

SAUDI ARABIA: An Appetite for Business

Saudi Arabia, one of the largest cash markets in the world, is Canada's biggest trading partner in the Middle East. Two-way trade, almost equally balanced, now exceeds Cdn \$1 billion annually.

With its rapidly expanding domestic market and an ongoing industrialization boom, this is a prime market for major world exporters and investors. With a little perseverance, it can develop into a much larger market for Canadian goods and services.

Sitting on the largest petroleum reserves in the world (an estimated 258 billion barrels versus Canada's 5.1 billion barrels), Saudi Arabia remains the world's largest exporter of petroleum and its future as a major market for business is assured.

A thirst for foreign technology...

For the first-time visitor, the extent of modern infrastructure in the country is quite a surprise. Over \$900 billion has been invested over the past 20 years in ultra-modern highway networks, airports, hospitals, water desalination plants, and educational institutions. There have also been significant investments in secondary and heavy industry to diversify the economy.

There is a well developed business infrastructure, including modern banking and telecommunications systems. English is widely used as the language of business.

With a per capita income of US\$7,250, a high birth rate and a very young population (50 per cent under 15 years of age), there is an appetite for the latest and best in high technology. Private-sector entrepreneurs are keen to link up with leading foreign firms.

Beware, however! Highly competitive products, patience, frequent visits to build the necessary personal relationships, and a strong market presence are required to break into this market.

Significant export opportunities...

While government budgets, due to depressed oil prices, are tight in the short-term, now is the time to get positioned. There are excellent prospects with the private sector, which has a steady growth rate and solid government support.

There are significant opportunities for Canada, particularly in the following areas (N.B. most of these can be effectively promoted in major trade shows and exhibitions held throughout the year):

- a) *telecommunications sector (satellites / microwave / spectrum management, mobile telephone systems, etc.);*
- b) *oilfield and petrochemical processing equipment, process controls and industrial pumps;*
- c) *aircraft equipment / services, auto parts manufacturing;*
- d) *surveying, mapping, remote sensing, GIS;*
- e) *a full range of defence / security equipment;*
- f) *food products and agro-industry development;*
- g) *health care equipment, services, and hospital maintenance and management;*
- h) *mineral exploration and development;*
- i) *education and technical training services.*

Joint venture investment thriving...

Saudi Arabia is emerging as an important manufacturer of petrochemical, electro-mechanical, consumer and industrial products in

joint venture arrangements with foreign partners.

The Saudi government encourages international companies to collaborate with local investors as joint venture partners for the establishment of industrial projects.

Government incentives...

Incentives include exemption from taxes for 10 years, duty exemption for imports of equipment and raw materials, free repatriation of capital and profits, land with infrastructure facilities at nominal rent and utilities at concessional rates.

The Saudi Industrial Development Fund also provides foreigners with interest free loans covering up to 50 per cent on fixed capital costs up to a maximum of about US\$200 million — provided the venture has a minimum 25 per cent Saudi ownership.

Don't forget agents and visas...

Like most markets, a local agent is essential to success, as well as for arranging entry/exit visas, getting quick access to key decision-makers, and handling of logistics. Correct selection is crucial, preferably with a one-year trial, subject to renewal, if both parties agree.

Visas are required by all Canadians. (Note: a letter of invitation from a Saudi sponsor is required first. Application must then be made to the Saudi Embassy in Ottawa well in advance of the visit to allow for processing.)

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