

Investing in Saudi Arabia

January 2010

Why Saudi Arabia?

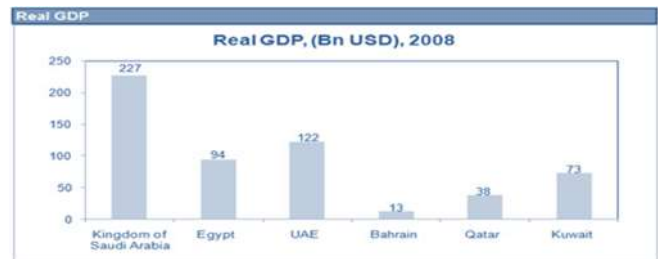
The Kingdom of Saudi Arabia is a nation on the move and it has long been recognized as a powerhouse of the Middle East. Now's it's poised to become one of the world's top 10 most competitive nations and with that, one of the most lucrative markets for strategic investment.

Saudi's unique geographic features offer investors distinct business advantages: unmatched supplies of oil and gas mean that energy costs are low and constant, plus, having borders with three continents ensures it can provide highly-efficient transport links. With this in mind, His Majesty King Abdullah bin Abdul Aziz Al Saud, Custodian of the Two Holy Mosques, has directed the Saudi government to become one of the world's Top 10 most competitive economies by 2010. In this way Saudi Arabia has become the preferred investment destination.

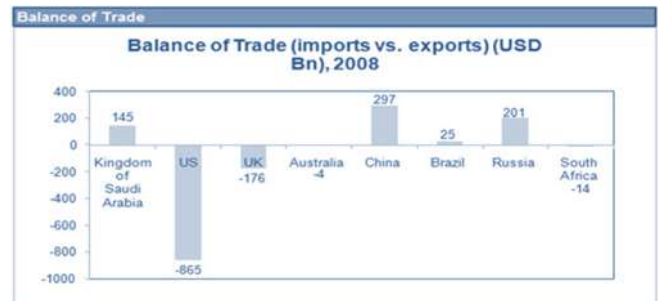
There are other reasons why Saudi Arabia is the preferred investment destination:

- It is ranked 4th in the world for "fiscal freedom" and is the 7th most rewarding tax system in the world
- It has the 7th freest labor market in the world according to the World Economic Forum
- It is the largest free market in the MENA
- It is one of the world's 25 largest economies (24th) and the largest economy in the MENA region
- It has 25% of worlds oil reserves
- It represents 25% of total Arab GDP

With these conditions Saudi Arabia offers a dynamic and robust economy, perfect for serving the world's most demanding markets.



Notes: Estimated figures for all countries. The figures in USD have been calculated by multiplying the exchange rate (between local currency and USD) with Real GDP figures available in local currency. The exchange rate has been calculated using the Nominal GDP figures in local currency and in USD
 Source: "World Economic Outlook Database", IMF, April 2009



Notes: Data of KSA is for the year 2007, while that of the other countries is for the year 2008
 Source: United Nations Commodity Trade Statistics Database

Economic Cities

At a cost of more than \$60 billion, Saudi Arabia's economy is being propelled onto a whole new level with the construction of four integrated Economic Cities. This visionary development project will promote economic diversification, create over a million new job opportunities, homes for 4-5 million residents – and, most significantly, contribute \$150billion to Saudi's GDP.

The cities currently under construction are:

- King Abdullah Economic City (KAEC) some 200km north of the commercial hub of Jeddah

- Prince Abdul Aziz Bin Mousaed Economic City in the province of Hail, 720 km north of Riyadh
- Knowledge Economic City on the outskirts of Medinah
- Jazan Economic City (JEC) in the southwestern region of the country

Key Sectors

With 12 million barrels of oil produced in Saudi Arabia each day the Kingdom's oil revenues continue to remain high. Globally the demand for refined petroleum products is expected to remain very strong, driven by rapid and resilient growth in emerging markets.

Energy

Crude Oil

Tight capacity for crude oil worldwide has elevated utilization rates and pushed margins to historic highs. In fact, refinery utilization rates are forecast to exceed 86% by 2010 with demand at 93 million bpd and set to double by 2030.

Petrochemicals

Saudi Arabia is the world's 11th largest petrochemicals supplier, accounting for 7-8% of total supply. Saudi Arabia is investing in raising its world petrochemical market share profile to 13-14% by 2010.

Water & Power

Additional power generation capacity is planned, as well as a 30,000 km extension to the Saudi's transmission network and US\$24 billion investment in additional water capacity.

Energy Success Stories

- **Aluminium Corporation of China**

In late 2007, MMC International Holdings Limited and Saudi Bin Ladin Group (SBG) signed an Agreement with Aluminium

Corporation of China Limited (Chalco) to develop, own and operate an aluminium smelter at Jazan Economic City (JEC) at a cost of US\$3 billion, with annual production capacity of 1 million metric tons.

- **Sumitomo Chemicals**

Saudi Aramco and Sumitomo Chemical joined forces to develop one of the world's largest integrated refining and petrochemical complexes at Rabigh on Saudi Arabia's Red Sea coast. The complex will produce 2.2 million tons of olefins in addition to gasoline and other refined products.

- **Japan Bank for International Cooperation**

In 2006, the Japan Bank for International Cooperation (JBIC) signed a project financing agreement of up to US\$1,170 million with Saudi Arabia's Eastern Petrochemical Company (SHARQ) to finance an expansion of one of the world's largest ethylene glycol and polyethylene production facilities.

12 million barrels of oil are produced in Saudi Arabia every day

Information & Communication Technology (ICT)

The Saudi Arabian telecommunications and information technology industries represent over 55% and 51% of the total Middle East markets, respectively. The Saudi Arabian market remains substantially under-developed by global standards and remains on a rapid growth trajectory. ICT spending has grown at over 10% per year since 2001 to reach US\$7.3 billion in 2006.

ICT Success Stories

- **SAP**

Many of the largest clients in SAP's portfolio are based in Saudi Arabia, including world-

class players such as Saudi Aramco & Saudi Electricity Company. To accommodate its aggressive growth targets in the region, SAP announced in 2008 that it plans to locate 30% of its Middle East headcount in the Kingdom.

- **Cisco**

Cisco has signed agreements to design the information and communications (ICT) infrastructure for three of Saudi Arabia's planned Economic Cities.

Transport & Logistics

Saudi Arabia's strategic location and large-scale infrastructure development will position Saudi Arabia as one of the world's leading transport and logistics hubs.

Transport & Logistics Success Stories

- **DP World**

In April 2008, Emaar, selected global marine terminal operator DP World to develop and operate the King Abdullah Economic City seaport. A critical component of KAEC's development, the seaport will be one of the world's top 10 ports and the largest in the Red Sea, with capacity at 20 million TEU*.

Health

In 2005, Saudi Arabia spent US\$13 billion on healthcare, 25% of which was supplied by the private sector. Public healthcare spending saw a compound annual growth rate of 7.2% between 1999 and 2005; spending is expected to reach US\$20 billion by 2016.

Health Success Stories

- **SHEFA Healthcare Fund**

In a landmark deal, the US\$100 million Shefa Healthcare Fund has received a US\$37.5 million private equity capital investment from the Saudi Health Investment Company (SHIC).

**TEU – Twenty-foot equivalent unit*

Meanwhile, Shefa took a majority stake in two Al Mashafi Group hospitals. With Al Mashafi Group as a platform, SHIC's investment will enable Shefa to reach additional profit opportunities across the region.

Banking, Finance & Capital Market

At the current time there are 12 Saudi Banks and 11 Foreign Bank branches operating in Saudi Arabia, under licenses issued by the Saudi Arabian Monetary Agency.

In addition, there are now some 110 licensed brokerage firms in the Kingdom, under licenses issued by the Capital Market Authority of Saudi Arabia.

A number of key projects are also in the making:

- Morgan Stanley Forecasts **110 Saudi IPO** Sales by 2010.
- A **\$35bn building programme** which includes building 600 new factories, schools, doubling desalination capacity, increasing electrical generation and distribution.
- The **King Abdullah Financial District** in Riyadh.
- Discussion between the Egyptian and Saudi authorities on a \$3 billion project to build a causeway across the Red Sea to provide a **road link between Dibah and the Egyptian port of Sharm Al-Sheikh**.
- The Jeddah Chamber of Commerce and Industry estimates that the Kingdom requires at least **1 million new homes in the next five years** to address population growth needs. The Ministry of Education has outlined a \$4 billion plan to **build another 4,000 schools**.

Overall Saudi Arabia has an excellent track record of economic stability. With a progressive regulatory environment, generous financial incentives and one of the world's most stable currencies the country is an ideal gateway to the regional marketplace.



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