

— THE KINGDOM OF SAUDI ARABIA —

# The new Saudi Arabia

TEXT International Affairs, Chamber of Commerce

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## Saudi Arabia

### Facts & figures

**Political capital:** Riyadh

**Business languages:** Arabic (official), English (widely spoken)

**Business currency:** Saudi-Riyal (EUR 1 = 4.12 SR)

**Working days:** Sunday through Thursday, 8am to 12pm and 4pm to 8pm (8 hours)

**Time Zone:** GMT+3

**Time difference with Luxembourg:**

+1 hours in summer/+2 hours in winter

**Climate:** Harsh, dry desert with great temperature extremes

**Surface:** 2,149,690 km<sup>2</sup> (Luxembourg is 831 times smaller than Saudi Arabia)

**Population:** 34,783,757 (July 2021 est.)

**GDP per capita:** 20,110.316 USD (2020 est.) 43rd in the world ranking (Luxembourg is 3rd)

**Growth rate:** 2.4% (2021), 4.8% (2022 est.)

**Inflation rate:** 3.4% (2020)

**Unemployment rate:** 7.4% (2020)

**Ease of doing business:** 63rd among 190 countries ranked by World Bank (Luxembourg is 72nd)

**Exports/imports:** Mineral products, chemical products, plastics and rubbers, transportation and metals/cars, broadcasting equipment, refined petroleum, packaged medicines and telephones

**Logistics Performance Index:** 2.8, on a scale from 1 (low) to 5 (high) (Luxembourg is 3.7)

**Corruption indicator:** 52 out of 180 countries ranked by Transparency International

**Main economic sectors:**

**Agriculture:** 2.6% (2017)

**Industry:** 44.2% (2017)

**Services:** 53.2% (2017)

**Country risk classification (Coface):** Business

**Climate:** B (medium) on a scale from A (very low) to D (very high). **Overall Country Risk Assessment:** B

**Double Tax Agreement with Luxembourg:** entered into force on 1 September 2014.

Sources: CIA World Factbook, My Life Elsewhere, World Bank, IMF, Transparency International, OEC, Coface

**The first economic power in the Middle East, Saudi Arabia is the most wealthy of the Arab countries and making great strides with their strategic framework, 'Saudi Vision 2030'.**

— Taking advantage of a large budget surplus, Saudi Arabia is currently making a giant leap by the digitalisation of its public services and the launch of gigantic infrastructure projects. These projects are part of the 'Vision 2030' roadmap, which aims to challenge the foundations of the traditional economy to push investment in innovative sectors.

Extending across most of the northern and central Arabian Peninsula, Saudi Arabia is a young country that is heir to a rich history. Along the Red Sea lies the Hejaz, the cradle of Islam and home to the holy cities, Mecca and Medina. To the east, along the Persian Gulf, are the country's abundant oil fields. Saudi Arabia has the largest oil reserves in the world (17%) and is the largest oil producer and exporter. Oil accounts for just under 90% of Saudi Arabia's exports and nearly 80% of government revenues.

The standard of living in Saudi Arabia is one of the highest in the region with a GDP/capita of over USD 20,000. The country should record a growth rate of 2.4% in 2021 and then rebound to 4.8% in 2022.

### The Change – Saudi Vision 2030

Saudi Vision 2030, announced in 2016 by Crown Prince Mohammed bin Salman, is a strategic framework to reduce Saudi Arabia's dependence on oil, diversify its economy, and develop public service sectors such as health, education, infrastructure, energy, circular economy, recreation, entertainment and tourism by a relaxation of conservative societal measures. Key goals include reinforcing economic and investment activities, increasing non-oil international trade, and promoting a softer and more secular image of the Kingdom.

### New projects and reforms

Saudi Arabia's rich potential to the world is also showcased by the Red Sea Project that encompasses over 28,000 km<sup>2</sup> of pristine water and a vast archipelago of more than 90 islands. Comprised of hotels, residential properties and leisure facilities, it will set new standards in regenerative tourism and sustainable development.

Neom ('New Future') is the name of a future city to be built in northwestern Saudi Arabia that will incorporate smart city technologies and function as a tourist destination. The site will cover a total area of 26,500 km<sup>2</sup> and will extend 460 km along the coast of the Red Sea. The project will be totally powered by renewable energy sources and operate independently from the existing government. It will have its own tax and labour laws and an autonomous judicial system.

Strong reform momentum is continuing. The increase in the presence of women in the labour market and reforms to the Kafala sponsorship system for expatriate workers are important to boost growth, productivity, and household incomes, while visas and e-visas are easier than ever to obtain. Further, the programme to codify legal practices, the PPP/asset sales programme, the deepening of the domestic capital markets, reforms for e-government and to harness the potential of digitalisation, and the support to SMEs and entrepreneurs are all important to embrace a more diversified and inclusive recovery.

Saudi Arabia has significant financial resources to carry out its projects. The government announced a USD 255 bn budget for 2022 and had a Foreign Direct Investment (FDI) stock equivalent to USD 242 bn in 2020, which also makes Saudi Arabia an important

Riyadh



partner in terms of foreign investments.

The country has also created institutions to facilitate the establishment of foreign companies in the Saudi market. BIAC, a subsidiary of the Saudi Technology Development and Investment Company, TAQNIA, which is wholly owned by the Public Investment Fund (PIF), facilitates the entry of small, medium, and pioneer companies into the Saudi market in collaboration with the PIF and the Ministry of Investment (MISA).

**TIP:** Note that from 2024 onwards, companies wanting to operate in the Kingdom must have a regional presence.

### Business considerations

- The Saudi working week is from Sunday to Thursday; the ‘weekend’ is Friday and Saturday.
- Be on time for appointments. People may even arrive early if they are trying to please the person they are meeting. However, be aware that you may be kept waiting.
- Business is hierarchical based on age and position. Decisions are made by the highest-ranking person. Respect should be shown to the most senior person at all times.
- When first entering a room or greeting your Saudi counterparts for the first time, shake hands with everyone from right to left, unless they are of the opposite gender, then just nod.
- If the meeting is held at a Saudi counterpart’s office, expect to be treated very generously. Tea, coffee and sweets are usually served.
- Meetings generally start with small talk and can seem like a constant round of appointments to become acquainted.
- There is generally a lack of urgency in business dealings. Decisions are made slowly and can be overturned easily. Avoid showing impatience at the process.
- People may agree on contracts and adhere to them based on trust. Saudis generally keep word-of-mouth promises, so be sure you understand what they mean. However, it is still important to secure matters with written contracts.
- Be prepared to compromise a little to build a long-term business relationship.
- It is advisable to repeat your main points to show your conviction but do not make exaggerated claims. Provide concrete evidence with figures and calculations for claims and projections that can prove the value of a business venture.
- Avoid losing your temper. It will possibly make Saudis hesitant to do business with you. —

A **Joint Luxembourg Belgium Trade Mission** is scheduled for March 2023. Contact [middleeast@cc.lu](mailto:middleeast@cc.lu) for more information.

### Useful contacts

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**Jean-Philippe Boever**  
 Founder, Eolis Media

### What are your business relations with Saudi Arabia?

We develop unique, passive sensors branded GridCop which monitor critical infrastructures without recourse to any wireless networks. In 2020, we have been designated as reference sensing technology in one of the largest infrastructure roll-out projects reaching from India via Saudi Arabia into Europe, named TEAS.

### What opportunities did the Go International Saudi Arabia Mission bring to your business?

We could finally greet partners we have been meeting only virtually over the past two years. On top, with the help of our local partners, the guidance of AWEX and the Belgian Embassy combined with our humble experience of the Saudi market, we could identify and address prospects very efficiently. Innovative, non-mainstream technologies which resolve real issues, like the GridCop sensors, spur real interest with Saudi businesses and authorities. Even moreso if technologies can 1) be produced locally under licence, and 2) fit into the Saudi ‘Vision 2030’, which is set to sky-rocket Saudi Arabia into the post-hydrocarbon society.

### What are the risks related to this market?

The Saudi market does not bear any specific risks: Saudi business people are highly educated, top-level Saudi companies are managed by Saudi nationals having extensive experience as expats or by Europeans with long-standing experience in MENA. The riyal (SAR) is pegged to the dollar (USD) and the legal framework which is still undergoing fundamental changes may already be closer than expected to French or Common law. Maybe the most tangible risk is cultural, related to the fact that religion is omnipresent, that clocks tick differently and ... Saudis may call you or send you an email on Sundays, Sunday being the start of the week and an ordinary business day in Saudi Arabia.

### What advice would you give to entrepreneurs who are interested in working with Saudi Arabia?

Learn a couple of useful Saudi expressions, get insight into the do’s and don’ts of the social and business etiquette and go! Second: do find a well-connected Saudi partner in your field of activity – a lot of prospects have supplier qualification procedures that may just be overkill for a European SME or startup and which a local has already accomplished successfully. Third: be straightforward and open – and you will see straightforwardness, openness and success.