

ACCESS Kingdom of Saudi Arabia



A Guide to Doing Business
in The KINGDOM OF SAUDI ARABIA



ACCESS GULF STATES: OPEN FOR BUSINESS



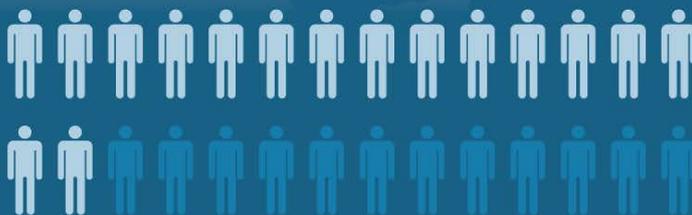
Saudi Arabian 2012 GDP
€577 billion



Qatar 2012 GDP
€173 billion



UAE 2012 GDP
€361 billion



34,455,999
Gulf states population

4,775,982
Irish population

€2.8 Billion

Aggregate total goods and services exports from Ireland

6

The Gulf States are the sixth largest market for exports for Enterprise Ireland client companies

181

Enterprise Ireland client companies selling into the Gulf States in 2012

GROWTH IN THE GULF



Saudi Arabia is the world's second largest oil producer

UAE will host the 2020 World Expo

Qatar has won the rights to stage the 2022 FIFA World Cup

GROWTH SECTORS



CONSTRUCTION



EDUCATION



ICT



FINANCE



LIFE SCIENCES



AVIATION



RETAIL

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1. Introduction

“The Arab world already represents a major international market for Ireland, characterised by proximity, high import demand, high incomes in many countries, rapid population growth and large-scale infrastructure plans. Direct air links have eased market access considerably: it’s not as far away as you might think. English is the second language for business in the Arab world. Irish companies should use that to their advantage.”

Ahmad Younis, Secretary-General and CEO, Arab-Irish Chamber of Commerce

Occupying the largest landmass in the Arabian Peninsula, with a population of 27 million people, Saudi Arabia is known as ‘The Kingdom’ – a reference to its position as the birthplace of Islam and the generally held view of its pre-eminence in the region. It owes its wealth to abundant resources of petroleum and natural gas, and some of these riches are now being put to use in an extensive development programme to modernise the country’s infrastructure in areas such as health and education.

Why this market is important

Saudi Arabia is a growing economy with a high per-capita income. Its 2012 GDP was \$577 billion and its economy is expected to grow by 4.2 per cent in 2013 – forecast to increase 4.5 per cent in 2014 and 4.8 per cent in 2015. According to IHS Global Insight, recent economic data such as business surveys credit growth and retail sales indicate strong growth. Non-oil GDP growth is set to increase 5.6 per cent in 2013 and 5.1 per cent in 2014.

With the price of oil having tripled over the past decade, Saudi Arabia’s ruler, King Abdullah bin Abdulaziz Al Saud, has the necessary funds to continue large-scale investment, potentially up to \$150 billion, over the medium term to increase living and working standards for citizens of the Kingdom. Over the past 14 years, actual government spending has surpassed the budgeted figures and market observers say this trend is set to continue. Moreover, as energy demand increases further throughout the world, those same natural resources are creating strong long-term economic prospects for the Kingdom.

Having been accepted to the World Trade Organisation in 2005, Saudi Arabia has since made strides to open its economy and to establish itself as a favourable location for inward investment. The latest World Bank ranking places it as the 26th easiest country in which to do business, out of 183 countries measured globally. The report credits the government with creating an improved regulatory framework for starting and operating a business.

From an Irish perspective, more than 160 companies already sell into Saudi Arabia. Business opportunities for Irish firms are plentiful in a range of sectors, including information and communications technology, education and training, financial services, healthcare and aviation. A forecast report prepared by DKM for the Arab-Irish Chamber of Commerce suggests Irish trade with Arab countries has the potential to increase to €9 billion over the next two decades. As the largest market in the region, the Kingdom of Saudi Arabia (KSA) will be a key focus for much of this anticipated growth.

Purpose of the report

The objective of *Access: Kingdom of Saudi Arabia* is to give practical and up-to-date information on the market for Irish companies. In this guide, you will find useful advice, presented in an easy-to-digest format, on the key aspects of doing business in the Kingdom of Saudi Arabia for companies at all levels in their business development within the country. This guide covers:

- how to get started for early-stage exporters
- the business culture and how it significantly differs from Ireland
- routes to market, analysing all the options, including selling directly from Ireland to partnering with local providers
- key legal issues, tax and visa considerations
- how to sell to the Government.

How it was compiled

This report is based on the practical experience and knowledge of successful people in the market, and by specialists in areas such as business culture, taxation, law and marketing. It is informed by the lessons learned by the many Irish business people who have succeeded in the Saudi Arabian market. The report also includes direct commentary from a number of these people, as well as market intelligence and research tools, as well as a range of online news and information sources. *Access: Kingdom of Saudi Arabia* is intended to be of use to a wide audience; from companies thinking of entering the market for the first time, to those already selling in the Kingdom and looking to examine strategic options for further growth. Researched and written during November and December 2013, this report is up-to-date with the latest available economic and business data.

A note on regional definitions

In both this guide to Saudi Arabia and its companion report, *Access Gulf States*, Enterprise Ireland uses the following terms to denote these markets: “Saudi Arabia” or “KSA” refer to the Kingdom of Saudi Arabia only; “the Gulf States” refers to United Arab Emirates, Qatar and Kuwait. And “the Gulf” refers to the Kingdom of Saudi Arabia and the Gulf States.

2. Critical Success Factors

“If you’re going into the Middle East, don’t tour around. Your best use of resources is to concentrate on one country, and that might as well be Saudi Arabia because it is the biggest market there, and it’s where the scale of activity is greatest.”

Tom Marren, Managing Director, CES Energy

Introduction

Irish business people should approach the Saudi Arabian market with respect for its culture, which is based on Islamic principles and social customs, with a clear understanding that it is different to that of the West. Arabs won't expect first-time visitors to understand fully all of the nuances, and the differences shouldn't be seen as intimidating. Respect and patience will take you far, and in many ways the Arab style of doing business is closer to the Irish style than you might think. The ability to strike up a personal rapport and build a relationship is a key part of doing business in KSA.

Business culture and practice

In the Arab world, personal relationships are valued above all in business. Conducting yourself properly and in a formal manner will help you to make progress, as will showing a healthy inquisitiveness about your opposite number's culture. Given the importance of relationships, regular presence in the market by senior members of a company's management is essential to winning business in Saudi Arabia. In Arab countries, you establish a friendship first – business comes later.

- Arabs are very sociable people, known for their hospitality and with a well-developed sense of humour
- Family is very important in the region. Many successful big businesses are owned by a family and various members would have roles in different subsidiaries
- It is normal in the Arab world that you may be asked about your family. They want to know who you are first, then they will ask about your business in time
- Many Arab-owned businesses are hierarchical in structure, so it may take time to get access to decision-makers at the top of the organisation
- The notion of 'face' is very important in Arab culture – be extremely careful in situations that could lead to a loss of reputation on either side
- Natural Arab politeness and a reluctance to offend may mean that you often won't hear a 'no' – try to observe the signals and judge whether you are making progress
- Women should wear modest business attire with high necklines, sleeves to the wrist and long dresses, covered with an abaya – a full-length robe
- If greeting a woman, you should wait for the woman to offer their hand first.

There are five calls to prayer during the day in the Gulf, although strict observance varies. Ideally try to schedule meetings around prayer calls when meeting Gulf Arabs but if this is unavoidable, be aware your meeting may be interrupted to allow your host to pray – you will be expected to wait, unless instructed otherwise.

- In the KSA, the working week is Sunday to Thursday; Friday and Saturday are the weekend
- Private business working hours vary but are generally from 7:30 or 8am until noon, and from 3:30 or 4pm until 7 or 8pm
- General banking hours are from 8am to noon or 2pm, and from 5pm until 8pm
- Markets and shops are open from 8am until 11pm, with a break from 2 to 4pm

- During the month of Ramadan, working hours are five and six hours a day at most
- You may not need to observe the prayer times when meeting with expatriates
- During the month of Ramadan, working hours are reduced
- Avoid scheduling meetings after the 10th day of Ramadan, which varies by year – always check well in advance on www.islamicfinder.org
- The second festival period is 'Eid Al-Adha' which is typically a ten-day holiday usually extending from the fifth to the fifteenth day of the month of 'Thul-Hijja'.

In truth, business culture in the Arab world is a subject worth an entire book by itself, and one of the best is *'Don't they know it's Friday?'*, written by Jeremy Williams. It's available in many online bookstores. Concisely written, easy to read and full of practical advice, it's a worthwhile investment if you intend to spend a lot of time in Saudi Arabia or any of the Gulf countries.



NEED TO KNOW

Doing business in Saudi Arabia can be rewarding but the pace of business is appreciably slower than what you may be used to, so it's important to set your expectations with this fact in mind. You may also have to deal with several layers of an organisation before reaching the decision-maker. In the Gulf, patience is definitely a virtue: there will be times when progress appears to be slow. Innovative or unique products will often help to fast-track the sales process but, as a rule, decision-making tends to take time. Eight to ten months of business development is standard, and in some sectors – the Saudi public sector in particular – it's not uncommon for it to take longer still before many meetings finally conclude in a deal.

Business meetings in Saudi Arabia

Arabs prefer face-to-face meetings over communicating by email, phone or letter, and at the start these encounters are about establishing a rapport and gauging mutual trust. As a rule, the tone tends to be formal or even conservative.

- Expect the early part of the conversation to be dominated by small talk as your Arab host gets to know you better – he may only get around to business at the very end of the discussion
- Arabs like to be addressed by their official title – this may be 'doctor' or 'engineer'
- If someone has an elevated position such as ambassador, or head of a government department, you would address them as 'Excellency'
- Avoid slang or casual manners – keep your language formal and polite
- Many Gulf Arabs have a relaxed approach to timekeeping. While you may be kept waiting, however, you should make a point of always arriving for meetings on time
- Meetings with Arabs in the Gulf can be unstructured. When you arrive, it's not uncommon to find other people in the room at the same time
- Meetings generally take longer than in Ireland and may be interrupted by phone calls or drop-ins. This is considered normal
- Arabs don't like to be cornered or to have to make a decision on the spot
- It's good practice to make follow-up calls after a meeting, just to ask about the person, without bringing up the subject you planned to discuss. This is important in building the relationship
- If you are making follow-up phone calls, avoid doing so at prayer time. Prayer times are printed in the daily newspapers and online.



NEED TO KNOW

Arabs often take a more fluid approach to business appointments than we do in Europe. The person you intended to see may be called away at short notice to attend to another matter – possibly a family event. In some cases you might not find out about this until you arrive for your meeting. If this happens, it's important not to make a fuss. Firstly, it's understood in the Arab world that family concerns come above all others, so the person you were due to meet considers this behaviour acceptable. Moreover, some believe this approach to meetings is closely related to religion. A good Muslim doesn't presume to know what will occur in the future and consequently a commitment to a meeting in two weeks' time may not be binding. To the Muslim, only Allah can know what happens tomorrow (you will frequently hear an Arab pepper his conversation with "Insha'Allah" – not unlike the Irish idiom, 'please God'). Be flexible; no offence is meant but you must be aware of the possibility this could happen. Equally, when you are in the country it's possible you may be asked to meet at short notice. Build in sufficient time to adapt to last-minute changes. Best practice is to not to fill your diary with appointments; four per day is the average. It's worth noting that many Arab businesspeople will happily facilitate meetings in the evening outside of regular working hours.

Negotiating in Saudi Arabia

- Negotiations are likely to take several meetings to resolve
- In the beginning, the person asking all the questions may not be the final decision-maker
- Map out your negotiating strategy well in advance, and be aware you are likely to be asked for discounts or changes at all turns – potentially by different people
- Don't be too pushy – saying 'I need this or the deal is finished' is considered highly rude and may stop your progress
- Price isn't your only bargaining tool. If your counterpart insists on a lower discount than you had in mind, politely and respectfully suggest alternatives such as different features or support terms.



NEED TO KNOW

Negotiating with an Arab is where the fun begins. Hagglng is an innate part of their culture that dates from Bedouin times. An Arab enjoys the negotiating process and will always look to get the best deal for himself. It's not uncommon to see some theatrical behaviour as the Arab seeks to gain an advantage either in price or service. Play along with the banter by all means, but don't overstep the mark. If it appears your offer is being refused, always remain respectful, and be careful not to cause offence. Politely suggest ways any obstacles might be overcome. Tailor your strategy in case you have yet to speak with the key decision maker. If this happens, his input (which may only be at the conclusion of a deal) will probably involve you having to give an additional discount or offer some other concession. This is sometimes known as the 'chairman's share'. In Arab culture, the man who obtains better terms on a deal gains respect among his peers.

Integrating Arabic into your business

Many businesspeople in the Gulf speak English, and many Irish businesspeople who have been visiting the region for many years say they have never been to meetings where Arabic was spoken. That being said, the best way to ensure your meeting makes a strong impression with a prospect in the Gulf is to have supporting materials translated into Arabic – whether that's double-sided business cards, brochures, even your PowerPoint slides. Keep in mind that your audience may speak English

fluently, but they may struggle to follow a presentation with a lot of text displayed on screen. If you intend to use video in your presentation, it's worth considering adding Arabic subtitles to help your message to resonate better. Going to the effort of having correctly translated marketing collateral will also be well received as a sign that you are committed to the market.

- Don't just translate your English-language marketing material directly into Arabic, as you may need to use different phrases as certain words have a different meaning in an Arab context
- It is highly advisable to have your documents translated into Arabic by a native speaker
- You may also want to consider altering the design to a more Arab-friendly format. As Arabs read right to left, you could produce a brochure that has one side in Arabic and the other in English
- Enterprise Ireland recommends setting up your revised website in English first, seeing any potential snags and then having it translated after that
- Check your marketing material to ensure any imagery adheres to modesty codes.

CASE STUDY: Understanding the Arab business culture

David Shackleton, Chief Commercial Officer, ezetop

Founded in 2006, ezetop enables people living abroad to send mobile phone top up instantly to family and friends back home in over 100 countries across the world, via ezetop's website, white label websites, and a range of smartphone apps.

www.ezetop.com

Why did you choose Saudi Arabia as a market, and what progress have you made there?

“It's estimated that there are about five million foreign workers based in Saudi Arabia, typically from South-East Asia. Most are in this region working, making money and sending it home to support their families. We've been active in the Middle East since the beginning of 2008. We had a couple of partnerships signed before we made the commitment of setting up an office and we did that at the end of 2008. Enterprise Ireland was a phenomenal support to us, providing advice and helping us with meeting the right people in potential partners, market research, making introductions to legal firms. After starting in the UAE, then we moved into Qatar, Kuwait, Bahrain, Saudi Arabia, and more recently Oman, and we also recently signed an agreement in Yemen.

What have you noticed about the business culture, and how does it differ from Ireland's?

It takes a while to build relationships. The wheels of commerce can turn quite slowly at the start, but once you build it, it will grow and grow. In our business, we often see US companies being very analytical, where you will get business cases and lots of projections. I often think the Middle East is at the other extreme – more a case of 'let's do something small or a pilot project to get something going, and see where it leads'. It's very relationship-driven right across the region. Something that I've learned here is that you need to be quite quick when meeting somebody to figure out what type of interaction they want. You could have a 55-minute chat about family and five minutes talking business in Saudi Arabia, or you could meet a hard-driving Jordanian businessman who gets to the point.

I find the culture is very honest, and I think it stems from the religious preference of the region. It's based on trust. These situations need to be played as they happen but the guiding principle is to be straightforward and respectfully direct, and deliver on what you promise.

How does your business work in the market?

Our business was all around having retail locations – money transfer stores or retail stores and have them enabled to do our service. To do that, we needed people on the ground marketing the service and making sure it was available in the stores. We had a predominantly Indian team ... we managed that remotely for two years but it came to the point where we needed to scale up. We more than doubled our revenue each year, so we put in more senior managers. We've transitioned our commercial activities across Africa and moved all of that to Dubai. I have to say that's worked. I've

done a day trip from Dubai to Ethiopia and even to Nepal which is intensive, but shows the size of territory that can easily be covered from a UAE hub.

We run all of Middle East, Africa and South-East Asia from an office of 16 people in Dubai and a further nine people between Qatar, Saudi Arabia and Kuwait. We employ just under 160 people globally. The growth of our activities in the Gulf has kept pace with other territories. It accounts for about 10-11per cent of total revenue and there are great prospects for growth.

I would encourage other Irish companies to think about the Middle East. It's an incredibly advanced society in terms of people's outlook. It's very modern and new ... it's an incredibly exciting place. It's the hub of commercial activity within a four-hour flight radius. Come and spend a couple of weeks if you can. Just by meeting people, you learn a huge amount. ”

CASE STUDY: Patience pays off in the Saudi market

John Nevin, Managing Director/Joe Oxley, Middle East District Sales Manager, Instant UpRight

Instant UpRight has been selling to the Gulf region since 1995. Its product range includes mobile aluminium tower systems, low-level work platforms and podiums, industrial access walkways and aircraft maintenance stands and docking systems. Its sales in the Gulf have mainly been to the construction sector, and the company also specialises in the aviation, power generation and industrial markets. In 2013, it supplied its first two Power Sector Boiler Access Units in Saudi Arabia after working with the client for four years.

www.instantupright.com

How did the client in Saudi Arabia first find out about Instant UpRight?

“At an Enterprise Ireland trade mission, we met a person who worked for SEC (Saudi Electricity Company). This contact highlighted all the major SEC PowerStation's in KSA which could be targeted and were. SEC is to Saudi as the ESB is to Ireland. On further investigation we realised that all power stations in all of KSA are run by SEC.

It took four years to land this deal – what was involved in this process, why did it take so long, and at what point did you know for certain that you would get a deal?

SEC understood the value proposition but were reluctant to purchase the system themselves as they had a maintenance contractor in place at the time. The contractor would not purchase the system as it was a \$1 million spend and the main advantage was to PowerStation. When the contract finished and with our help, SEC specified into the tender for a new contractor that whatever contractor MUST use a quick-erect aluminium-based system. All new bidders then contacted me for a quotation and the company that won the tender had no option but to purchase the system.

Was the sale worth the wait?

Absolutely. It was a breakthrough project for us in the Middle East to supply a major Saudi utility with two of our Quick Erect Boiler Access systems. The value was \$1 million and now we can use it as a showcase for other utilities in the region. Before the deal, we had to provide certification for special structure which is the norm for this product and we had to meet some stringent technical requirements due to the type of boilers we were supplying. We also had to prequalify the factory in Dublin, which involved an SEC manager visiting the plant, and we constructed a mock-up boiler in the factory. Also, we had to bring an SEC boiler engineer to Korea to visit a sample boiler system we sold. They visited when it was being erected into a power plant.

How did you first get started in the Gulf market and how has the business grown since?

We started doing business in the region in 1995, mainly into Dubai and with smaller volumes into the KSA. We did it remotely from our office in the UK until we had established enough business and then we appointed a dealer in Dubai. The business really began to grow with this appointment. We entered the Dubai market at the right time, when it was starting to take off. We worked through a dealer and at

that time it was all about product availability, and who had product on the ground. The Gulf is very much a price-driven market and is extremely competitive. That being said, if you find a good sponsor and have a good product or service, you will be able to build a solid business in the three major markets in the Gulf: namely the KSA, Qatar and the UAE.

How important is it to work with the right partner in the market?

When sourcing a partner, like many of these things, some of it can be luck. We found a company, Al Laith, with an English managing director who was from our industry. He had partnered with a very good sponsor and we grew on the back of his growth. He put people on the ground to support our product category. The Middle East market became our second biggest market by 2007. We have set up a business in China to support our core product in the Middle East and we started producing out of China to supply the Middle East from May 2012.

Finding a partner is easy enough to do if you network well. As for getting research, we use the Enterprise Ireland network. You have to go out to visit the markets in person, but you have to have research done before making the visits. Then when you're there, set up the appointments before you go home, and arrange to go back out again eight weeks later. You have to put in the miles on the ground, probably once a month for three months. If you have expertise in an area and you find the right partner to bring that to the market, there is good business in the Middle East. Don't go trying to be all things to all people. They're looking for professionalism and expertise.

Did you need to work with a sponsor or partner specifically for the Saudi market?

We used a local partner in Saudi Arabia. We sold direct to the contractor who will use it for the next five years at the Ghazlan power plant.

In your experience, does it need substantial investment to become established in the market?

I think companies need a minimum of €100,000 investment and even €150,000 before you even see the first sign of finding the right partner. A mistake would be not researching the market well enough, and making a big investment in the region with no return. A lot of people might argue with this, but in my experience you're looking at 18 months to two years before you have an established business in the Gulf. ”

CASE STUDY: Selling into the aviation sector in the Gulf **Myles Hobbs, Export Sales Manager, Botany Weaving**

Botany Weaving specialises in single-source design and manufacture of transport seat and curtain fabrics and carpets. From its headquarters in Dublin, the company's aircraft interiors wing works with 120 of the world's leading carriers and it has built its business in the Gulf over the past number of years.

www.botanyweaving.com

How important is this market to the company?

“ The Middle East is a massive market to us. We are maintaining our market share in the region, and our turnover there would be around €45 million a year. We're there virtually on a monthly basis. It's a market that needs a lot of maintenance, and we also need to develop new products and new customers.

Our customers now include Etihad, Air Arabia, RAK, Royal Jordanian and Gulf Air in Bahrain. In the past year, we won the A380 and 787 programmes for Etihad, to supply the interiors for those aircraft. Since last year, that's primarily it. We are also working with Fly Dubai. We are working very hard to get a breakthrough at Emirates, and providing full interiors for Yemen Airways. Egypt Air would be a key customer, and we are in trials with Kuwait Airlines and Qatar. We are also looking to develop links into Saudia [Saudi Arabian Airlines, the national carrier] and NAS [National Air Services] in Jeddah. Saudia, in particular, seem to be re-examining their way of working and want to bring their operations

more in line with other large carriers in the region - and that's good news for us. The key market in the Gulf for us is the United Arab Emirates, and our anchor client in the region is Etihad – we supply all of their interiors. We have worked with partners in the region but we find the airlines prefer to deal directly with us because we're an OEM [original equipment manufacturer].

Do you need to use partners to win the business, as is often the case in the Gulf?

We use partners more as facilitators such as for translation issues rather than as sales representatives. We control all activity from our Dublin headquarters. We built our business through activity, to timing the moment. For example, if Gulf Air buys 20 aircraft in the morning, it would be wise for us to get out there and meet them.

We would consider the Gulf as one of our most advanced markets. Globally they have the highest demand of any of our customers. Price is a factor but they're not driven by it. Usually they buy the latest aircraft and they want advanced, luxurious products to go in that. It must be a high-end product, particularly when dealing with companies like Etihad or Emirates. Of course, they're looking to drive down the price but not at the expense of quality. We are a Boeing- and Airbus-approved supplier – one of less than 10 worldwide and there is a high entry level to become certified. We can approach the market in two ways: BFE [buyer and furnisher equips] or refurbishment and maintenance – replacing carpets, curtains or fabrics that have been worn out. We see both types in the Gulf region. Usually we work on three- to five-year contracts with customers there.

What's the secret to winning business in such a competitive market?

Before you approach any customer, you have to find out what they want and where is their need. There's no point bringing in products they're not in the market for. Sometimes you have to go in with one of your weaker products because that's what they need. Like a good doctor, you diagnose before you prescribe. Ask the questions and don't pin yourself into a corner. You've got to be open-minded. Sit there and listen to what they're telling you. Then on the follow-up meeting you focus where the need is – which may not be where you want to go as a company but that may be your way in the door. A lot of the time we're dealing with Europeans out there, or Indians and Bangladeshis. Air Arabia is one of our key clients and the people we speak with are mostly not Saudis.

What have you observed about the business culture?

It is very much about relationships and trust. Your appearance and manner must be impeccable and you should show a lot of respect and deference. You've got to stand back, slow down and chat away with people. They're relaxed, they don't like being pushed, cornered or pressured. You've got to be patient, speak slowly and address them carefully. We have never needed translators – a lot of the sheiks I've dealt with speak better English than I do! ”

STARTING IN THE KINGDOM OF SAUDI ARABIA



3. Starting in the market

“Every single BioTector sale in Saudi Arabia has come about after multiple visits from myself. We spent two years proving our brand in this market... It’s almost a test to see if we are serious about their market, can we support it, are we in it for the long haul? And, we are.”

David Horan, CEO, BioTector

Introduction

In Saudi Arabia, frequent travel is a must at the early stages of business development, in order to forge relationships that are a key part of the culture; ideally, visits should be every month, for up to a week or more at a time. In Arab business culture, the preference is almost always for a meeting, however short, instead of a phone call or email. Meetings are often called or changed at short notice, and for that reason, it’s a good idea to keep your travel plans as flexible as possible.



Geography

Spanning 2.15 million km sq, Saudi Arabia is the largest country in the Gulf and the 13th largest worldwide. Its vast coastlines on the Persian Gulf and the Red Sea are used extensively for shipping. Most of the terrain is uninhabited desert; four-fifths of the population lives in urban areas. Its total population is 27 million, of which more than five million are foreign nationals. The capital is Riyadh (population 4.7 million). Other major cities include Jeddah (3.2 million), Dammam, Medina and Mecca.

Getting there

There are no direct flights between Ireland and Saudi Arabia, but it is possible to travel from Dublin and connect through the United Arab Emirates, or to connect to Riyadh with stopovers in London, Paris or Amsterdam. Ultimately, however, the Saudi market can't be properly served via phone and email – especially in the early business development stages. Like all Arabs, Saudis place a high value on personal contact and being able to meet the person face to face.

Where to go

The primary business hubs in KSA are Riyadh and Jeddah, although the oil fields supplying the country's resources are based to the East. Once you make the decision to locate a base of operations in Saudi Arabia, the capital Riyadh is an obvious choice although depending on the sector, or projects your business may be involved with, Jeddah is another option. Take some time to choose your location, as it can be expensive to fly internally within Saudi Arabia. When deciding this, you need to think of where your company is best placed to secure a sales reference site. Do you have relationships with multinationals in Europe that also operate in Saudi Arabia? Is there a particular hub in the country for your sector? Advance market research, along with assistance from Enterprise Ireland, can help you to make a decision.

Market research

In a market like Saudi Arabia which imports a high proportion of goods and services – with strong competition as a result, gaining reliable market intelligence is essential. Too many companies have failed in not doing sufficient research into whether there is demand for what they plan to offer, or if the products or services measure up to those of the competition.

There is a lot of English-language business information available about the Saudi market, and the Gulf States generally. Some useful business-centric websites to consult for background information include [Zawya](#), which is part of the Thomson Reuters group. It's a pan-regional business news site operating out of Dubai with close to one million unique viewers. It also lists all of the major trade shows in the region, with a facility for setting up email alerts and personalised news feeds.

[MEED](#) is one of the pre-eminent news sources in the Gulf, and its site offers a range of news and analysis, special reports and paid research. It's very strong on providing information about project tenders throughout the region. A sister site, [Meedprojects](#), focuses specifically on construction and infrastructure; it identifies and tracks more than 12,000 projects in over 50 sectors and sub-sectors.

Other news sites include [Gulfnews.com](#), [Arabianbusiness.com](#) and [AMEinfo](#). If your company doesn't have a local marketing or PR representation, the latter site lets you submit your own press releases or event listing directly to the site for free. Some of the most active sectors such as construction, have their own dedicated sites like [Construction Week Online](#), featuring news as well as details of tenders and contracts.

[Al Jazeera](#)

One of the most prominent news agencies in recent years, Al Jazeera is based out of Qatar and gives a Gulf perspective on news and events throughout the region and worldwide. It's especially strong on current affairs with both written and video content. Its service is also available as a free app for smartphones.

[Saudi Arabian General Investment Authority](#)

SAGIA is the agency tasked with attracting overseas investors to KSA; its site contains information about the investment climate and tools to help those looking to set up in the Kingdom.

[Saudi Customs Department](#)

Contains guidance on regulations governing imports to the region, customs procedures and clearance.

[Saudi Arabian Standards Organisation](#)

This is the body entrusted with governing all national standards relating to commodities and products.

[Saudi Press Agency](#)

This site provides information about general news, as well as covering political and economic issues.

[Alnokhba.com](#)

This site has links and information about all of the major banks operating in KSA.

[Saudi Aramco](#)

English-language site of one of the world's most valuable company.

[The World Bank](#)

Information on ease of doing business in [Saudi Arabia](#) is available from the World Bank, with high levels of detail. Each country profile page includes a downloadable economic summary for that country.

[Google Saudi Arabia](#)

Rather than using the Irish version of the search page, visit Google's Saudi Arabian homepage to get more relevant, focused results for your research. A good tip is to combine it with Google's Translate tool: find out how to say your important terms in Arabic, and then use those to refine your search.



NEED TO KNOW

A great source of market intelligence is Enterprise Ireland's Market Research Centre, which offers client companies access to company, sector, market, and country information to explore opportunities and compete in international markets. Much of this information is not readily available elsewhere. Please visit www.enterprise-ireland.com/en/Export-Assistance/Market-Research-Centre/ for more information on the market research facilities available, and for a database of sector-specific information that will indicate whether there is research available for the market you wish to target.

Networking in Saudi Arabia

There is a thriving Irish diaspora, with Irish societies and GAA clubs active in Saudi Arabia and throughout the Gulf States. The [Irish Embassy website](#) has links to many of these groups. Connections through these networks can be valuable in becoming known in the market, or simply to learn from the experiences of other members. Individuals and companies that have been active in the market for a long time are often willing to share their learning.

Enterprise Ireland can make relevant introductions for you if you are interested in exploring this further. There are many Irish-born executives in senior positions who have been based in the region for several years, and many of them are involved in the Irish Business Networks in the region, which are aimed at helping Irish companies grow in the respective countries. Some of the main business networks are listed below.

If you're looking to sell into a particular industry sector, it's also worth checking to see what chapters of international associations or clubs are active in the region which can be valuable in establishing connections with key decision makers in a new market.

[Arab-Irish Chamber of Commerce](#)

With an office in Dublin and links to all 19 Arab countries, the chamber provides a range of services to Irish exporters looking to do business in the Middle East. A non-profit group open to members, the AICC can facilitate high-level introductions to senior personnel at embassies, state organisations, trade associations and commercial enterprises. It also assists companies with obtaining the necessary documentation for exporting to any of the 19 Arab countries, each of which has its own regulations around importing, taxes and legislation. The AICC publishes a quarterly journal about Arab-Irish trade and also runs group events for members during Arab trade delegations. Recently, it commissioned a major economic forecast by consultants DKM into the future opportunities for Irish firms in Arab markets, available free to download [here](#).

[Ireland Saudi Arabia Business Council](#)

Based between Dublin and Riyadh, the ISABC's remit is to promote business relations and commercial activity between the Irish and Saudi business communities. The council provides trade development initiatives, networking opportunities and business and market intelligence to its members, which include some of Ireland's leading corporations across all major industry sectors. The Council also assists in establishing partnerships and joint ventures, and promotes commercial opportunities and introductions to political and industry decision-makers, potential partners, clients, investors and in-country agents through a programme of networking events.

[The Council of Saudi Chambers](#)

The CSC is the counterpart of the ISABC in the KSA. It sponsors and represents the interests of the Saudi business sector both internally and externally. The Joint Council is comprised of key business leaders from both countries and on the Irish side coordinates its work with the respective Embassies and with Enterprise Ireland.



NEED TO KNOW

Engaging with Irish networks in the Gulf can often be very positive, as many Irish people in the region are in senior positions and are well connected. However it's advisable not just to join these groups and look to tap them for contacts and introductions; they are run on a voluntary basis and it's a sign of your commitment to the market by getting involved as an active member, such as becoming a member of a subgroup, or sponsoring an event.

Building market presence

Arriving fresh to Saudi Arabia, your company or brand may be unknown in the marketplace. This potentially means having to spend more on marketing than your competitors. However there are smart ways to market your company cost-effectively using new inbound marketing techniques or social media. Video is a good way to explain your product or service simply in a short, catchy format. This can be backed up with other material such as brochures for when you attend trade shows or meet new clients in person.

Saudis are well aware of the attraction of their country to some foreigners and it would be wrong to assume that the wealth in their country makes them happy to accept any old product at any price. To succeed in the Saudi market, you must offer a proposition they can't readily obtain for themselves: a competitive differentiator or expertise in a key area strengthens your case considerably. While Irish companies are regarded positively, they are by no means the first wave of foreign companies to come to the market, which makes it all the more essential to have a compelling offer in order to stand out.

- Me-too products that compete purely on price are unlikely to be well received
- Differentiate on professional service, better support services and more innovative products
- Be clear on what your proposition is
- Make your pitch brief, and practise it repeatedly in case an opportunity presents itself
- Avoid at all costs implying Western superiority; Arabs are shrewd businessmen and are able to grasp complex subjects quickly. They don't take kindly to 'lectures' from foreign visitors

- Frame your offer in a way that shows you understand your customer's need rather than focusing on its features and benefits.

Marketing and communications

Good ways for Irish companies to market themselves in the region are to:

- Attend or exhibit at trade shows
- Avail of guest speaking spots
- Get an elevator pitch slot at a sector-specific networking event
- Sponsor events
- Use business-focused social media
- Use traditional media and the web, with localised content
- Undertake traditional PR activities
- Attend trade missions.

Building awareness for consumer brands in KSA works much as it does in the Irish market, with ample opportunities for advertising via newspapers, display and TV. For business-to-business or niche products and services, there are many trade journals and other platforms for communicating your message. Your local partner may offer to coordinate your PR and marketing activity. One possible option is to work with the local Chamber of Commerce who will send out an invitation on your behalf to present your product at a seminar in a hotel room. However, that is considered low-grade marketing because you won't be able to gauge the level of seniority of visitors. A good partner should know the important people in your sector and be familiar with the relationships between them. Enterprise Ireland can work with you on researching the most efficient and cost-effective sales channel for your product or service.

Communicating your business proposition

These tips may help you to prepare a presentation specifically for the Saudi market:

- Always customise the presentation for each prospect
- Consider including their company logo in your demo to show the fit between your company and your client's business
- Listen for and understand your client's problems: where are the pain points you can address?
- Give people a reason to buy from you – what's your competitive advantage?
- Emphasise the business case and the return on investment
- Use short case studies to show where you have solved similar issues for other clients – preferably of other work you have carried out in the region, if possible
- Be clear about how you work, bearing in mind that in Arab culture this could well be a point of negotiation
- Don't rely solely on PowerPoint – keep the formal part of the presentation brief, backed up with points and graphics.

Hard copy

Corporate marketing material is important in establishing your credentials for prospects in the Gulf States, and they are a useful sales tool at events such as trade fairs which are likely to play some role in your initial market building. Your copy should focus on the benefit to the customer rather than the features of your offer. As outlined in Chapter 2, it is highly advisable to have your documents translated into Arabic. Strong presentation is also a must; your material should be well produced and slick, as Arab consumers are very brand-conscious.

Company website

Maintaining an up-to-date website allows you to contact potential customers before leaving Ireland, reach customers cost-effectively and introduce, promote or demonstrate new products. Having a landing page that is tailored for the market, and better still, translated into Arabic, shows a level of cultural awareness as well as commitment to the market.

- Choosing a domain name is important; in Saudi Arabia, for example, the country-specific .sa may be better received than the generic .com address, although the latter is also used
- Make sure any translated materials have been proofread by an Arabic speaker beforehand
- Enterprise Ireland recommends setting up your revised website in English first, seeing any potential snags and then having it translated after that
- If you intend to sell online, consider putting an Arab-specific number on your site so that you can track the number of visitors to this site and who followed through to make a call
- If your phone number is listed on your website, ensure it is staffed at the appropriate times, as Arabs will want to call it they need assistance.

Social media

[LinkedIn](#) is fast becoming popular in the Gulf and it's not uncommon to find invitations to connect waiting in your inbox upon returning from a meeting or networking event in the region. In some cases, local websites are more informative than multinational websites, and it may even be possible to find direct-dial numbers for decision-makers posted on their company's site. Though sometimes controversial, [Twitter](#) is also gaining a strong following. An estimated 41 per cent of the online population in Saudi Arabia is said to be active on the microblogging service. In late 2013, there were 7.8 million [Facebook](#) subscribers in KSA, an increase of 1.6 million in one year.

Trade shows

If your business is about selling knowledge or technically sophisticated products or services, it is extremely important to use all opportunities to engage in the latest discussion and developments in Saudi Arabia. Industry forums, trade shows and conferences all allow you to do this. In Saudi Arabia there is no substitute for meeting people and becoming known personally in the market, while showing your presence there. These events will also allow you to build on your desk research, assess customers and competition up close, validate early assumptions about the market and build a sales pipeline.

The key is to be focused as to which events to attend, and prepare a schedule in advance. If possible, obtain the exhibitor list and use it to plan who you intend to see; then set targets accordingly – whether they are prospects or potential rivals. Many of the regional news sites listed above contain details of the main conferences and events taking place throughout the Gulf. Arabs are generally very friendly, so if you go to conferences associated with your industry, you may meet people who can make introductions. Once it's known that you're looking for a local partner, people will start suggesting individuals to you.

Business influencers

In information/technologically intensive sectors, your first step in carving out a presence in the market should involve identifying the key opinion leaders in the industry. These could be journalists, academics, industry analysts or consultants. A simple way to identify these individuals is to see who's speaking at any of the major industry conferences. Engaging opinion leaders and gaining their support can boost your business' credibility especially when you have yet to build your own reputation. This is especially important in advance of securing your first Saudi Arabia sales reference site. Though you may already be successful elsewhere, Saudis will want to see proof that your offer will work in their market.

Financial resources

As outlined in chapter 2, it takes extra time to build relationships and win business in the KSA. This is critical to forming your investment strategy for the market. If you start with a realistic sales forecast and work backwards, you should determine a budget for your business development needs in the KSA for the short and long term. Based on the experience of other Irish companies in the region, you are likely to need a minimum of €150,000, and possibly more than that depending on the length of your stays and the frequency of visits. Factor in regular flights, accommodation, taxis, and meals, as well as less tangible costs such as management time away from the office. Include ancillary costs: for example, one Irish businessman who has been selling successfully in KSA for many years has a mobile phone bill of €300 per month, from keeping in contact with prospects and customers in the region when back in Ireland.

Human resources

In the longer term, keep in mind that if you choose to base a member of your team on the ground, this carries an additional expense. It's also likely to affect how they work; there is a time difference (two or three hours ahead of Ireland depending on the time of year) as well as the clash of working weeks. Thursday and Friday are the weekend in Saudi Arabia. All of this means that it's common for Irish expats to work long hours over six days or more in order to stay in touch with headquarters in Ireland. For anyone who is to be re-located to the KSA, you should also factor in sufficient holiday time to avoid burnout. Experts suggest extended leave periods are important during multi-year contracts in the region. In many countries around the Gulf region, foreign 'guest workers' make up large parts of the private sector workforce. Check beforehand whether the Government has incentive programmes to boost recruitment of nationals, as this could affect ability to obtain working visas for staff who are relocating from Ireland.

In Saudi Arabia, it's not necessary at the initial stages to create a permanent base, but frequent travel is advised – ideally at least every two months and for a week or more at a time – in order to build relationships and get a feel for the market.



NEED TO KNOW

While foreign guest workers make up large parts of the private sector workforce, the Government's national policy of Saudisation is underway. This involves up-skilling the local labour force by giving employment. In practice, it means a predetermined percentage of Saudis must work in every firm and the ratio varies by sector. This could well have an impact on your ability to obtain working visas for staff who are relocating from Ireland.

ROUTES TO MARKET



4. Routes to Market

“*The crucial part in winning business in Saudi Arabia is the partner.*”

Jason Larkin, General Manager, Woodfit Acoustics

Introduction

In this section we look at some of the options for serving the market in Saudi Arabia.

Direct from Ireland

Keeping in touch with the market remotely offers several challenges, although these can be overcome provided you are willing to be flexible. The time difference of two hours (three in the winter months) should be factored in to dealings between locals and your Irish base. More importantly, be aware that organisations in Saudi Arabia will be out of contact on Thursdays and Fridays as this is their weekend. That cuts both ways: stories are not uncommon of Saudi customers looking to reach their Irish suppliers on a Sunday morning. Overall, selling direct from Ireland is not recommended; it is difficult and the nature of the business culture requires regular visits to meet customers and partners in KSA.

Working with partners

In Saudi Arabia, working with a local partner is compulsory when dealing with Government contracts – which are the majority of cases as the state retains control over most sectors. That makes it essential to ensure you are working with someone you can trust and one who can deliver what they promise. There are anecdotes about Irish businesspeople being whisked through airport security checks and collected in a top-of-the-range Mercedes; in reality, this admittedly impressive service is widely available and doesn't indicate any great influence or reputation on the part of the donor.

On the plus side, the distance from Ireland and the cultural differences mean your business can benefit from an experienced partner who knows the territory and has the right contacts. That's particularly important in a sector where your potential customers come from a large group. In sectors such as telecoms where there are fewer players that are easy to identify, it may be possible to meet with the decision maker in that organisation as part of the business development stage. You could respectfully ask if they have a preferred partner who could work with your company on the contract. This kind of 'reverse engineering' allows you to comply with local regulations and may fast-track your own progress. However, recommendations should always be followed up with checks of your own.

When appointing a partner:

- Don't rely on your impressions from one meeting
- Find out whether the partner can provide the levels of access to customers that they claim
- Do your due diligence properly, know who you're doing business with
- Don't sign any legal agreements even if your initial feeling is good
- Suggest a short-term engagement so you can more closely gauge the partner's effectiveness
- Beware of using terms like 'exclusive' in contracts.



NEED TO KNOW

In Saudi Arabia, you are required to work through a partner. This should preferably be a local who is well connected. Don't sign agreements with anybody until you're sure they are someone you can trust and you can do business with, because extricating yourself from a contract can be difficult and expensive. Enterprise Ireland can play an important role in connecting you with potential partners in your sector. It is also advisable to check with local accountancy practices and law firms. If you are entering into an agreement for one project, very carefully identify the collaboration for that specific activity and that specific contract. Don't give exclusive rights for all activity on an ongoing basis.

CASE STUDY: Sourcing a strong partner for the Saudi market Jason Larkin, General Manager, Woodfit Acoustics

Woodfit Acoustics' business used to be 100 per cent domestic but the company is now 90 per cent export-driven. Its export business is centred on its wood-based acoustic panels and high-end joinery items – all manufactured at its Athlone-based facility. The company supplies products in Saudi Arabia, Oman, Kuwait, Abu Dhabi, Dubai, Qatar, India, Peru, Brazil, mainland Europe and the UK.
<http://www.woodfitacoustics.com/>

How important is a partner in doing business in Saudi Arabia?

“The key to winning repeat business in KSA is a strong, aggressive, local partner. That came about after attending an Enterprise Ireland trade mission in November 2009. Enterprise Ireland was and still is a great tool to leverage. Enterprise Ireland had arranged numerous meetings, and we made a wish-list of all the companies we met. From 15, we took it back to six, travelled back out in the following January and met the six. We wanted to try and get it right. The partner we found was a perfect fit for our business because he was working on auditoriums for the previous 30 years and he had the contacts required to gain fast entry into that sector. He was an aggressive go-getter and wasn't looking for just a trophy or plaque for his wall. We use our partner's office when we're there, and we provide all of the technical support from Ireland. We have gained a substantial share of the market in KSA and surrounding countries. Woodfit has a steady stream of contracts both at manufacture and design stage and the brand is extensively known throughout the region.

How do you evaluate partners?

What I generally do is give a 12-month trial non-exclusive agreement so the other party knows then that they haven't got us. If they're not prepared to agree to that I don't do business with them. I ask them to put together a marketing plan. That way, you find out who their main contact bases are. You will find out at least one of them has very superior contacts ... he's the guy that's going to get the decisions. If they want your product, they will come back with answers; if they don't, they're not serious.

What makes one partner stand out from another?

It's all about contacts, who knows who and most importantly building trust. Once the trust has been established all doors swing open and the local representative will become an extension of the business. I can't emphasise enough how important it is to take time in finding the right partner with the desire to drive your business forward. It can be very flattering to have four to five companies looking to represent you, but the wrong choice will only add to huge costs and no return.

What have you observed generally about the business style in Saudi Arabia, and have you had to adapt the business?

Culturally, the Saudis are very like the Irish people; their sense of humour is very similar. They like a joke, the doors are wide open. You won't get an answer from them when you're in Ireland, but if you're on the ground there you will. If you're sending emails from Ireland, you won't get a response. They want to see you invest time in their country then they know that you are serious about doing business. Customers in Saudi Arabia are extremely price-sensitive, and they want to know why they're going to pay above the odds. They want quality, but they want it at the price they have in their heads which might be lower than what you have in mind. My advice would be to think outside the box. Go back, look at your product and see can you do something else with it. We went into a lower range to get into the schools; in fact, we developed a different product.

When I'm there, we will usually work from 9 in the morning till possibly 12 at night. Their main day off is a Friday so I use that time to travel to the next market. Regarding things to do, socially it's different to Ireland but they have restaurants and shopping centres. At the minute, the country is that busy that you could work 24 hours a day if you wanted to. ”

Third-party distribution

Signing with an agent or distributor in Saudi Arabia is not significantly more complex than other international business agreements, but it can be much more difficult to terminate. When doing so however, you should get the advice of a locally-based law firm to vet what you were doing, so you are covered in the context of domestic law. It's also wise to check that the distributor does not have other agreements with similar companies in your sector as well, as this may have an impact on how effective your sales presence is.

The key part of the contract should have:

- a defined term
- a defined territory
- a performance-related component (such as sales targets)
- right of termination
- right of continuity (subject to targets – an agent or distributor may want this option).



NEED TO KNOW

If the contract is signed under Saudi law, make sure you have an arbitration clause. This applies whether it is a supply contract or an agency agreement and is useful in the event of a dispute.

CASE STUDY: Working with a distributor in the Saudi market

David Horan, CEO, BioTector

BioTector Analytical Systems manufactures a range of analysers that monitor process wastewater and highlight areas for increased efficiency, sustainability and profitability. The company employs 40 people at its Cork manufacturing plant. It has approximately 1,500 installations in 47 countries and works with an extensive network of distributors worldwide.

www.biotector.com/

Why Saudi Arabia?

“Some of our largest clients are in the chemical, petrochemical and refining industries. We have worked with many blue-chip, multi-nationals since our early days including Dow Chemical Company, SABIC, Shell and Exxon. They quickly saw the unique reliability of our analysers and understood the operational and commercial value of the information provided by BioTector analysis. These clients have worked with us ever since. The USA was our first really successful export market and Saudi Arabia is a natural progression for us given that many of our large clients have a presence there. Plus,

it has a strong growth potential with clusters of other 'sweet spot' customers. In 2010, we decided to actively focus on this region.

How did you choose your route to market?

With our type of product, it's not unusual to have a range of distributors all over the world. We are constantly evaluating how each distributor is performing. They may be right for us at a particular time but, as we continue to grow, we need to be sure that they can scale up the sales and service of BioTector in their region. In the case of Saudi Arabia, we were approached by a distributor a few years ago and they asked to represent us. We appointed them but over time we could see that they weren't the right 'fit' so we put more focus into the region ourselves to work on building our customer base. We didn't want to miss any of the opportunities that this region presented and we also had a secondary objective of finding the 'right' distributor in the region. Often it's the case that your clients will tell you who you should be working with locally.

We also made sure to maintain a good relationship with our outgoing distributor. So I took the time to fly over and meet our main contacts, took them out for dinner and explained the situation. They knew that they weren't performing and understood that we needed to make a change. It was something we handled pretty well and nobody lost face. Most importantly, we sought advice before we took these steps in order to make sure that we didn't cause any future problems for BioTector in the Middle East. We took advice both from Enterprise Ireland and our new distributor.

How did you identify the right distributor?

Yokogawa is our new distributor, they were appointed earlier this year. They are a huge global player in our field so we were already very familiar with them and knew that they would be an ideal partner. Yokogawa is extremely strong in the refining and oil & gas sectors so I'm sure we would have approached them in due course but, before we got around to it, at the start of 2012 we were involved in a large project which was a milestone for us in Saudi Arabia: Sadara is a joint venture between Saudi Aramco and The Dow Chemical Company. It is the world's largest chemical complex to be built in a single phase. It is also the biggest single project for BioTector and it propelled our profile in Saudi Arabia. While Yokogawa was already aware of us, that project really brought us to their attention so they were as keen as we were to forge a connection between both companies.

The new distributor agreement with Yokogawa is forecast to be worth €5 million over the next five years and we are already experiencing momentum, not just in our traditional sectors but also in food and beverage processing where we have made strong inroads in other countries and are benefitting from the surge in this industry in Saudi Arabia. We have the right partner and the timing is right for us to move forward in this market.

Having won a large contract independently, why not sell directly in the market?

Our products need on-the-ground service and support, so a local partner is essential. There's a whole range of services that a distribution partner manages such as selling, importing, installation, servicing and after-sales support. Our clients work in demanding industries, they will expect on-site presence within hours of a call which of course we couldn't provide from Ireland. Yokogawa has the resources and the technical expertise that we need locally.

What advice would you give to others who might be thinking about the market?

The Middle East region hosts many big opportunities. Initially, BioTector had a lot of potential clients throughout the region but it was suggested that we focus our efforts on 'cracking' Saudi Arabia first and then we would have more impact in the rest of the Middle East – rather than trying to do it all at once and diluting the effect in the Saudi market. In recent years, we have had distributor companies coming to us from other countries in the region with projects, wanting to supply our products, but we said 'No, we're not ready to support you in that market yet'. It was quite a focused decision which, thankfully, has paid off.

Why is focus important?

In our field, clients in Saudi Arabia evaluate you and your service provision closely over an extended period of time. Even though we have a very good partner in Yokogawa, our clients still want to see us in person and they tend to involve us in many stages of the process. It's not like other countries where the distributor generally does everything. Every single BioTector sale in Saudi Arabia has come about after multiple visits from myself. The clients have high expectations but it's a high-value product so I am keen to hold this focus. We spent two years proving our brand in this market, even to the point of responding to customer requests like 'Can you come to site on Tuesday next week?' It's almost a test to see if we are serious about their market, can we support it, are we in it for the long haul? And, we are.

Have there been any other obstacles to doing business in Saudi Arabia?

Generally, we haven't encountered any significant obstacles and that's because of the benefits of working with a partner like Yokogawa. When we're shipping products, there's a lot of extra paperwork but nothing prohibitive. The only small issue is that we have to keep getting visas renewed to visit the market. I can get a three-month multi-entry visa, and then end up having to get our partner over there to send me an invitation, I've got to have flights booked ... it's a little bit tricky and I can be without my passport for about a week and a half while it's underway, but with a bit of planning it's very manageable.”

Establishing a local presence

There may come a time when the level of your business in Saudi Arabia warrants a more permanent base. The regulations governing foreign investment require you to set up a company structure that is 51 per cent Saudi owned. (See *chapter 5 for more details.*) In theory, it's possible to be based elsewhere in the Gulf, such as Abu Dhabi or Dubai, and commute from there. However, you will need a current visitor visa, which requires advance planning to obtain. This approach doesn't always leave sufficient room for last-minute emergencies or a change in travel plans. For these reasons, it's not advisable to choose this option. Seek the advice of a professional services firm before making your decision. Lately, the Saudi authorities are showing greater willingness to approve 90-day multi-entry visas. However, each application is judged on a case-by-case basis and having one visa approved does not guarantee subsequent approvals.

LEGAL ISSUES IN THE KINGDOM OF SAUDI ARABIA



5. Legal issues in the Kingdom of Saudi Arabia

Introduction

The Kingdom of Saudi Arabia is a sovereign Arab Islamic state and its law is based on Islamic law, also called Shari'ah, which is derived from two main sources: the Holy Qur'an (the divine revelation to the Prophet Mohammed) and the Sunnah (a record of the sayings and actions of the Prophet Mohammed). As such, its legal system is different to our own. It might sound obvious, but legal disputes in Saudi Arabia are best avoided if possible. Before entering into any legal agreement in Saudi Arabia, you should seek the advice of a locally based law firm.

Key principles of Shari'ah Law

- **Freedom of Contract** Parties are generally free to negotiate their own terms of contracts. An exception will be where the activities are expressly prohibited
- **Fairness and Good Faith** Contracting parties must observe and maintain principles of fairness and equity in their dealings
- **Uncertainty** There should be no element of deception or excessive uncertainty in the contract
- **Agreements to Agree** Agreements that envisage the future consummation of an agreement or a material obligation may be considered uncertain and unenforceable
- **Speculation** A contract that involves speculation on a future outcome will generally not be permitted and considered void
- **Unjust Enrichment** Contracts where one party gains unjustly at the expense of another will be void
- **Interest** Under Islamic Law, contracts including clauses which provide for payment or receipt of interest will generally not be enforceable. In KSA there is an exception to this general principle where in banking transactions the Saudi Arabian Monetary Authority Banking Disputes Settlement Committee may enforce interest provisions.

Foreign Investment Law

Foreign investment in the KSA is regulated by the Foreign Investment Law and all foreign investors in the KSA must have a licence issued under this law. The KSA Government has established the [Saudi Arabian General Investment Authority](#) (SAGIA) which is intended to be a 'one-stop shop' for foreign investors. This agency operates business centres throughout the Kingdom which have representatives from various government entities and are intended to facilitate the legal and permitting process for foreign investors.

Setting up a company

The World Bank puts Saudi Arabia in 26th place for ease of setting up a business. In practice, it can take up to eight months to establish a company in the Kingdom, and to ensure all of the documentation is complete. In recent years, Saudi Arabia's administration has made it easier to start a business by bringing together representatives from the [Department of Zakat and Income Tax \(DZIT\)](#) and the General Organisation of Social Insurance at the Unified Centre to register new companies with their agencies. It has also simplified formalities for commercial registration in recent years, and reduced registration fees.

A standardised company based in Riyadh, for example, takes the legal form of a limited liability company. No paid-in minimum capital is required although in practice there are certain levels of capital established in various business sectors.

Different entity structures encounter different legal requirements. In general, you should consider the following key areas:

- When your company arrives in Saudi Arabia first, you may look at a representative office, moving on to a more permanent branch as work builds up

- After that, the more permanent entity is a limited liability company
- Don't commit to a permanent presence in Saudi Arabia until you have work contracts
- A LLC requires the involvement of a local partner who holds 51pc of the share capital
- In Saudi Arabia it is possible in certain sectors to get 100pc foreign ownership.

Regulations for importers

Companies looking to export goods to the Kingdom must complete a Certificate of Origin, and the Arab-Irish Chamber of Commerce (www.aicc.ie) can help with this. This certificate effectively acts as a passport for goods entering Saudi Arabia and it applies to almost all products with some exceptions such as software, and services. The necessary certificates must be obtained from the AICC in Dublin and then legalised at the Saudi embassy. For now, this is mostly a paper process although there are moves to introduce electronic documents. The AICC will help you follow the procedures that will help your goods make their way through customs more efficiently, as it can be an expensive process if your goods are held in customs because your documents are not filled out correctly. Supply of goods and equipment to anywhere in the GCC region is subject to a 5 per cent customs duty.

Tax

One of the most common misconceptions about the Gulf is that it is a tax-free environment, but this is not the case. Saudi Arabia has a tax system. Below are some points to consider, and a more details are available from Ernst & Young at its [worldwide corporate tax guide page](#) for Saudi Arabia.

- In Saudi Arabia, residents are not subject to income tax. Non-Saudi residents who are not citizens of other Gulf co-operation countries pay personal income tax, which is the same rate as companies (currently 20 per cent).

This covers:

- A resident who does business in the Kingdom
- A partner in a resident partnership (personal company)
- A general partner in a resident company limited by shares
- Only business income earned by individuals is taxable – there is no tax on employment income
- Business and professional income is taxed in the same way and under the same rules as corporate profits. Individuals not carrying on a business or professional activity are not taxed on interest and dividend income
- Saudi individuals or nationals of Gulf Cooperation Council states who conduct business in the Kingdom in commercial goods are subject to an Islamic Tax called 'Zakat'
- Zakat is an Islamic direct tax on property and income and is levied at a flat rate of 2.5 per cent
- If your company's work in Saudi Arabia is short-term in nature and much of the support work is carried out from Ireland, you may not need commercial registration
- In that situation, fees received for your work will be subject to withholding taxes
- If you plan to operate on a more permanent footing, you must have commercial registration
- When you have a commercial registration, you should also register for tax purposes
- Saudi Arabia has a modern tax environment – you will need to file tax returns on a self-assessment basis and those tax returns will be subject to audit by the tax authority
- Your taxes will be paid on the basis of your tax return. That tax return must be audited by a registered auditor in that country and then at a later date, the tax authority will review those submissions
- Standards of tax review in Saudi Arabia would be similar to Ireland, albeit that everyone is audited, unlike in Ireland where it is random. This is not a complex process but it is rigorous
- A Double Tax Treaty between Ireland and KSA came into effect in January 2013.



NEED TO KNOW

Once you trade in Saudi Arabia, particularly if you are supplying goods or equipment and then installing and servicing those goods, for tax planning purposes you may want to make a distinction between supply revenues and service/installation revenues. In this case, you may be able to ensure supply revenues would be exempt from tax, subject to your contracts being structured so as to identify them separately. In cases where customers do not wish to deal with two contracts, you should include a very strict separation of fees in the appendix of the contract, describing the scope of work, and identifying the revenues pertaining to each part.

Exchange controls

There are no exchange controls in Saudi Arabia.



NEED TO KNOW

You can remit any income you earn back to Ireland from Saudi Arabia. There is no risk of trapped currencies. You can buy all currencies, convert into euro and any funds you hold in the region can be remitted to Ireland without any barriers. The Saudi government is clamping down on money laundering and there are provisions against this practice with which all banks must comply.

Immigration/visa

Saudi Arabia operates a strict visa system, which must be obtained in advance and can take time to process. You must be invited by a sponsor company to visit the country. Enterprise Ireland, the AICC or the Irish Embassy can assist you with the process of obtaining a visa.

- The Department of Foreign Affairs and Trade strongly recommends that you obtain comprehensive travel insurance to cover all overseas medical costs before travelling to Saudi Arabia
- Check any exclusions, and that your policy covers you for the activities you want to undertake
- Travellers should ensure their passport is valid for at least six months from their intended date of departure
- Your passport must not contain any reference to travel to Israel
- If you intend to obtain residence for a member of staff, you must register that employee's contract with the Ministry of Interior for a residency permit to be issued
- It's worthwhile investing in two passports if you intend to travel to Saudi Arabia frequently, so that you have one for general travel and the other for submitting a visa application
- You must have two blank pages in your passport to leave space for a visitor visa to the Kingdom.

6. Growth Sectors

Introduction

All signs point to continued strong growth for Saudi Arabia's economy in the years ahead. IHS Global's medium-term outlook forecasts average annual expansion of 4.5 per cent between 2015 and 2019. Oil production capacity remains high, at close to 12.5 million barrels per day, and the State-owned oil and gas giant Saudi Aramco plans to invest \$125 billion under its current five-year plan to finance development in its oil, gas and petrochemical sectors.

There is growing awareness of the need to diversify the Saudi economy. Accordingly, activity is increasing beyond just the oil sector that has traditionally fuelled the Kingdom's economic growth. Gas production is rising in order to meet the growing demands of the domestic economy. The State-owned Saudi Electricity Company targeting significant growth in its power-generating capacity over the coming years. Non-oil economic activity is being further driven by a range of social support packages that are expected to add upwards of \$130 billion in State expenditure through to 2017, while the current five-year national development plan, which runs until 2014, involves spending \$385 billion. This is a 65 per cent increase over the previous NDP.

Other key projects include the creation of four economic cities – including the King Abdullah mega economic city and a new industrial city in Al-Khafgi, near Riyadh – in addition to major upgrades to the Kingdom's transportation infrastructure. Energy projects, logistics and education are also expected to see further investment. Saudi Arabia can provide solid customer reference sites for Irish companies that will allow them to expand elsewhere in the region. Here is a brief outline of some of the main sectors of interest.

Aviation

The Gulf States in general are seeing a huge growth in aviation business, and Saudi Arabia is no exception. The Kingdom's aviation market is dominated by the national carrier Saudia/Saudi Arabian Airlines, which is in the middle of a restructuring plan that involves privatisation and separating the engineering/MRO business unit into a new entity. NAS Holding is the other major player, with subsidiaries NasJet and Nasair (the only budget carrier in KSA).

- There is a large private/VIP jet market in Saudi Arabia which is expected to grow rapidly in the coming years
- NasJet is the largest private jet operator in the region
- It is estimated that 42 per cent of large corporates in KSA made or are making use of corporate aircraft
- Airport infrastructure development is expected to receive \$12.5 billion by 2020
- Of this figure, more than \$5 billion will be allocated to smaller domestic airports.

Opportunities for Irish companies

Saudi Arabia is a priority market for developing sales from Ireland's aviation sector which numbers more than 150 companies. Aviation divides into four key areas: maintenance, repair and overhaul (MRO) services for airlines and repair shops; buyer furnished equipment for airlines; technology for airlines (ranging from ancillary revenue, and inventory management to electronic flight logs; and aviation training, recruitment and talent management. Irish companies in this space can strengthen their case by offering a co-ordinated one-stop shop approach that looks at the entire market comprising both airlines and airports. Providers should also leverage Ireland's strong reputation in low-cost flying, aircraft leasing, duty free retailing and engineering.

Education and training

Saudi authorities are focusing on education and training while also seeking to acquire cutting-edge technologies as steps to meet the need for skills that will help the Kingdom in its transition towards a knowledge-based economy, helping a longer-term ambition to move away from an over-dependence on natural resources. This current round of investment aims to address shortcomings of the education system which has been criticised for not equipping young Saudis with the skills needed to obtain employment, at a time when more and more FDI is flowing into the country. More than 60 per cent of the Saudi population is under 25 and yet despite the recent rapid economic growth, unemployment remains a significant challenge. Jobless rates averaged 9.5 per cent between 2009 and 2011.

- The Saudi Government is aggressively developing a higher education system to supply the engineers and researchers to support advanced technology and medical industries
- The National Science & Technology Plan is the first significant step by the Government toward improving the education sector in the country.
- The Government supported around 25 universities in 2009, a 300 per cent increase compared to 2006
- The Kingdom's stated goal is to increase investment in R&D to 3 per cent of GDP by 2020
- In the 2012 budget, \$45 billion – almost a quarter of the total – was set aside for education and training
- The number of Saudi scholarship students continues to grow consistently and this trend is expected to continue in the short to medium term
- Saudi Arabia sends thousands of students on scholarship programmes abroad for higher education each year.

Opportunities for Irish companies

There is huge potential across training and education in Saudi Arabia for Irish providers because of the urgent need to train people for the workforce. Many young people in the Kingdom require good skills, apprenticeships and training. As the population numbers affected by this trend are so large, this is accelerating the development of the e-learning market which will help education providers to cope with the volume of young people coming into the job market, and the speed with which they need to be trained. As for Saudi students studying in Irish universities and colleges, there was a 40 per cent increase in 2012. The Saudi authorities would reportedly like to see up to 3,000 scholarship students in Ireland per academic year – which has potential to generate up to €210 million for the Irish economy.

Financial services

While the United Arab Emirates has been the main export market to date for Irish providers to financial services customers, KSA is where the single biggest opportunity to grow export sales and footprint from what is a low base at present. The Kingdom's financial services market is dominated by 10 local banks while the central bank SAMA plays a critical role on regulation, banking policy, technology and the national payments system (SADAT). As an indication of Saudi ambitions in this sphere, the King Abdullah Financial Centre in Riyadh opened in 2013. On a similar scale to London's Canary Wharf, this development aims to rival Dubai's International Financial Centre.

- NCB is the largest bank in the region
- Other key local players are Arab National Bank, Riyadh Bank, Saudi British Bank and Samba
- Capital Markets Authority (CMA) lists 180 registered investment and securities firms in KSA.
- The total estimated investment pool across the Gulf Cooperation Countries is an estimated \$2.9 trillion
- There are 50 ultra-high net worth Arab families throughout the Gulf, representing \$251.87 billion in investable assets.

Opportunities for Irish companies

The main area of focus is concerned with financial software for banks, investment institutions and payments. Although the KSA banking technology market is dominated by local resellers, agents and vendors, local banks are growing rapidly and have both the budget and need for technology and

service solutions in a range of areas. These include mobile banking, information & data security, governance, risk and compliance, anti-money laundering systems, 'know your customer' solutions, cash payment and other payment technologies.

Construction

Saudi Arabia's construction market is expected to be one of the most buoyant in the world over the coming years. Building projects will range from schools, hospitals, and houses to universities, airport expansions, along with new railway infrastructure and road improvements. This activity will address what has been a major deficit in infrastructure until now, spanning social infrastructure, housing, schools, medical facilities, parks and leisure facilities, airports, roads and bridges.

- \$62.7 billion worth of construction projects were awarded in 2012
- In KSA, construction spending will reach close to \$400 billion within five years
- There are 127 projects to upgrade Jeddah's infrastructure, totalling \$12.5 billion
- Water, waste-water and sustainability initiatives are multiplying.

Opportunities for Irish companies

Most parts of the region have the resources to fund their development ambitions but lack the advanced skills and know-how that the Irish industry can offer, in areas such as project management, construction management, consulting engineering and environmental engineering. Complex construction projects such as data centres, food processing sites and hospitals are the kinds of deals where Irish companies can add value, rather than pure building works such as schools or skyscrapers where price and scale are likely to be the determining factors. If a site will need to operate on a 24/7 basis or has to include elements such as operating theatres or production lines, Irish companies can address those requirements more effectively. The Irish construction sector is regarded as an international leader in terms of competitiveness and innovation, and it can boast a global footprint of projects. The internationalisation of the Irish construction industry has led to Irish contractors and product manufacturers supplying innovative solutions to recent international landmark projects such as London Olympic and Paralympic Games 2012; Gulf, Caspian Sea and Gorgon Projects; Doha International Airport; Wyeth Biopharma Plant, Ireland; Sochi Winter Olympics 2014; Global Data Centres for Amazon, Google and Microsoft.

There is also a related need for cleantech expertise, particularly around water given the scarcity of in KSA and the country's growing population. Experts expect water availability to halve due to population growth and urbanisation. This is driving investment in infrastructure and the capability to treat water, recycle it and manage it efficiently.

Healthcare/life sciences

Saudi Arabia represents the largest single opportunity in the burgeoning Middle East and North Africa healthcare market. Its population of more than 27 million is growing rapidly and half of this number are under 25 years of age. Consequently, this is driving demand for medical facilities rapidly increasing population, and public spending on healthcare is trying to meet this growth. A growing expat population – now more than five million people – is providing further impetus for higher standards of healthcare provision. In addition, more attention is becoming focused on health issues due to local media now starting to highlight the rapid growth of 'lifestyle' diseases.

- More than 100 hospital and 300 health clinic projects have already begun or were scheduled to in 2013
- \$23bn, or 13% of the total budget, was allocated to health and social affairs in 2012
- 17 new hospitals and healthcare centres are likely to be built in KSA
- KSA's population aged over 60 is expected to double by 2020
- Diseases such as obesity, diabetes and cardiac problems are continuing to rise.

Opportunities for Irish companies

The Irish life sciences sector is seen as one of the most dynamic and vibrant sectors in Europe and is one of the leading sectors for exports from Ireland. It is also a steady source of start-up activity.

Across the sub-sectors, there are companies which have very strong potential to export to KSA, ranging from medical device providers to health IT specialists, and diagnostics companies. The opportunity also crosses over into construction, as the Kingdom's healthcare system requires multiple new hospitals, in addition to those under construction. Irish engineering and project management expertise can be required for such complex developments.

ICT

The Ministry of Communication and Information Technology (MCIT), and the Communications and Information Technology Commission (CITC) are responsible for the development of information and communication technology (ICT) in Saudi Arabia. The country's telecoms market is developing rapidly mainly due to the growth of the mobile phone market, the broadband connection market, and the constant but slow growth of the fixed-line market. Saudi Arabia is also expanding its outsourcing operations in the Gulf Cooperation Council (GCC) region and its software export is growing.

- Recent e-initiatives in KSA include e-learning, e-health, and e-governance programmes
- The Government has launched the e-governance and e-content projects to integrate the ICT industry with other industries across the Kingdom
- The undersea Gulf Bridge International (GBI) cables in Saudi Arabia are expected to facilitate the provision of more advanced services by systems integrators during 2012-2015.
- King Abdullah mega economic city is expected to attract international investments and technology companies
- KSA is the largest telecom market in the GCC, accounting for 66 per cent of total mobile subscribers, 59 per cent of total fixed-line connections, and 58 per cent of total internet users
- Broadband penetration reached almost 40 per cent in the third-quarter of 2012 or 11.73 million users due to increase smartphone use and mobile operators offering various data packages

Opportunities for Irish companies

The size of the country and population, favourable economic and demographic conditions, and lower level of technology advancement in rural Saudi Arabia all create and provide unlimited opportunities for ICT companies to do business and gain profitability in what is categorised as a high growth, sustainable market. Fixed-broadband subscriptions including DSL, fixed wireless (WiMAX), FTTH, and other fixed lines have also grown. A growing mobile virtual network operator presence in KSA is expected to lead to opportunities for telecoms solution providers. Data management is another area with potential, illustrated by Mobily, KSA's second largest mobile operator, signing a €2 million deal with the Irish provider Accuris Networks. Mobily is also spending US\$256mn to expand and upgrade its high-speed data networks. Other areas to watch are dynamic fields of information security software and information security systems.

SELLING TO THE GOVERNMENT IN THE KINGDOM OF SAUDI ARABIA



7. Selling to the Government in the Kingdom of Saudi Arabia

Introduction

Many Irish companies doing business in KSA are likely to find themselves dealing with the State at some point, as much of the Kingdom's economy remains within government control. Moves are underway to liberalise some sectors of the market, but with Government policy is focused on developing social and physical infrastructure over the coming years, significantly increased spending forecast in several key areas.

Irish companies can be successful in bidding for public sector contracts in KSA, and the effort is worthwhile because of the value of the capital investment and scale of the work. However there are some important considerations to remember: the sales cycle is longer than with private sector clients, and the process can be time consuming and difficult. There are more layers of management to navigate, and will require more investment of your company's time. A better approach in the short term might be to try to win a private sector contract, preferably with a multinational based in the market, and then use this as a reference site.

There are useful links to relevant Government bodies on the [SAGIA website](#). Below is a brief outline of the government structure in the Kingdom, with advice on successfully working with the country's public procurement system.

Framework

Saudi Arabia is a monarchy based on Islam. The government is headed by the King, who is also the military's commander-in-chief. The King appoints a Crown Prince to help him with his duties. The Crown Prince is second in line to the throne.

The King governs with the help of the Council of Ministers. Also called the Cabinet, this comprises 22 government ministries, including foreign affairs, education and finance. The King is also advised by a legislative body called the Consultative Council (Majlis Al-Shura) which proposes new laws and amends existing ones. It consists of 150 members who are appointed by the King for four-year terms that can be renewed.

The Kingdom is divided into 13 provinces, each with a governor and deputy governor. Every province has its own council that advises the governor and deals with the development of the province.

Tips for exporters

- Local partners are mandatory for working with the government in Saudi Arabia
- Bidding for work at a national government level can be a slow process
- You may deal with several layers of government before meeting the key decision maker
- There is no central tendering body in Saudi Arabia – every government agency has full authority to issue contracts
- Large government departments keep their websites up to date and these can be useful sources of information
- Independent sites such as the Middle East Economic Digest (www.meed.com) publish daily tender information and news of contract awards
- Government Tenders and Procurement Law along with the implementing regulations govern all contracts with government entities in the Kingdom
- Under this law, all contracts over a certain value with KSA government entities shall be in approved standard form contracts.
- Construction contractors must have full and careful regard to the Saudi Building Code which includes 800 pages of detailed requirements including architectural; loads and forces; soil and foundations; concrete structures and steel structures.



NEED TO KNOW

While all bidders are to be treated on an equal footing according to Article 3, subject to the Foreign Investment Law, the Procurement Law and the other regulatory instruments expressly support the KSA economy and local industry by giving priority to nationally manufactured goods, products and services. Bids must state their position on this issue clearly, and contractors are to give preference wherever possible to Saudi products and services when preparing bids in response to tenders.

HOW ENTERPRISE IRELAND CAN
HELP YOU SUCCEED IN THE
KINGDOM OF SAUDI ARABIA



8. How Enterprise Ireland can help you succeed in the Kingdom of Saudi Arabia

Enterprise Ireland is committed to assisting and supporting our clients in entering new markets and expanding in your current markets. Our team of experienced marketing professionals in our network of overseas offices is ready to help you. An overview of our service offering is listed below:

Pre-visit support

Enterprise Ireland can provide:

- A sector overview
- A validation of the opportunity for your product/service
- An evaluation of your market entry strategy
- Suggested channels to market
- Competitor analysis
- Relevant contacts/suggested itinerary
- Summary of relevant market information resources.

In-market support

Services available include:

- Introductions to buyers and decision makers
- Identification of potential partners
- Facilitating buyer visits to Ireland
- Assistance with product launches/workshops
- Securing reference sites.

International trade events programme

Every year, Enterprise Ireland organises an extensive programme of events to support your business abroad. These include:

- Inward buyers missions to Ireland
- Group stands at important international trade fairs
- Overseas trade missions
- Study visits to gain knowledge of overseas markets
- Client knowledge events including seminars and workshops
- Networking events to build and enhance relationships with market contacts.

Further information is available at: www.enterprise-ireland.com/events

International market contacts

Enterprise Ireland has built up an excellent network of individuals in the Gulf States who are available to work with Irish client companies on developing their business. This includes market and sector specialists, [business accelerators](#) and members of Irish business associations.

Additional supports

We can offer additional supports in the following areas:

- Access to translation and interpreting services
- Introductions to specialist expertise such as legal, recruitment, public relations and taxation
- Access to mentors.

For further information on the services of Enterprise Ireland overseas, please go to www.enterprise-ireland.com/export.

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DISCLAIMER

Compiled during February, March and April 2013, this report is up-to-date with the latest available research and findings. Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. **Enterprise Ireland** accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material. Readers are encouraged to consult with professional advisers for advice concerning specific matters before making any decision.

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