the Financial Action Task Force (FATF) in 2018. According to that Evaluation, Saudi Arabia was deemed Compliant for 19 and Largely Compliant for 17 of the FATF 40 Recommendations. It was Partially Compliant or Non-Compliant for 2 of the 6 Core Recommendations. It was deemed Highly effective for 0 and Substantially Effective for 4 of the Effectiveness & Technical Compliance ratings.

Key Findings from Mutual Evaluation Report (2018)

Inter-agency policy coordination and cooperation is a significant strength of the Saudi system. Saudi Arabia has developed a good understanding of its ML and TF risks through its national risk assessments, using a robust process and a wide range of information. Saudi authorities have introduced a number of measures to address specific risks identified prior to the recent NRAs.

The FIU is not conducting sophisticated financial analysis to effectively support investigations, in particular those into more complex cases of ML. The analysis provided by the FIU is straightforward and single-layered, based mainly on organising and compiling information from available databases. Nevertheless, a wide variety of information is available and competent authorities regularly use financial intelligence in the course of their investigations.

Saudi Arabia is not effectively investigating and prosecuting individuals involved in larger scale or professional ML activity. Investigations are often reactive, and tend to be straightforward, unsophisticated, and single-layered. Prosecutions are mostly for the self-laundering offence, with individuals convicted when they are unable to prove the source of funds. ML investigations have significantly increased in recent years, but remain too low.

Saudi Arabia is not effectively confiscating the proceeds of crime. Authorities are not routinely attempting to trace and confiscate the instrumentalities and proceeds of crime, and have not been able to repatriate any criminal proceeds from another country over the period 2013-16, despite the large majority of proceeds generated in Saudi Arabia are estimated to leave the country. The amounts of proceeds of crime seized and confiscated domestically within Saudi Arabia have been increasing, but are still low.

Saudi Arabia has demonstrated an ability to respond to the dynamic terrorism threat it faces in country. Saudi Arabian authorities have the training, experience and willingness to pursue terrorist financing investigations in conjunction with and alongside terrorism cases. Financial investigations are routinely carried out, and TF cases are generally identified during terrorism-related investigations conducted by Mabaheth, leading to an exceptional number of investigations and convictions.

Saudi Arabia has an established legal framework and co-ordination process for implementing UN targeted financial sanctions (TFS) on terrorism without delay, and regularly makes use of TFS domestically. However, Saudi Arabia makes far greater use of financial restrictions imposed on a person through criminal procedures and watch-list mechanisms, which lack legal safeguards and are not publicly available. On proliferation financing, the mechanisms in place to implement TFS and prevent sanctions evasion are weak.

Saudi Arabia conducts comparatively intensive supervision of the higher-risk sectors in accordance with a risk-based approach, and has done a great deal of outreach with regulated entities to communicate their new obligations. These efforts have resulted in a significant improvement in compliance with the AML/ CFT requirements.

AML/CFT preventive measures in the financial sector are strong and well established. Major FIs including banks, securities and financing companies, have a solid understanding of the ML/TF risks they face, and a good level of implementation of the risk-based approach; although the level of implementation is not so strong among smaller DNFBPs, and STR reporting remains a concern for all sectors.

Saudi Arabia can and does respond to incoming requests for mutual legal assistance, but does not effectively seek international co-operation from other countries to pursue money laundering and the proceeds of crime. On terrorist financing, Mabaheth clearly does prioritise international co-operation, both inbound and outbound, and provided good examples of using international law enforcement co-operation.

Risks and General Situation

Saudi Arabia faces a high and diverse risk of terrorism financing, linked to terrorism committed both within Saudi Arabia, and to countries experiencing conflicts within the region. The risk of terrorism and terrorist financing within Saudi Arabia is linked to the presence of cells of Al Qaeda, ISIS, affiliates, and other groups. The number of foreign fighters is high, with estimates of over 3,000 departures between January 2000 and February 2018. Saudi Arabia also faces a high risk of terrorist acts carried out in Saudi Arabian territory.

The economy of the Kingdom is dominated by petroleum activities: Saudi Arabia is the largest exporter of petroleum, and the sector accounts for 45% of GDP.

Saudi Arabia is generally seen as a conservative country and an unattractive location for laundering international proceeds because of its relatively small financial and commercial sectors, limitations on direct foreign investment and participation in the corporate sector, and restrictions on access by foreigners to the financial and nonfinancial markets. The financial sector and DNFBP sectors in Saudi Arabia are relatively small, and primarily serve domestic customers. The remittances sector is an exception: over a third of the resident population in Saudi Arabia was born outside the Kingdom, which has the second highest total outflows of remittances in the world after the US, approximately $38.8bn for the year to April 2017.

The overall proceeds of crime generated in Saudi Arabia are estimated to be approximately USD 12 - 32 billion; based on IMF and UNODC research on the proceeds of crime as a proportion of GDP. This range is consistent with Saudi Arabia's risk profile and the Saudi NRA for ML. Saudi authorities estimate the main proceeds generating crimes in Saudi Arabia to be illicit trafficking in narcotics, corruption, and counterfeiting and piracy of products. Between 70 and 80 per cent of domestic proceeds of crime are estimated to flow out of the Kingdom, while the balance remains in the country.

US Department of State Money Laundering assessment (INCSR)

Saudi Arabia was deemed a Jurisdiction of Concernx by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Kingdom of Saudi Arabia is a rapidly expanding financial center in the Gulf region and the second largest source of remittances in the world. There is no indication of significant narcotics- related money laundering. Bulk cash smuggling and money transfers from individual donors and Saudi-based charities have reportedly been a significant source of financing for extremist and terrorist groups over the past 25 years. Despite serious and effective efforts to counter the funding of terrorism originating within the Kingdom, Saudi Arabia is still home to individuals and entities that continue to serve as sources of financial support for Sunni-based extremist groups. Saudi Arabia has publicly imposed targeted sanctions on more than 20 Hizballah- affiliated individuals and companies since May 2015. Funds are allegedly collected in secret and illicitly transferred out of the country in cash, often via pilgrims performing Hajj and Umrah. The government has responded in recent years and increased policing to counter this smuggling. Recent regional turmoil and sophisticated usage of social media have facilitated charities outside of Saudi Arabia with ties to extremists to solicit donations from Saudi donors. Some Saudi officials acknowledge difficulties in following the money trail with regard to illicit finance, in large part due to a preference for cash transactions and regulatory challenges posed by hawala networks, which are illegal and dismantled upon discovery.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

“All serious crimes” approach or “list” approach to predicate crimes: All serious crimes
Legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:
Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks and licensed money remitters and exchangers; real estate agents; investment and insurance companies; dealers in rare commodities (e.g., antiques) and precious metals and stones; lawyers, auditors, and accountants

REPORTING REQUIREMENTS:
Number of STRs received and time frame: 2,240: November 4, 2013 – October 25, 2014
Number of CTRs received and time frame: Not available
STR covered entities: Banks and licensed remittance and exchange companies; investment and insurance companies; dealers in rare commodities (e.g., antiques) and precious metals and stones; real estate agents, lawyers, auditors, and accountants

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:
Prosecutions: Not available
Convictions: Not available

RECORDS EXCHANGE MECHANISM:
With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

The Kingdom of Saudi Arabia is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Money service businesses operating outside of banks and licensed money changers are illegal in Saudi Arabia. To help counteract the appeal of these types of unlicensed money services, particularly to many of the approximately 10 million expatriates living in Saudi Arabia, Saudi banks have developed fund-transfer systems that have proven capable of attracting customers accustomed to using other, non-sanctioned methods. Efforts to improve regulation of money transmitters also reportedly pushed more expatriate remittances to the formal banking system, which has facilitated greater transparency and control over such flows. The Saudis’ ability to stop bulk cash smuggling has also improved, but some cash illicitly collected and transferred via pilgrims on Hajj or Umrah continues to flow.

Sweeping counterterrorism operations have demonstrated Saudi Arabia’s effectiveness at disrupting terrorist financing within the Kingdom. Contributions to charities are subject to strict guidelines, and regulations forbid charities from performing certain payment and transfer activities. Nonetheless, scores of small, online charities based outside of the Kingdom have established a presence in Saudi Arabia via social media sites and have successfully solicited donations from within the Kingdom for both licit and illicit causes tied to Syria and other regional crises. The Saudi government is working to improve cooperation with neighboring jurisdictions to close down extremist charities and continue educating Saudi citizens regarding the risks of donating to unlicensed charities. In October 2015, Saudi Arabia shared global best practices for charity oversight at a regional conference designed to facilitate

Gulf Cooperation Council member countries' cooperation in improving the policing of extremist charities.

Saudi Arabia's capacity to monitor compliance with and enforce its banking rules has helped stem the flow of illicit funds through Saudi financial institutions. In recent years, improvements in the quality and consistency of suspicious activity reporting have bolstered the government's ability to identify illicit financial transfers, unlicensed charitable collections, and other illegal activity.

Authorities should be vigilant in scrutinizing the regional gold trade, often used to transfer value. The government recently began publishing official criminal statistics and should continue to improve transparency regarding the number of successful money laundering prosecutions and convictions so that the effectiveness of the Kingdom's AML/CFT program can be better evaluated. The Saudi government should continue to ensure all institutions maintain consistent and strong compliance regimes.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Saudi Arabia conforms with regard to the government legislation required to combat money laundering and the financing of terrorism.

EU White list of Equivalent Jurisdictions

Saudi Arabia is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

Saudi Arabia is not considered to be an Offshore Financial Centre

Key Findings from other US State Department Reports:

Narcotics

The Kingdom of Saudi Arabia is not a significant transit country for drugs, nor is there notable drug production reported in the country. Drug trafficking is illegal and is punishable by death. The Saudi Arabian government (SAG) has implemented several policy initiatives aimed at curbing the trafficking and abuse of narcotics to include sponsoring drug education curricula, drug treatment facilities, and coordination with neighbouring countries on combating cross border trafficking. However, regular seizures of fenethylline (a synthetic stimulant also known as Captagon) indicate a continued trend of smuggling and use of some illegal narcotic substances.

Trafficking in Persons

Saudi Arabia is classified a Tier 2 (Watch List) country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Saudi Arabia is a destination country for men and women subjected to forced labor and, to a lesser extent, forced prostitution. Men and women primarily from South and Southeast Asia, the Middle East, and Africa voluntarily migrate to Saudi Arabia as domestic workers, including men who work in private residences as gardeners, handymen, and cleaners, or low-skilled laborers; some of these workers face involuntary servitude. Some migrants are fraudulently recruited to work in Saudi Arabia or in other countries in the region and forced into domestic servitude. Non-payment of wages is the most common complaint from foreign workers in the Kingdom, while employers withholding workers' passports remains a widespread problem. The foreign worker population is the most vulnerable to trafficking in Saudi Arabia, particularly female domestic workers due to their isolation inside private residences. An international organization estimated in 2013 that Saudi Arabia is one of the largest employers of domestic workers in the world, a sector with the highest average working hours. Some domestic workers experience severe mental, physical, and sexual abuse by their employers. Some foreign citizens who have experienced indicators of trafficking have been placed on death row. Due to Saudi Arabia's requirement under its sponsorship or kafala system that foreign workers obtain an exit visa from their employers to leave the country legally, some are forced to work for months or years beyond their contract term because their employers will not grant them an exit permit. Although many migrant workers sign contracts with their employers, some report work conditions substantially different from those described in the contract; other workers never see a work contract at all. Some migrant workers voluntarily enter into illegal arrangements and pay a Saudi citizen to sponsor their residence permit while they seek freelance work, thus becoming vulnerable to possible extortion by their sponsors. Some women are believed to be forced into prostitution in Saudi Arabia. After running away from abusive employers, some female domestic workers are kidnapped and forced into prostitution. Criminal gangs subject children from Yemen to forced labor as beggars and street vendors. Migrants from Yemen and the Horn of Africa enter Saudi Arabia illegally—sometimes with the help of smugglers—via the Yemeni border; some of them may be trafficking victims. Some Saudi citizens engaged in sex tourism abroad, and there were media reports that some Saudi men traveled abroad to find brides—some of whom were legal minors—including through the use of legally contracted "temporary marriages."

The Government of Saudi Arabia does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these measures, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Saudi Arabia is placed on Tier 2 Watch List for the second consecutive year. The government reported increased efforts convicting trafficking offenders, but the number of offenders prosecuted declined compared with the previous reporting period. Moreover, the government did not proactively investigate and prosecute employers for potential labor trafficking crimes involving their withholding of workers' wages and passports, which remained a widespread practice throughout the Kingdom. Nonetheless, in December 2015, the Ministry of Labor (MOL) opened a specialized anti-trafficking unit to liaise with relevant authorities to protect migrant workers and train labor inspectors on victim identification. Although the government identified an increased number of trafficking victims and continued to provide protection services to some, its efforts to identify proactively and protect victims among vulnerable populations, including illegal foreign migrants, female and male domestic workers, and women in prostitution, remained uneven. The government continued to arrest, detain, and deport potential trafficking victims—particularly illegal foreign workers and domestic workers who fled their employers—a problem exacerbated by authorities' lack of systematic identification and referral efforts. The government continued efforts to prevent trafficking.

Terrorist Financing 2016:

Overview: Saudi Arabia continued to maintain a strong counterterrorism relationship with the United States and supported enhanced bilateral cooperation to ensure the safety of both U.S. and Saudi citizens within Saudi territories and abroad. Saudi Arabia remained a key member and active participant in the Global Coalition to Defeat ISIS, as evidenced by its co-leading the Counter-ISIS Coalition's Counter-Finance Working Group (CIFG) alongside the United States and Italy. The Saudi government condemned ISIS's activities and participated in coalition military action to defeat the group in Syria and Iraq.

The Saudi Arabian government continued to build and reinforce its capacity to counter terrorism and violent extremist ideologies. Both ISIS, and, to a lesser extent, al-Qa'ida in the Arabian Pensinsula (AQAP), continued to encourage individual acts of terrorism within the Kingdom. ISIS inspired and launched individual lethal attacks in the Kingdom primarily targeting Saudi security forces and Shia residents. Despite the attacks, Saudi Arabia maintained a high counterterrorism operational tempo, made a number of highly publicized arrests of terrorist suspects, and disrupted active terrorist cells across the Kingdom. Saudi security forces also continued to confront the threat from AQAP, although the group's activity was diminished. ISIS attacks against Saudi security forces, Shia mosques and community centers, and Western targets in Saudi Arabia and other Gulf Cooperation

Council (GCC) states in 2016 underscored the ongoing threat posed to Saudi Arabia and the region by ISIS, which Saudi Arabia worked closely with both Western and GCC partners to address.

Saudi Arabia implemented UN Security Council resolutions (UNSCR) 2178 and 2199, and the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime; expanded existing counterterrorism programs and rhetoric to address the phenomenon of returning foreign terrorist fighters; and leveraged terrorist finance provisions of its Law for Crimes of Terrorism and Terrorist Financing (CT Law) and Royal Decree A/44 to counter the funding of violent extremist groups in Iraq, Syria, Lebanon, and elsewhere. The government also launched several new countering violent extremism (CVE) initiatives to blunt the appeal of extremist messaging and improve oversight of Islamic charitable and proselytization (da'wa) activities at home and abroad.

According to the Saudi Ministry of Interior (MOI), as of December, there were 2,093 Saudis fighting with terrorist organizations in conflict zones, including ISIS, with more than 70 percent of them in Syria.

Amnesty International, Human Rights Watch, and other international human rights organizations criticized what they characterized as the Saudi Arabian government's use of the 2014 terrorism law to suppress political expression and dissent, citing broadly written language that criminalizes "acts that disturb public order, defame the reputation of the state, or threaten the kingdom's unity."

Legislation, Law Enforcement, and Border Security: Saudi Arabia enacted its current counterterrorism law containing 41 articles in 2014 that strengthened its existing counterterrorism provisions; international and local human rights organizations have claimed that this law has been applied to nonviolent offenses and used to prosecute political activists for social media posts critical of government policy. The Saudi MOI General Investigations Directorate (GID) is responsible for conducting counterterrorism investigations in the Kingdom and, upon its discretion, will cooperate with other elements of the Saudi government to further investigate specific cases. Once the investigation is complete, the case is usually transferred to the Bureau of Investigation and Public Prosecutions Office for the duration of the trial. The Saudi government continued its programs to improve physical border security through the employment of biometric systems, aerial reconnaissance, thermal imaging, and remote unattended sensors along its borders. The Ministry of Justice continued its reform process, including codification of crimes and associated sentences.

Neighborhood police units engaged and worked directly with community members in Saudi Arabia, encouraging citizens to provide tips and information about suspected terrorist activity. The government offered rewards for information on terrorists, and Saudi security services made several announcements throughout the year pertaining to the arrest of large numbers of ISIS and AQAP terrorists and supporters. The government announced more than 190 arrests of ISIS-affiliated terrorists in 2016, according to an official press release.

In a widely publicized press statement, the MOI said security officials successfully prevented a terrorist attack targeting al-Jawhara Stadium at the King Abdullah Sports City in Jeddah during a match between Saudi Arabia and the United Arab Emirates on October 11. The terrorists allegedly planned to detonate a car full of explosives parked in the stadium's lot.

This incident led to the identification and arrest of four individuals with links to ISIS in Syria. The same statement highlighted the arrest of four Saudi nationals after law enforcement officials raided their terrorist cell, based in Shaqra. They allegedly had been planning to target security forces based on orders from an ISIS leader in Syria.

Saudi Arabia continued its efforts to disrupt terrorist activities in the Kingdom by tracking, arresting, and prosecuting terrorist suspects. According to the GID, Saudi security forces arrested more than 1,390 suspects accused of terrorism in 2016. The suspects were of different nationalities: 967 of those arrested were Saudi nationals, followed by 154 Yemenis, 76 Syrians, 45 Egyptians, and 38 Pakistanis.

Countering the Financing of Terrorism: Saudi Arabia is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body. Saudi Arabia earned observer status in the FATF in June 2015 and is working to obtain full membership in the organization, pending a successful mutual evaluation. Saudi Arabia, along with Italy and the United States, co-leads the CIFG. Its financial intelligence unit, the Saudi Arabia FIU (SAFIU), is a member of the Egmont Group of Financial Intelligence Units.

The Saudi Arabian government further directed domestic authorities to impose financial sanctions on individuals and entities providing support to or acting on behalf of Hizballah, al-Qa'ida (AQ), Lashkar e-Tayyiba (LeT), and the Taliban. Saudi Arabia affirmed its commitment to countering terrorist financing in the Kingdom and sought to further establish itself as a leader in disrupting terrorist finance within the Gulf region. In 2016, Saudi Arabia increased its public designations of individuals and entities for violating the Kingdom's laws criminalizing terrorist financing and support. In February, Saudi Arabia designated three individuals and four entities acting on behalf of Hizballah's commercial procurement network. In March 2016, Saudi Arabia and the United States took steps to disrupt the fundraising and support networks of AQ, the Taliban, and LeT by imposing financial sanctions on four individuals and two organizations with ties across Afghanistan, Pakistan, and Saudi Arabia. In October, Saudi Arabia and the United States took joint action to simultaneously designate two individuals and one entity acting on behalf of Hizballah.

The MOI continued to provide specialized training programs for financial institutions, prosecutors, judges, customs and border officials, and other sectors of the government as part of its effort to enhance programs designed to counter terrorist financing. The Saudi Arabian Monetary Authority has standing requirements for all financial institutions within the Kingdom's jurisdiction to implement all of the FATF's recent recommendations on anti-money laundering and countering terrorist financing.

Despite serious and effective efforts to counter the funding of terrorism within the Kingdom, some individuals and entities in Saudi Arabia probably continued to serve as sources of financial support for terrorist groups. While the Kingdom has maintained strict supervision of the banking sector, tightened the regulation of the charitable sector, and stiffened penalties for financing terrorism, funds are allegedly collected in secret and illicitly transferred out of the country in cash, sometimes by pilgrims performing *Hajj* and *Umrah*. To address this issue, the MOI continued efforts to counter bulk cash smuggling in 2016. Regional turmoil and the sophisticated use of social media have enabled charities outside of Saudi Arabia with ties to violent extremists to solicit contributions from Saudi donors, but the government has demonstrated a willingness to pursue and disrupt such funding streams.

International Sanctions

Saudi Arabia is not currently subject to any International Sanctions

Arab League

The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

* Cutting off transactions with the Syrian central bank
* Halting funding by Arab governments for projects in Syria
* A ban on senior Syrian officials travelling to other Arab countries
* A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	49
World Governance Indicator – Control of Corruption	63

Companies operating or planning to invest in Saudi Arabia face a high risk of corruption. Abuse of power, nepotism and the use of middlemen (wasta) to do business are particularly common. There is an overlap between business and politics, and the latter is generally based on patronage systems. The Combating Bribery Law and the Civil Service Law criminalize various forms of corruption, including active and passive bribery (baksheesh) and abuse of functions, but the government enforces these laws selectively. No law regulates conflicts of interest, and some officials engage in corruption with impunity. The royal family and social elite heavily influence the oil and petrochemicals sectors. Gifts are regulated under Saudi law, but facilitation payments are not addressed. **Information provided by GAN Integrity.**

US State Department

Saudi Arabia has some limited legislation aimed at curbing corruption. The Tenders Law of Saudi Arabia, approved in 2004, has improved transparency of government procurement through publication of tenders. Further, ministers and other senior government officials appointed by royal decree are forbidden from engaging in business activities with their ministry or organization while employed there. There are few cases of prominent citizens or government officials being tried on corruption charges.

Despite the fact that corruption has been identified by foreign firms as an obstacle to investment in Saudi Arabia, authorities have so far taken only modest steps toward combating it. In April 2007, the King established the National Authority for Combating Corruption that was to report directly to him, but there was little, if any, follow-through to establish this institution. The General Auditing Bureau is also charged with combating corruption. In 2011, the King reconstituted the Authority as the Anti-corruption Commission under new and more energetic leadership. Although little of its work has so far been publicized and many remain skeptical, some anecdotal evidence suggests the Commission has been active in its investigations and is not shying away from influential players whose indiscretions may previously have been ignored.

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

Corruption and Government Transparency - Report by Global Security

Political Climate

Saudi Arabia has been governed by the al-Saud monarchy since the country was unified by King Abdul Aziz Ibn Saud in 1932. The country is currently governed by Abdullah Ibn Abdul Aziz al-Saud, who formally became the sixth ruler of the dynasty when King Fahd died in August 2005. Oil income has played a major role in the formation of the Saudi Arabian state. Saudi Arabia has the largest oil reserves in the world, and its oil resources and subsequent importance to the global economy are key factors in its external relations. Saudi Arabia has gradually liberalised trade in recent years in pursuit of attracting foreign investment, and joined the WTO in late 2005. The country offers attractive opportunities for investors, including the largest market in the Persian Gulf with a very young population of more than 28 million, economic and political stability, and a well-regulated business climate.

The al-Saud family, consisting of more than 5,000 princes and princesses, uses its immense oil-wealth to shape and control domestic politics, and there are no institutional checks on royal authority. The king is formally constrained by Islamic law (Sharia), but there is little accountability and he has wide-ranging arbitrary powers in practice. According to Freedom House 2012, the monarchy has a tradition of consulting and consensus-seeking with high-ranking members of Saudi society, but this process is not equally open to all citizens. Criticism against the political system and the royal family is prohibited, and activists who protest for political change risk-facing punishments, including imprisonment and restrictions on travel. While traditionally being very conservative, the Saudi royal family has been increasingly open to the discussion of political and social reforms since the mid-1990s. However, while the transfer of power from King Fahd to King Abdullah led to increased expectations of new reforms, Abdullah has enacted few significant changes. Although Saudi society has generally supported the idea of reform, it has not been widely embraced within the royal family, which is still reluctant to share their political power. However, the radical changes that came about with the Arab Spring led the king to hold the almost two year-delayed municipal elections in September 2011. To calm the unrest, the king also pledged USD 93 billion in financial support, which include welfare benefits, funds for housing projects and health care facilities. Although the concepts of transparency and anti-bribery have long been included in Saudi Arabian legislation, anti-corruption has only recently become part of the political agenda. This happened after King Abdullah publicly admitted that corruption was a problem in the country, and culminated with the Council of Ministers' approval of a National Strategy for Maintaining Integrity and Combating Corruption in 2007, which aims at enhancing and organising the fight against corruption.

Since the fight against corruption made its way to the political agenda, an increasing number of public officials have been sentenced to fines and prison sentences for accepting bribes and according to the Bertelsmann Foundation 2012, this has resulted in less administrative corruption in Saudi Arabia compared to other Arab countries. Nonetheless, various sources, including the US Department of State 2011 and Freedom House 2012, report that the public perception of corruption within the royal family and the executive branch of government is still widespread. This perception is encouraged by the lack of transparency in decision-making and government budgets. Public officials are not subject to financial disclosure laws and there is no law to provide public access to government information, including ministerial budgets, according to the US Department of State 2011. As reported by the Bertelsmann Foundation 2012, mechanisms to hold accountable and investigate political elites formally exist, but are often not utilised in practice. However, investigations of corruption committed by public officials happen and have recently been made known publicly to a larger extent than previously. Nevertheless, as emphasised by Freedom House 2012, punishment of individuals involved in corruption is selective and usually includes lower-level figures indicted for relatively minor offences. In fact, the US Department of State 2011 reports that following the floods that occurred in Jeddah in January 2011, the government launched investigations into allegations of widespread official corruption and malfeasance thought to have contributed to the resulting damage and loss of life during the floods. The General Audit Bureau also confirmed the former by reporting that the happenings illustrated the poor performance of government departments due to bribery and corruption. Furthermore, Saudi politics is generally based on patronage systems, with most princes in government having built up large clienteles and attachment to princely networks can give individuals privileges in business or administration. Moreover, no laws regulate conflicts of interest and most leading royals have large business interests, just as many non-royal ministers are involved in business beside their political carrier. The Bertelsmann Foundation 2012 reports that the royal family is perceived to abuse government funds, property rights and contracts, as well as civil and criminal justice procedures. Members of the royal family are seen as interfering in or profiting from contract awards, the allocation of money from oil sales, the profits from state-financed companies and contracts for the delivery of arms imports and military services. See 'Public Procurement and Contracting' in the 'Corruption Levels' section for more detailed information.

Business and Corruption

Saudi Arabia has long been open to foreign investment, especially if it promotes economic development, transfers foreign expertise to Saudi Arabia, creates jobs for Saudis or boosts exports. Despite the Saudi economy being bolstered by a strong performance in the oil sector in 2010, it also witnessed increasing inflation. Improvement of the business climate continues to be an important part of the Saudi government's broader programme to liberalise the country's trade and investment regime, and diversify an economy overly dependent on oil and petrochemicals, according to the US Department of State 2012. The two aforementioned sectors are strongly influenced by the interests of members of the royal family and social elite. Saudi officials, however, have given assurances that the so-called Economic Cities, a USD 60 billion project of industrial and commercial zones currently under construction, will be free from interference from the royal family. Although Saudi institutions are generally perceived to be stable, and sudden changes in basic economic rules seldom occur, it may still not be an easy environment to operate in for foreign investors for reasons such as a conservative cultural environment, according to the US Department of State 2012. Furthermore, the Heritage Foundation 2012 describes Saudi Arabia's economic freedom as deficient and the levels of investment freedom, monetary freedom and property rights as average at best. Investment freedom, the report notes, remains hampered by a heavy bureaucracy and a lack of transparency.

Information on corruption and demands for bribes between foreign investors and Saudi companies or public officials is relatively scarce, and views on the pervasiveness of the problem are fairly mixed. For example, according to the US Department of State 2012, foreign companies identify corruption as an obstacle to investment in Saudi Arabia. Public procurement and general protection of companies are cited as areas in which senior officials or social elite often have a stake and where bribes are solicited - frequently disguised as commissions. This is supported by Freedom House 2009, which states that companies often have to pay bribes to middlemen and government officials to secure business deals. On the other hand, however, the World Economic Forum Global Competitiveness Report 2012-2013 reports that companies do not identify corruption as a very problematic factor for doing business in Saudi Arabia. Other factors, such as inefficient government bureaucracy and access to financing, are cited as more problematic business constraints. Nevertheless, according to the report, companies consider the occurrence of irregular payments and bribes in Saudi Arabia as fairly common. In sum, it seems as if most sources mainly base their perception of corruption on proven high-scale corruption scandals, such as the BAE scandal, thus falling short of providing any accurate picture of the pervasiveness of corruption and the use of facilitation payments in business dealings.

Research conducted by Arab News and published in October 2009 reveals a culture of pervasive petty corruption in dealings between government officials and companies in Saudi Arabia. For example, as estimated by an anonymous Saudi businessman, 95% of governmental procedures involve bribery in the form of expensive gifts, such as plane tickets or other reciprocal favours. In addition, such bribery is typically justified as compensation for government employees who work for low wages, or simply as a 'tip' for the service being rendered. The cost of such bribes reportedly increases proportionally with the value of the service provided. In addition, public officials typically get 10% of the value of the fines issued to companies due to small violations. Businesspeople complain that this practice works as an incentive system for public officials to issue undue or inflated fines. An example of this could be the case reported by Gulf News in an August 2008 article, according to which, a company specialised in medical equipment received a fine amounting to SAR 3 million for failing to honour a contract signed with the Ministry of Health. The company tried to offer a ministerial employee a bribe worth SAR 150,000 to avoid paying the fine, but the attempt was discovered, and the company had the fine doubled and was blacklisted from bidding on future contracts. Based on the above, companies are generally advised to consult with experienced attorneys, to develop, implement and strengthen integrity systems, and to carry out extensive due diligence before committing funds or when already doing business in Saudi Arabia. In addition, Freedom House 2012 reports that rent-seeking and corruption are not uncommon in government procurement processes. In order to mitigate the corruption risks associated with public procurement in Saudi Arabia, investors are advised to exert caution when bidding on public tenders, and are therefore recommended to use a specialised public procurement due diligence tool.

Regulatory Environment

The Foreign Direct Investment Law 2000 governs the Saudi Arabian investment regime and permits foreigners to invest in all sectors of the economy, except for specific activities in some strategic sectors. Yet, the list of sectors in which foreign investment is prohibited continues to shrink due to efforts to liberalise trade. The Saudi private sector has matured considerably in recent decades and has more sophisticated managerial structures than most other Middle Eastern and North African (MENA) countries. In addition, Saudi Arabia has embarked on a process of market reforms and was ranked as the world's Top Reformer by the World Bank and IFC in 2006, which also ranked it as the 11th easiest place to do business in the world in 2011. However, according to Freedom House 2010, these impressive figures are also a result of the Saudi Arabian General Investment Authority's efforts to change specific rules and procedures that are measured by the World Bank and IFC's indicators. The procedures of starting up a business have been simplified by the creation of a one-stop office at the Ministry of Commerce and Industry, and, according to the World Bank & IFC Doing Business 2013, it now only takes an average of 21 days and 9 procedural steps at a cost of 5% of GNI per capita to start a company, and only 8 days and 5 procedural steps at no cost to register property. In general, Saudi Arabia now performs just as well or better than most OECD countries in relation to access to credit, paying taxes and importing and exporting goods. Business executives surveyed in the World Economic Forum Global Competitiveness Report 2012-2013 give complying with administrative requirements (permits, regulations, reporting) a score of 4.4 on a 7-point scale (1 'extremely burdensome' and 7 'not burdensome at all'). Moreover, business executives give the transparency of government policy-making, based on how easy it is for companies to obtain information about changes in government policies and regulations, a score of 5 on a 7-point scale (1 'impossible' and 7 'extremely easy'). However, companies identify inefficient government bureaucracy as one of the four most problematic factors for doing business in Saudi Arabia.

Although the regulatory framework for private business has improved in recent years, the Bertelsmann Foundation 2012 reports that it is applied inconsistently in practice and principles of good governance have not yet been applied to the bureaucracy. On the contrary, it has remained opaque, over-centralised and unaccountable, and no informal regulatory services are managed by NGOs or private sector associations. Freedom House 2012 also states that, while certain regulations and procedures have been simplified, the Saudi bureaucracy continues to be slow-moving, lacking transparency, and makes extensive documentation demands. While this environment has not automatically led to corruption, it has, nevertheless, facilitated its occurrence. This is supported by the US Department of State 2012, according to which, there are few aspects of the Saudi regulatory system that are transparent. Still, however, although bureaucratic procedures may be cumbersome, red tape can reportedly be overcome with persistence. All foreign investment projects in Saudi Arabia must initially obtain a licence from the Saudi Arabian General Investment Authority (SAGIA), which was established by the Council of Ministers in April 2000. Investors will find a large compilation of relevant information on the SAGIA website concerning, among other things, investment opportunities, the cost of doing business and laws and regulations.

According to the US Department of State 2012, other disincentives to investment include requirements that companies employ Saudi nationals, slow payment of government contracts, a restrictive work visa policy, a highly conservative cultural environment, and enforced gender segregation in most business and social settings. Furthermore, although the Saudi government is making progress towards establishing a commercial court system, there is not yet a transparent, comprehensive legal framework in place for resolving commercial disputes. On a more positive note, the same report notes that Saudi Arabia recently undertook a comprehensive revision of its laws covering intellectual property rights to bring them in line with the WTO agreement on Trade Related Aspects of Intellectual Property Rights. However, it is also reported that Saudi litigants typically have an advantage over foreign parties in investment disputes due to their first-hand knowledge of Saudi law and culture. For that reason, foreign investors involved in a dispute are advised to contact local attorneys with knowledge of Saudi legal procedures. Saudi Arabia has ratified the New York Convention of 1958 and is a member of the International Centre for the Settlement of

Investment Disputes (ICSID). Access the Lexadin World Law Guide for a collection of legislation in Saudi Arabia.

.

Section 3 - Economy

Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 16% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 87% of budget revenues, 42% of GDP, and 90% of export earnings.

Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Over 6 million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors; at the same time, however, Riyadh is struggling to reduce unemployment among its own nationals. Saudi officials are particularly focused on employing its large youth population, which generally lacks the education and technical skills the private sector needs.

In 2015, the Kingdom incurred a budget deficit estimated at 13% of GDP, and it faces a deficit of $87 billion in 2016, which will be financed by bond sales and drawing down reserves. Although the Kingdom can finance high deficits for several years by drawing down its considerable foreign assets or by borrowing, it has announced plans to cut capital spending in 2016. Some of these plans to cut deficits include introducing a value-added tax and reducing subsidies on electricity, water, and petroleum products. In January 2016, Crown Prince and Deputy Prime Minister MUHAMMAD BIN SALMAN announced that Saudi Arabia intends to list shares of its state-owned petroleum company, ARAMCO - another move to increase revenue and outside investment. The government has also looked at privatization and diversification of the economy more closely in the wake of a diminished oil market. Historically, Saudi Arabia has focused diversification efforts on power generation, telecommunications, natural gas exploration, and petrochemical sectors. More recently, the government has approached investors about expanding the role of the private sector in the healthcare, education and tourism industries. While Saudi Arabia has emphasized their goals of diversification for some time, current low oil prices may force the government to make more drastic changes ahead of their long-run timeline.

Agriculture - products:

wheat, barley, tomatoes, melons, dates, citrus; mutton, chickens, eggs, milk

Industries:

crude oil production, petroleum refining, basic petrochemicals, ammonia, industrial gases, sodium hydroxide (caustic soda), cement, fertilizer, plastics, metals, commercial ship repair, commercial aircraft repair, construction

Exports - commodities:

petroleum and petroleum products 90% (2012 est.)

Exports - partners:

China 13.2%, Japan 10.9%, US 9.6%, India 9.6%, South Korea 8.5% (2015)

Imports - commodities:

machinery and equipment, foodstuffs, chemicals, motor vehicles, textiles

Imports - partners:

China 13.9%, US 12.7%, Germany 7.1%, South Korea 6.1%, India 4.5%, Japan 4.4%, UK 4.3% (2015)

Banking

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

The Saudi banking system remains one of the strongest and most profitable in the region. During the first 11 months of 2010, net income registered $6.46 billion, down by more than 10 percent from $7.24 billion in 2009. In contrast, total assets of the Saudi banking sector slightly went up, from $370 billion in 2009 to $374 billion in 2010. Aggregate consumer borrowing also increased 3.7 percent, from $199.7 billion in 2009 to $207.0 billion in 2010.

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

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

Stock Exchange

The stock exchange is called the Saudi Stock Exchange. The Kingdom's stock market remained relatively unchanged and the Tadawul All-Share Index (TASI) closed at 6,620.5 in 2010 compared to 6,121.76 in 2009. The total value of traded shares plummeted in 2010 reaching $202.45 billion in 2010, down by about 40%. Overall market capitalization, however, improved more than 10.8%, reaching $353.44 billion in 2010 compared to $318.8 billion in 2009. The total number of traded companies was 145 compared to 135 in 2009. The Kingdom's stock market is the largest and the most attractive in the region; it is still larger than the combined worth of companies listed in Kuwait, UAE, and Qatar and many international bankers and asset managers have re-focused their advisory and research services on the Saudi market.

The Saudi Government has also opened up asset management, advisory and brokerage services to foreign institutions.

Section 4 - Investment Climate

Executive Summary

Saudi Arabia offers a relatively attractive and stable market for investment, particularly for investors able to overcome initial barriers imposed on foreigners. Despite political upheaval across the Middle East and North Africa and the transition to a new king in 2015, Saudi Arabia's real GDP grew by 3.35 percent for CY2015. However, an extended period of sustained low oil prices have clouded the Kingdom's economic outlook, prompting the Saudi Arabian government (SAG) to post a $98 billion budget deficit, draw down on its vast foreign currency reserves, suspend payments to some foreign contractors, explore privatizing major state-owned enterprises like Saudi Aramco, and move forward on a transformational economic plan to diversify the Saudi economy.

At the same time, Saudi Arabia's economic challenges may offer significant opportunities for foreign investors, as improving the Kingdom's investment climate remains an integral part of the SAG's new efforts to liberalize the country's trade and investment regime and diversify an economy overly dependent on oil exports. The SAG took a number of positive steps to encourage foreign investment throughout 2015, including opening the Saudi stock market to qualified foreign investors, developing plans to privatize the Kingdom's civil aviation, technology, and healthcare sectors, removing the barrier to full foreign ownership of retail and wholesale businesses within the country, and publishing a new companies law that lowers some barriers to starting a new business. The government continues to encourage investment across nearly all economic sectors, prioritizing investments in industry, manufacturing, transportation, education, health, communications technology, life sciences, and energy; as well as in four "Economic Cities" that are at various stages of development.

The Saudi Arabian General Investment Authority (SAGIA) governs and regulates foreign investment in the Kingdom and works to foster investment opportunities across the economy, particularly in energy, transportation, health, life sciences, and knowledge-based industries (see www.sagia.gov.sa). SAGIA also maintains and periodically reviews the list of activities excluded from foreign investment. The Saudi Industrial Development Fund (SIDF), an entity within the newly reorganized Ministry of Energy, Industry, and Mineral Resources, is one important source of financing for investors.

In theory, foreigners are permitted to invest in all sectors of the economy, except for specific activities contained in a "negative list" that currently excludes three industrial sectors and 12 service sectors, among them real estate investment in Mecca and Medina, some subsectors in printing and publishing, audiovisual services, land-transportation services excluding intra-city transport by trains, and upstream petroleum. The complete "negative list" can be found at www.sagia.gov.sa. In practice, older laws remaining on the books prohibit or otherwise restrict foreign investment in some subsets of economic sectors not on the "negative list," including many areas of healthcare.

Investors are not required to purchase from local sources or export a certain percentage of output, and their access to foreign exchange is unlimited. In order to benefit from waivers from Saudi customs duties, however, foreign manufacturers must prove that no local materials are available. There is no requirement in place for shares of foreign equity to be reduced over time, and investors are not required to disclose proprietary information to the

SAG as part of the regulatory approval process, except where issues of health and safety are concerned. Other than hiring quotas and training requirements for Saudi citizens, the government does not currently impose conditions on most forms of investment, such as locating in a specific geographic area (except for some restrictions on the distribution of retail outlets and the location of industrial activities), committing to specific percentages of local content or local equity, substitution for imports, export requirements or targets, or financing only by local sources. In 2015, however, the SAG signaled its intention to begin enforcing offset requirements for foreign investments exceeding 400 million Saudi riyals (SR) ($107 million), a policy that had previously applied only to the defense industry.

The SIDF will grant additional incentives and better loan terms to foreign investors who set up their manufacturing facilities in the underdeveloped provinces of Jizan, Hail, and Tabuk. American and other foreign firms are able to participate in SAG-financed and/or -subsidized research-and-development programs.

Overall, Saudi Arabia continues to offer an attractive but often challenging climate for American investors. At the same time, a series of long-deferred major socio-economic reforms—known collectively as the SAG's "Vision 2030" initiative—could significantly alter the status quo in the coming year.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2015	48 of 168	transparency.org/cpi2015#results-table
World Bank's Doing Business Report "Ease of Doing Business"	2016	82 of 189	doingbusiness.org/data/exploreeconomies/saudi-arabia/
Global Innovation Index	2015	43 of 141	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	$10,064	bea.gov/international/direct_investment_ multinational_companies_comprehensive_data.htm
World Bank GNI per capita	2013	$25,140	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Improving the investment climate remains an important part of the SAG's broader program to liberalize the country's trade and investment regime, diversify an economy overly dependent on oil exports, and promote employment opportunities for a young population. The government encourages investment in nearly all economic sectors, with priority given to transportation, education, health, information and communications technology, life sciences, and energy, as well as in four new "Economic Cities" that are at various stages of development. The Economic Cities are comprehensive, large-scale developments in different regions focusing on particular industries, e.g., information technology. Prospective investors will find Saudi Arabia attractive for its economic stability, large market (with a population of over 30 million), sound infrastructure, and well-regulated banking system.

In the "2016 Doing Business" report, the World Bank ranked Saudi Arabia 82nd out of 189 economies in terms of ease of doing business, a 33 point drop from the 2015 report, which ranked the Kingdom 49th (according to the report, the downgrade was due in large part to report writers' 2015 investigation into the Kingdom's opaque property transfer process and lengthy land dispute resolution mechanism). In its "Corruption Perceptions Index 2015" report, Transparency International ranked Saudi Arabia as the 48th-cleanest out of 168 countries in terms of perceived levels of public sector corruption, up from 55th cleanest in 2014. In its 2016 "Economic Freedom Index," the Heritage Foundation gave the Kingdom a score of 62.1 out of 100, no change from 2015, placing it 78th out of the 186 rated countries.

Generally, Saudi Arabia has made progress on its World Trade Organization (WTO) commitments since joining the organization in 2005. However, the SAG has yet to initiate accession procedures to join the Government Procurement Agreement, as agreed during the Kingdom's accession process to the WTO.

Other Investment Policy Reviews

Saudi Arabia completed its second WTO review in late 2015, which included investment policy.

Laws/Regulations on Foreign Direct Investment

In April 2000, the Council of Ministers established the Saudi Arabian General Investment Authority (SAGIA) to provide information and assistance to foreign investors, issue licenses to investors wishing to operate in the Kingdom, and foster investment opportunities (see www.sagia.gov.sa). SAGIA's duties include formulating government policies regarding investment activities, proposing plans and regulations to enhance the investment climate in the country, and evaluating and licensing investment proposals.

SAGIA periodically reviews the list of activities excluded from foreign investment and submits its reviews to higher authorities for approval. Although these sectors are off-limits to 100 percent foreign investment, foreign minority ownership in joint ventures with Saudi partners may be allowed in some sectors. Foreign investors are no longer required to take local partners in many sectors and may own real estate for company activities. They are allowed to transfer money from their enterprises outside of the country and can sponsor foreign employees, provided that "Saudization" quotas are met (see Labor Section below). Minimum capital requirements to establish business entities range from zero to SR 30 million ($8 million) depending on the sector and the type of investment.

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

SAGIA has traditionally issued foreign investment licenses for seven broadly defined activities: 1) industrial, 2) trading, 3) agricultural, 4) contracting, 5) real estate, 6) specialized and non-specialized services and 7) consulting. In 2015, SAGIA reduced the license categories to three sectors, each with its own regulations and requirements: 1) services, which comprise a wide range of activities including real estate, trading, consulting, IT, healthcare, and tourism, 2) industry, and 3) contracting. Foreign firms must describe their planned commercial activities in some detail and will receive a license in one of these sectors at SAGIA's discretion. Depending on the type of license issued, foreign firms may also require the approval of relevant competent authorities, such as the Ministry of Health or the Saudi Commission of Tourism and Antiquities. In a bid to streamline the process, SAGIA announced plans in early 2016 to reduce the number of documents needed to obtain and renew foreign investment licenses.

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

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

Pursuant to commitments it made when acceding to the WTO, Saudi Arabia has opened additional service markets to foreign investment, including financial and banking services; maintenance and repair of aircraft and computer reservation systems; wholesale, retail, and franchise distribution services (traditionally subject to minimum 25 percent local ownership and minimum SR 20 million [$5.3 million] foreign investment); both basic and value-added telecom services; and investment in the computer and related services sectors. In 2015, SAGIA announced that it would allow full foreign ownership of retail and wholesale businesses in the Kingdom, thereby removing the former 25 percent local ownership requirement, but has yet to fully implement the policy or issue licenses under it. Embassy contacts report that restrictions attached to obtaining full ownership—including investing a required SR100 million ($26.6 million) in local manufacturing—have precluded many investors from taking full advantage of the reform.

Business Registration

In addition to applying for a license from SAGIA as described above, foreign and local investors must register a new business via the Ministry of Commerce and Investment (MCI), which has begun offering online registration services (although in beta) for limited liability companies at: http://www.mci.gov.sa/en. Though users may submit Articles of Association and apply for a business name within minutes on MCI's website, approval from the ministry can take a week or longer. Applicants must also complete a number of other steps in order to start a business, including obtaining a municipality (Baladia) license for their office premises and registering separately with the Ministry of Labor, Chamber of Commerce, Passport Office, Tax Department and the General Organization for Social Insurance. From start to finish, registering a business in Saudi Arabia takes a foreign investor on average 2-3 months from the time an initial SAGIA application is complete, placing the country at 130 of 189 countries in terms of ease of starting a business, according to the World Bank. With respect to foreign direct investment, the investment approval by SAGIA is a necessary but not sufficient step in establishing an investment in the Kingdom. There are a number of other government ministries, agencies, and departments regulating business operations and ventures.

Though Saudi officials have stated their intention to attract foreign small-and-medium enterprises (SMEs) to the Kingdom, no formal mechanism yet exists to facilitate investment and business operations by foreign SMEs. In 2015, the SAG released a new Companies Law designed in part to promote the development of the SME sector, which allows one person, rather than the previous minimum of two, to form a corporation, though in very limited cases. It also substantially cuts the minimum capital and number of shareholders required to form a joint stock company. Currently, however, the law applies only to Saudi nationals. In fall 2015, the Saudi Arabian government announced the establishment of a new Saudi General Authority for Small and Medium Enterprises, housed within the Ministry of Commerce and Investment, but the organization has yet to announce any initiatives targeted at foreign entrepreneurs.

Industrial Promotion

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

The Saudi Industrial Property Authority (MODON) is responsible for the development of industrial cities and technology zones with integrated infrastructure and services. MODON currently manages 31 industrial cities throughout Saudi Arabia, and plans to complete five new industrial cities and two technology zones within the next five years. MODON offers potential investors land to rent at heavily subsidized rates. Potential investors are also offered pre-fabricated industrial complexes in some industrial cities. Additionally, MODON works with the Saudi Industrial Development Fund (SIDF), an entity within the Ministry of Energy, Industry, and Mineral Resources, to provide sources of financing for investors through medium- to long-term loans for the establishment of new factories and the expansion, upgrading, and modernization of existing ones. Foreign investors are eligible to receive low-cost financing for up to 50, 60, or 75 percent of project costs (i.e., fixed assets, pre-operating expenses, and start-up working capital) depending on the level of development of the region. Loans are provided for a maximum term of 15 to 20 years, again depending on the region, with repayment schedules designed to match projected cash flows for the project in question.

Limits on Foreign Control and Right to Private Ownership and Establishment

Saudi Arabia fully recognizes rights to private ownership and establishment of private business. As outlined above, the SAG does exclude foreign investors from some economic sectors and place some limits on foreign control. With respect to energy, Saudi Arabia's largest economic sector, foreign firms are barred from investing in the upstream petroleum industry, but the SAG permits foreign investment in the downstream energy sector, including refining and petrochemicals. There is significant foreign investment in these sectors. ExxonMobil and Shell are both 50 percent partners in refineries with Saudi Aramco. ExxonMobil, Chevron Texaco, and Shell, as well as several other international investors, have formed joint ventures with SABIC to build large-scale petrochemical plants that utilize natural-gas feedstock from Saudi Aramco's existing operations at Ras Tanura. Aramco selected the Dow Chemical Company as its partner in a $20-billion joint venture to construct, own, and operate a chemicals and plastics production complex in Saudi Arabia's Eastern Province. With respect to other non-oil natural resources, the national mining company, Maaden, has a $12-billion joint venture with Alcoa for bauxite mining and aluminum production and a $7-billion joint venture with the leading American fertilizer firm Mosaic and SABIC to produce phosphate-based fertilizers.

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

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

There are also structural rigidities related to investment writ large, including a requirement for government contractors to subcontract 30 percent of the value of their contracts to local firms, a government effort to force all employers to hire larger proportions of Saudis at higher costs, an increasingly restrictive visa policy for foreign workers, and enforced segregation of the sexes in nearly all business and social settings. Foreign and domestic contractors alike also report extremely slow payment from the Saudi government, a problem exacerbated in 2015 when the SAG froze payments to major contractors and accrued up to SR 180 billion ($48 billion) in arrears, prompting some companies to lay off workers in an effort to continue operations. Further complicating matters, in early 2016 the SAG reportedly ordered all government bodies to reduce the value of outstanding contracts by "no less than 5 percent," while mandating that all new contracts—no matter how small—be approved by the Ministry of Finance.

The SAG has also signaled its possible intention to begin enforcing offset requirements for major investments. In 2014, the SAG issued a royal decree requiring all foreign companies fulfilling contracts valued at over SR 400 million ($107 million) to implement a 40 percent offset requirement across all economic sectors. Previously unenforced outside of the defense sector, the offset mandate appeared in an early 2016 tender issued by the Gulf Cooperation Council (GCC) Health Ministers' Council for contracts with the Saudi Ministry of Health, signaling the SAG's intention to apply the requirement more broadly. Although the matter has yet to be clarified officially, a number of SAG investment and offset officials have indicated informally that the 40 percent offset requirement will apply across all sectors.

Privatization Program

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

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

In 2015, as part of Saudi Arabia's renewed efforts to transform and diversify its economy in the wake of sustained low oil prices, the SAG announced that it had identified over 25 additional sectors for privatization in the coming year, chief among them civil aviation, technology, and healthcare. The Kingdom's new privatization strategy began in earnest in January 2016, when the General Authority for Civil Aviation (GACA) announced that it would privatize management and operations of all 27 airports within the Kingdom by 2020, beginning with King Khalid International Airport in Riyadh in 2016. Foreign entities will be allowed to invest in Saudi airports without a Saudi partner, and local investment in some airports will be capped at 25 percent to allow foreign operators a majority holding in operating contracts, according to GACA.

The SAG has also signaled its intention to privatize large portions of its healthcare industry and energy sector. In January 2016, then-Minister of Health Khalid al-Falih announced plans to double private-sector participation in healthcare within five years, expecting to attract nearly $11 billion in investment during the same period. The same month, Deputy Crown Prince Mohammed bin Salman, chair of the Kingdom's Council on Economic and Development Affairs, set up in early 2015 to exercise authority over the SAG's 22 economic ministries, expressed support for a potential initial public offering (IPO) for Aramco, Saudi Arabia's state-owned oil enterprise. Three months later, the Deputy Crown Prince affirmed in an interview that the SAG intends to sell a stake of less than 5 percent of Aramco by 2018; privatizing Aramco and offering its shares on a stock exchange would create the world's largest publicly-traded company.

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

Screening of FDI

All foreign investment projects in Saudi Arabia must be licensed by SAGIA. Investments in specific sectors may require additional licenses from other government authorities, including, but not limited to, the Saudi Arabian Monetary Agency (SAMA), the Capital Market Authority (CMA), the Saudi Food and Drug Authority, the Ministry of Culture and Information, or the Communications and Information Technology Commission (CITC).

As noted above, SAGIA's Investor Service Center (ISC) offers detailed information on the investment process, provides licenses and support services to foreign investors, and coordinates with government ministries to facilitate investment. According to SAGIA's regulations, the ISC must grant or refuse a license within five days of receiving an application and supporting documentation from the prospective investor. SAGIA established and posted new licensing guidelines in 2012 and 2015, but many companies looking to invest in Saudi Arabia work with local representation to navigate the slow and often bureaucratic licensing process. Licenses in services and agriculture must be renewed after one year and in industry after two years. The periodic license reviews, with the possibility of cancellation, adds uncertainty for investors and can provide a disincentive to longer-term investment commitments.

While SAGIA currently operates as more of a regulatory agency charged with screening foreign investment applications based on perceived value to the Saudi economy, some SAG advisors have recently recommended converting the organization into more of an investment promotion agency, which could help explain the more investor-friendly approach that SAGIA has displayed in recent months.

Competition Law

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

2. Conversion and Transfer Policies

Foreign Exchange

Other than withholding taxes ranging from 5 percent for technical services and dividend distributions to 15 percent for transfers to related parties and 20 percent or more for management fees, there is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs. Bulk cash shipments greater than SR 60,000 ($16,000) must be declared at the point of entry or exit. Since 1986, when the last devaluation occurred, the official exchange rate has been 3.75 Saudi riyals per USD. Transactions take place using rates very close to the official rate.

Remittance Policies

There are no restrictions on converting and transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, and lease payments) into a freely usable currency at a legal market-clearing rate. There have been no recent changes, but press reports have quoted the Minister of Labor as saying the SAG intends to limit remittances by foreign workers at some point in the future. The Ministry of Labor has also begun to progressively implement a "Wage Protection System" ostensibly designed to verify that workers are being properly paid according to their contracts; under this system, employers are required to transfer salary payments from a local Saudi bank account to employees' local bank account, rather than paying some workers offshore as has been common in the past. There are no delays in effect for remitting investment returns such as dividends, repatriation of capital, interest and principal on private foreign debt, lease payments, royalties and management fees through normal legal channels. There is no need for a legal parallel market for investor remittances. Saudi Arabia is a member of Middle East and North Africa Financial Action Task Force (MENA-FATF).

3. Expropriation and Compensation

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

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

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

As such, there is no transparent, reliable, predictable or comprehensive legal framework for resolving commercial disputes in accordance with international standards, though the SAG is making progress towards establishing a commercial court system and developing an improved arbitration regime based on the Dubai International Financial Center model (see below). The indicator that most negatively affects its World Bank “Doing Business” ranking is resolving insolvency, where it ranks 189th out of 189 countries.

Saudi commercial law is still in its developing stage. In 1994 Saudi Arabia ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is also a member of the International Center for the Settlement of Investment Disputes (ICSID Convention). In 2012, the SAG revised its arbitration law to update certain provisions. Currently, the Saudi Ministry of Commerce and Investment is leading a new effort to overhaul commercial laws, a project that entails drafting new laws while modernizing current ones, along with creating an arbitration center in cooperation with the Council of Saudi Chambers of Commerce and Industry.

Today, however, dispute settlement and enforcement of foreign arbitral awards in Saudi Arabia continue to be time-consuming and uncertain, carrying the risk that sharia principles can potentially trump any foreign judgments or legal precedents. In several cases, disputes have caused serious problems for foreign investors. For instance, Saudi partners and creditors have blocked foreigners' access to or right to use exit visas, forcing them to remain in Saudi Arabia against their will. In cases of alleged fraud or debt, foreign partners may also be jailed to prevent their departure from the country while awaiting police investigation or 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.

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

The Committee for Labor Disputes (under the Ministry of Labor) and the Negotiable Instruments Committee (also called the Commercial Paper Committee) handle labor disputes and claims under checks and promissory notes, respectively. Judgments obtained in foreign courts, including arbitral awards, are not consistently enforced by Saudi courts despite Saudi Arabia's ratification of the New York Convention. The Kingdom’s record of enforcing judgments issued by courts of other GCC states under the GCC Common Economic Agreement, and of other Arab League states under the Arab League Treaty, is somewhat better. Monetary judgments are based on the terms of the contract—i.e., if the contract is calculated in U.S. dollars, a judgment may be obtained in U.S. dollars. If unspecified, the judgment is denominated in Saudi riyals. Non-material damages and interest are not included in monetary judgments, based on the sharia prohibitions against interest and against indirect, consequential and speculative damages.

In October 2007, King Abdullah issued a royal decree to overhaul the judicial system and allocated 7 billion Saudi riyals (approximately $1.9 billion) to train judges and build new courts. To date, few changes have been implemented, although the SAG has disbursed a portion of the funds allocated for constructing new appeals courts and sending judges abroad for legal seminars. In early 2010, Saudi Arabia started the process of codifying the sharia regulations that govern the Kingdom's courts in an effort to bring clarity and uniformity to judicial rulings. A draft of new commercial court regulations was reportedly completed, some time ago, but the SAG has yet to formally announce or implement the regulations.

Bankruptcy

Royal Decree no. N/16, dated January 24, 1996 put Saudi Arabia's current bankruptcy law, the Regulation on Bankruptcy Protective Settlement, into effect. Articles contained in the law allow debtors to conclude financial settlements with their creditors through committees in each municipal or regional Chamber of Commerce and Industry or through the Board of Grievances. Ordinary creditors may utilize the law's provisions, except in the case of privileged debts and debts which arise pursuant to the settlement procedures. The Ministry of Commerce and Investment is revising the bankruptcy law to update key provisions and address several deficiencies in the Saudi bankruptcy regime. Potential investors should note that the "resolving insolvency" indicator most negatively affects Saudi Arabia's World Bank "Doing Business" ranking; Saudi Arabia's rank for this indicator is 189th out of 189 countries measured.

Investment Disputes

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

International Arbitration

The United States and Saudi Arabia signed a Trade and Investment Framework Agreement (TIFA) in 2003 under which either nation may raise for consultation any trade or investment matter between them. The TIFA, however, does not confer a right of arbitration upon private parties involved in commercial disputes. In 2012, the SAG updated certain provisions in Saudi Arabia's domestic arbitration law, but as noted above, dispute settlement and enforcement of foreign arbitral awards in Saudi Arabia continue to be time-consuming and uncertain. All outcomes are subject to a final review in the Saudi judicial system and carry the risk that principles of sharia law may potentially trump a judgment or legal precedent, as the New York Convention allows. Even after a decision is reached in a dispute, effective enforcement of the judgment can still take years.

ICSID Convention and New York Convention

The Kingdom of Saudi Arabia ratified the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1994. Saudi Arabia is also a member state of the International Center for the Settlement of Investment Disputes (ICSID Convention), though under the terms of its accession it cannot be compelled to refer investment disputes to this system absent specific consent, provided on a case-by-case basis. Saudi Arabia has yet to consent to the referral of any investment dispute to the ICSID for resolution.

Duration of Dispute Resolution – Local Courts

Dispute resolution in Saudi Arabia can be time-consuming, potentially lasting for months or years. Even after a decision is reached in a dispute, effective enforcement of the judgment can raise additional hurdles, though under the 2013 Enforcement Law the enforcement process has improved greatly.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Saudi Arabia is a member of the World Trade Organization (WTO). To date, the SAG has not notified the WTO of any measures inconsistent with the requirements of the Agreement on Trade-Related Investment Measures (TRIMs), nor does it maintain any measures that are alleged to violate the WTO TRIMs text.

Investment Incentives

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

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

Research and Development

American and other foreign firms are able to participate in SAG-financed and/or -subsidized research-and-development programs. Many of these programs are run though the King Abdulaziz City for Science and Technology (KACST), which funds much of the Kingdom's R&D

programs. KACST's budget, however, has been drastically reduced as a result of the SAG's ongoing fiscal difficulties.

Performance Requirements

Investors are not currently required to purchase from local sources or export a certain percentage of output, and their access to foreign exchange is unlimited. While not required to procure from local sources, investors may avoid import duties on raw materials only if they can demonstrate to the satisfaction of the Ministry of Commerce and Investment that the materials are not available locally. There is no requirement that the share of foreign equity be reduced over time. Investors are not required to disclose proprietary information to the SAG as part of the regulatory approval process, except where issues of health and safety are concerned.

The government encourages recruitment of Saudi employees through a series of incentives and limits placed on the number of visas for foreign workers available to companies. In March 2016, press reported that SAGIA plans to require foreign firms with over 50 employees to have workforces that are made up of 75 percent Saudi citizens, with a two-year deadline to reach the target. The largest groups of foreign workers come from Bangladesh, Egypt, India, Pakistan, the Philippines, and Yemen. Some two million Syrian nationals are reported to reside in the Kingdom, which allows them to work locally pending resolution of the conflict in their home country.

The SAG announced in 2002 it would ease restrictions on the issuance of visas to foreign businesspeople to allow greater access and decreed in 2005 that sponsor requirements for business visas would be lifted. Difficulties remain regarding the Saudi visa procedures, however, despite the government's announcement that foreign business visitors will no longer be required to provide invitation letters from Saudi businesses to receive visas. In November 2007, Saudi Arabia declared that it would begin issuing U.S. business visitors five-year, multiple-entry visas at Saudi embassies, consulates, and ports of entry, though the Kingdom's implementation of this policy has proven sporadic. One-year "business visas" are routinely issued to U.S. visitors who do not have an invitation letter from a Saudi company, and the visa applicants must provide proof that they are engaged in legitimate commercial activity. By contrast, "commercial visas" are issued by invitation from Saudi companies to applicants who have a specific reason to visit a Saudi company, and the maximum validity is five years if sponsored by the Council of Saudi Chambers of Commerce and Industry, rather than the company that issued the invitation letter.

Data Storage

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

6. Protection of Property Rights

Real Property

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

Intellectual Property Rights

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

The current Law on Patents, Layout Designs of Integrated Circuits, Plant Varieties and Industrial Designs has been in effect since September 2004. The patent office continues to build its capacity through training, has streamlined its procedures, hired more staff, and reduced its backlog. Patents are available for both products and processes. The term of protection was increased from 15 to 20 years under the 2004 law, but patent holders can no longer apply for a routinely granted five-year extension. In December 2009, the Saudi Council of Ministers approved the Kingdom's accession to both the Intellectual Property Owners Association Patent Cooperation Treaty (PCT) and its Implementing Regulations and the Patent Law Treaty (PLT) adopted by the Diplomatic Conference in Geneva on June 1, 2000.

In September 2009, the King approved a mechanism to protect Exclusive Marketing Rights (EMR) for certain pharmaceutical products that had lost patent protection when Saudi Arabia transitioned to a new TRIPS-compliant patent law in 2004. EMR protection in Saudi Arabia expires on the same date the patent expires in the United States or the European Union, and companies report that they have received EMR protection for accepted applications.

The SAG has revised its Copyright Law and is seeking to impose stricter penalties on copyright violators. In January 2010, the Ministry of Culture and Information (MOCI) referred the first-ever copyright-violation case to the Board of Grievances for deterrent sentencing. The SAG has stepped up efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores, including relatively frequent raids on shops selling pirated goods, but many pirated materials are still available in the marketplace. The MOCI employs only a handful of investigators/inspectors nationwide and lacks the resources for effective copyright enforcement. The use of pirated software increases possible cyber-security vulnerability in some systems, and may have played a role in a major cyber failure in 2012 at Aramco. An Islamic religious edict ("fatwa") stating that software piracy is "forbidden" has not been backed up by strong enforcement efforts. Much of the software utilized by the Saudi government itself is reportedly unlicensed or "underlicensed."

Comprehensive data on seizures of counterfeit goods is not available, but the SAG does make public announcements in local media when large seizures are made. Based on such announcements by Saudi Customs, the U.S. Embassy estimates that over $500 million (SR 18.75 million) in counterfeit goods are seized on average during one calendar year.

The Rules for Protection of Trade Secrets came into effect in 2005. Trademarks are protected under the Trademark Law. Saudi Arabia has one of the best trademark laws in the region, and the Saudi Customs Authority has significantly stepped up its enforcement efforts. Saudi Arabia received anti-counterfeiting and piracy awards from the World Customs Organization (WCO) in 2009 for organizing the first Pan-Arab conference on this issue, building the capacity of the Customs Authority, and translating WCO documents into Arabic. Saudi Arabia has not signed or ratified the WIPO internet treaties.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Resources for Rights Holders

Embassy point of contact:

Ethan Lynch
Economic Officer
+966 11 488-3800 Ext. 4140
LynchED@state.gov

Please contact economic officer Ethan Lynch for a list of local lawyers who specialize in IPR issues.

7. Transparency of the Regulatory System

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

Stakeholder consultation is inconsistent: some Saudi organizations are scrupulous about consulting businesses affected by the regulatory process, while others tend to issue regulations with no consultation at all. Proposed laws and regulations are not always published in draft form for public comment. Some government agencies permit public comments through their websites. The processes and procedures for stakeholder consultation are not generally transparent or codified in law or regulations. There are no private-sector or government efforts to restrict foreign participation in the industry standards-setting consortia or organizations that are available. There are no informal regulatory processes managed by NGOs or private-sector associations.

8. Efficient Capital Markets and Portfolio Investment

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

Prior to 2015 the CMA only permitted foreign investors to invest in the Saudi stock market through indirect "swap arrangements," through which foreigners had accumulated ownership of one per cent of the market. In June 2015, the CMA opened the stock market to qualified foreign investors, though to date only large financial institutions have met the stringent requirements for entry, which include maintaining at least $5 billion (SR 18.75 billion) in assets under management and possessing five years of investment experience. To prevent foreign entities from becoming a majority shareholder of a Saudi Arabian company, the CMA has capped foreign ownership of traded companies at 49 percent.

In 2003, the Saudi Arabian Monetary Agency (SAMA), the central bank, enhanced and updated its 1995 Circular on Guidelines for the Prevention of Money Laundering and Terrorist Financing. The enhanced guidelines are more compliant with the Banking Control Law, the Financial Action Task Force (FATF) 40 Recommendations, the nine Special Recommendations on Terrorist Financing, and relevant UN Security Council Resolutions. In 2014, King Abdullah ratified a new counter-terrorism law officially criminalizing acts of terrorism and the financing of terrorism.

Historically, credit was widely available to both Saudi and foreign entities from commercial banks and was allocated on market terms. The global financial crisis of 2008, followed by the default on $20 billion in debt by two Saudi business concerns and the debt restructuring in Dubai, substantially reduced this availability to all parties, resulting in the delay or cancellation of some projects. Credit became somewhat more available in 2011 and 2012, but extraordinary public spending limited the demand for private lending. In addition to large-scale supplemental programs, credit is available from several government institutions, such as the Saudi Industrial Development Fund, which allocate credit based on government-set criteria rather than market conditions. Companies must have a legal presence in Saudi Arabia in order to qualify for credit. The private sector has access to term loans, and there have been a number of issuances of sharia compliant bonds, known as "sukuk," but there is no fully developed corporate bond market.

In 2012, the Council of Ministers issued five new laws concerning mortgages and the wider financial sector—the Real Estate Finance Law, Financial Lease Law, Law on Supervision of Finance Companies, Real Estate Mortgage Law, and Execution/Enforcement Law. Private-sector contacts are generally optimistic about the laws' long-term potential to enhance mortgage penetration, attract additional investment to the private housing market, and increase overall lending. The Execution/Enforcement law has proven particularly important in advancing creditors' rights by ensuring an expedited path to recovery by lenders and other creditors, paving the way for stronger mortgage lending in the Kingdom.

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

Money and Banking System, Hostile Takeovers

In the last few years, the SAG has taken steps to increase foreign participation in its banking sector by granting operating licenses to foreign banks. As of 2015, SAMA had granted 11 foreign banks licenses to operate in the Kingdom: BNP Paribas, Deutsche Bank, Emirates NBD, Gulf International Bank, J.P. Morgan Chase, Muscat Bank, National Bank of Bahrain, National Bank of Kuwait, National Bank of Pakistan, State Bank of India, and T.C. Ziraat Bankasi A.S. The Cabinet further approved the licensing of a branch of the Chinese Bank of Industry and Commerce, although according to SAMA's website the license "has not started yet."

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

9. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) play a leading role in the Saudi economy, particularly in water, power, oil, natural gas, and petrochemicals. Saudi Aramco, the world's largest producer and exporter of crude oil and a large-scale oil refiner and producer of natural gas, is 100 percent SAG-owned, and its revenues typically account for around 85-90 percent of the SAG's budget. The SAG announced in January 2016 that it is considering an Aramco initial public offering (IPO); the company subsequently issued a statement that it was exploring a public offer of a package of its downstream business lines, including petrochemicals and refining. Most analysts expect the company to offer a minority stake of its downstream businesses on the Saudi stock exchange, as other Saudi state-owned enterprises have done. Saudi Arabia's leading petrochemical company, Saudi Basic Industries Corporation (SABIC), is 70 percent owned by the SAG. SABIC's Chairman is a member of the royal family and also the chair of the Royal Commission of Jubail & Yanbu; four additional members of SABIC's seven-member board are SAG officials. The SAG tends to be similarly well-represented in the leadership of other SOEs. State-owned Saudi Arabian Airlines (Saudia) competes against Fly Nas, a private, low-cost carrier, but enjoys substantial discounts on aviation fuel. The SAG has yet to initiate accession procedures to join the Government Procurement Agreement, as agreed during the Kingdom's accession process to the WTO.

OECD Guidelines on Corporate Governance of SOEs

The Embassy is not aware of SOEs expressly exercising delegated governmental powers, though they are heavily involved in policy consultations. SOEs benefit from water, power, and feedstock sold below market rates and often receive free land from the SAG. Generally, private industries also get water, power, and feedstock at below-market prices, and the SAG often gives land as part of public-private partnerships, but fully private enterprises do not typically receive free land unless as part of a SAG effort to stimulate specific sectors. In December 2015, the SAG announced increases in fuel and utility rates, an initial step in a plan to eliminate subsidies over the following five years. In principle, credit is equally available to private companies and SOEs. The Embassy does not believe Saudi SOEs to operate, in practice, under hard budget constraints. The detail and regularity of financial reporting by SOEs vary and do not consistently meet international financial reporting standards, including the OECD Guidelines on Corporate Governance for SOEs. It is likely that domestic courts would tend to resolve investment disputes in favor of SOEs, though there are examples of rulings in favor of private sector claimants against SAG entities.

Sovereign Wealth Funds

The Kingdom does not have an official sovereign wealth fund, but several organizations have attributes of such a fund. In practice, the Saudi Arabian Monetary Agency (SAMA) acts as the Kingdom's principal sovereign wealth fund, holding the majority of the Kingdom's foreign assets. SAMA, whose holdings stood at about $612 billion at the end of 2015, invests the Kingdom's surplus oil revenues primarily in low-risk liquid assets, such as sovereign debt instruments and fixed-income securities.

The Kingdom established a Public Investment Fund (PIF) in 1971 to channel oil wealth into economic development. The PIF's role has grown and evolved over time; it currently invests approximately 95 percent of its assets in the domestic market and holds the government's shares in many partially privatized SOEs, including SABIC, the National Commercial Bank, Saudi Telecom Company, and others. The PIF was removed from the Ministry of Finance's control in 2015 and placed under the authority of the Council for Economic and Development Affairs. In 2008, the Kingdom established the Saudi Arabian Investment Company (also known as Sanabil al-Saudia), which is wholly owned by the PIF. The fund began with $5.3 billion of startup capital and makes direct equity investments in Saudi-based companies, employing a long-term investment strategy similar to traditional sovereign wealth funds. The General Organization for Social Insurance (GOSI), which oversees the Kingdom's private-sector workers' pension contributions, owns stakes in most leading publicly traded Saudi firms. In 2009, GOSI formed Hassana Investment Company, an investment vehicle similar to the PIF's Sanabil. PIF and GOSI are the two leading institutional investors in the Saudi stock market.

In April 2016, Deputy Crown Prince Mohammed bin Salman announced his intention to build the PIF into a $2 trillion global investment fund with a 50-50 allocation of domestic and foreign assets, relying in part on proceeds from an initial public offering of some portions of Saudi Aramco's business lines. Though not a formal member, Saudi Arabia serves as a permanent observer to the International Working Group on Sovereign Wealth Funds.

10. Responsible Business Conduct

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

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

11. Political Violence

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

12. Corruption

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

Foreign firms have identified corruption as a barrier to investment in Saudi Arabia; nevertheless, authorities have only taken modest steps toward combating it. In April 2007, King Abdullah established the National Authority for Combating Corruption that was to report directly to the king, but there was little tangible follow-through to empower this institution. The General Auditing Bureau is also charged with combating corruption. In 2011, King Abdullah reconstituted the Authority as the Anti-Corruption Commission ("Nazaha") under new and more energetic leadership. The Commission regularly publishes news of its investigations on its website (http://www.nazaha.gov.sa/en/Pages/Default.aspx), and some evidence suggests the organization has not shied away from influential players whose indiscretions may previously have been ignored. The Commission's ability to monitor corruption in the Kingdom's judicial system, however, remains limited: in 2015, the Minister of Justice announced that the Commission had no authority to inspect judges within the country. Globally, Saudi Arabia ranks 48th[th] out of 168 countries in Transparency International's Corruption Perceptions Index.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

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

Resources to Report Corruption

Options for reporting corruption to Nazaha, the National Anti-Corruption Commission:

The Anti-Corruption Commission's (ACC) physical address by post, telegram, or in person

Anti-Corruption Commission
P.O. Box (Wasl) 7667
Elalia-Hiaelghader
Riyadh 2525-13311
The Kingdom of Saudi Arabia.
ACC's Fax (012645555)

Through the "Complainant Service" on the website of the National Anti-Corruption Commission: http://www.nazaha.gov.sa/en/eServices/Complaints/Pages/default.aspx

13. Bilateral Investment Agreements

Saudi Arabia has Investment Promotion & Protection Agreements with Austria, Belgium, China, France, Germany, Italy, Malaysia, and Taiwan. The Kingdom has cooperation agreements of varying scope with 36 countries, including an agreement on secured private investment with the United States that has been in place since February 1975. The United States and Saudi Arabia signed a Trade and Investment Framework Agreement in 2003.

Further information on the above, and on miscellaneous additional agreements, can be found at http://www.sagia.gov.sa/en/Investment-climate/Some-Things-You-Need-To-Know-/International-agreements/.

Bilateral Taxation Treaties

Saudi Arabia does not have a bilateral taxation treaty with the United States.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

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

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

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

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	$746,200	2014	$746,200	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	N/A	N/A	2014	$10,064	BEA
Host country's FDI in the United States ($M USD, stock positions)	N/A	N/A	2014	$13,300	fDi Markets
Total inbound stock of FDI as % host GDP	N/A	N/A	2015	1.02%	UN Conference on Trade and Development

*Saudi Arabian Monetary Authority, September 2015.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	169,206	100%	Total Outward	N/A	100%
Kuwait	16,761	10%			
France	15,981	9%			
Japan	13,160	8%			
United Arab Emirates	12,601	7%			
China, P.R.: Mainland	9,035	5%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey

Note: Data are from 2010 (latest available)

Table 4: Sources of Portfolio Investment

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

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

Islamic (sharia) legal system with some elements of Egyptian, French, and customary law; note - several secular codes have been introduced; commercial disputes handled by special committees

International organization participation:

ABEDA, AfDB (nonregional member), AFESD, AMF, BIS, CAEU, CP, FAO, G-20, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IOM (observer), IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OAPEC, OAS (observer), OIC, OPCW, OPEC, PCA, UN, UNCTAD, UNESCO, UNIDO, UNRWA, UNWTO, UPU, WCO, WFTU (NGOs), WHO, WIPO, WMO, WTO

Exchange control

Saudi Arabia imposes no exchange control regulations on the entry and repatriation of funds, profits and salaries paid to foreigners employed in the Kingdom.

Treaty and non-treaty withholding tax rates

Saudi Arabia has exchange of information relationships with 81 jurisdictions through 30 DTCs, 0 TIEAs and 1 multilateral mechanism, Convention on Mutual Administrative Assistance in Tax Matters.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Austria	DTC	19 Mar 2006	1 Jun 2007	No	No	
Bangladesh	DTC	4 Jan 2011	1 Oct 2011	Unreviewed	No	
Belarus	DTC	20 Jul 2009	1 Aug 2010	Unreviewed	No	
China	DTC	23 Jan 2006	1 Sep 2006	Yes	No	
Czech Republic	DTC	25 Apr 2012	not yet in force	Unreviewed	Yes	
France	DTC	18 Feb 1982	1 Mar 1983	Yes	Yes	
Greece	DTC	19 Jun 2008	1 May 2010	Yes	No	
India	DTC	25 Jan 2006	1 Nov 2006	Yes	No	
Ireland	DTC	19 Oct 2011	1 Dec 2012	Yes	Yes	
Italy	DTC	13 Jan 2007	1 Dec 2009	Yes	No	
Japan	DTC	15 Nov 2010	not yet in force	Yes	Yes	
Korea, Republic of	DTC	24 Mar 2007	1 Dec 2008	Yes	No	
Luxembourg	DTC	7 May 2013	not yet in force	Unreviewed	Yes	
Malaysia	DTC	31 Jan 2006	1 Jul 2007	No	No	
Malta	DTC	4 Jan 2012	1 Dec 2012	Yes	Yes	
Netherlands	DTC	13 Oct 2008	1 Dec 2010	Yes	No	
Pakistan	DTC	2 Feb 2006	15 Nov 2006	Unreviewed	No	
Poland	DTC	22 Feb 2011	not yet in force	Yes	Yes	
Romania	DTC	26 Apr 2011	1 Jul 2012	Unreviewed	No	
Russian Federation	DTC	11 Feb 2007	1 Feb 2010	Yes	No	
Singapore	DTC	3 May 2010	1 Jul 2011	Yes	Yes	
South Africa	DTC	13 Mar 2007	1 May 2008	Yes	No	
Spain	DTC	19 Jun 2007	1 Oct 2009	Yes	Yes	
Syrian Arab Republic	DTC	7 Sep 2009	1 Oct 2010	Unreviewed	No	
Tunisia	DTC	8 Jul 2010	not yet in force	Unreviewed	No	
Turkey	DTC	9 Nov 2007	1 Apr 2009	Unreviewed	No	
Ukraine	DTC	2 Sep 2011	1 Dec 2012	Unreviewed	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
United Kingdom	DTC	31 Oct 2007	1 Jan 2009	Yes	Yes
Uzbekistan	DTC	18 Nov 2008	not yet in force	Unreviewed	No
Viet nam	DTC	10 Apr 2010	1 Feb 2011	Unreviewed	No

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

DISCLAIMER

Part of this report contains material sourced from third party websites. This material could include technical inaccuracies or typographical errors. The materials in this report are provided "as is" and without warranties of any kind either expressed or implied, to the fullest extent permissible pursuant to applicable law. Neither are any warranties or representations made regarding the use of or the result of the use of the material in the report in terms of their correctness, accuracy, reliability, or otherwise. Materials in this report do not constitute financial or other professional advice.

We disclaim any responsibility for the content available on any other site reached by links to or from the website.

RESTRICTION OF LIABILITY

Although full endeavours are made to ensure that the material in this report is correct, no liability will be accepted for any damages or injury caused by, including but not limited to, inaccuracies or typographical errors within the material, Neither will liability be accepted for any damages or injury, including but not limited to, special or consequential damages that result from the use of, or the inability to use, the materials in this report. Total liability to you for all losses, damages, and causes of action (in contract, tort (including without limitation, negligence), or otherwise) will not be greater than the amount you paid for the report.

RESTRICTIONS ON USE

All Country Reports accessed and/or downloaded and/or printed from the website may not be distributed, republished, uploaded, posted, or transmitted in any way outside of your organization, without our prior consent. Restrictions in force by the websites of source information will also apply.

We prohibit caching and the framing of any Content available on the website without prior written consent.

Any questions or queries should be addressed to: -

Gary Youinou

Via our Contact Page at KnowYourCountry.com