



Legal Issues Associated with Foreign Investment in Saudi Arabia

Introduction

According to several economic reports, Saudi Arabia has become one of the leading countries in the MENA region in attracting foreign investment. The “Doing Business 2011” report ranked Saudi Arabia as the 11th out of 183 countries for the overall “ease of doing business” and ranked it as the best country in which to do business in the Middle East and Arab World, ahead of the U.A.E., Bahrain, and Qatar. Per capita income in the Kingdom is forecast to rise from \$20,700 in 2007 to \$33,500 by 2020. In addition, Saudi Arabia is the top foreign investment destination in the Arab world and among the top 20 globally. Finally, Saudi Arabia is a signatory to various regional agencies guaranteeing a level playing field to foreign investors, such as the Multilateral Investment Guarantee Agency (MIGA).

There have been a number of economic reforms in Saudi Arabia such as the adoption in 2000 of the Foreign Investment Law by virtue of the Royal Decree on Foreign Investment No. M1. The Foreign Investment Law offers business incentives that include: the right of full ownership to foreign investors of their projects, including land, plant and buildings, the right of foreign investors to receive the full benefits and incentives normally available to Saudi investors, including funding from the Saudi Industrial Development Fund (SIDF), the right of foreign investors to hire and sponsor foreign employees, the right to full repatriation and prohibition of confiscation or expropriation of investment projects, and the right to allocate financial losses of foreign joint ventures to future financial years, with a free hand to companies in determining the number of years over which those losses can be allocated.

In this memorandum, we will provide an overview of the following matters:

- The types of companies available in Saudi Arabia and the legal differences between establishing and operating the types of legal entities most favorable to foreign investors.
- The business incentives for and restrictions on foreign investors.

For the full version of this report, please contact Crowell & Moring partner [Morris DeFeo](#) at mdefeo@crowell.com.