



Palestine Trade Centre



Market Study for the Kingdom of Saudi Arabia for Stone and marble

Commissioned by PalTrade

According to your TERM OF REFERENCE (RFQ-PTC-061-09-2018 – Saudi Arabia) to develop a market study to understand market trends and characteristics and to understand the preferences and requirements of potential buyers for the Palestinian stone and marble products.

This study follows the structure as described in your terms of reference document.





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1 Introduction

1.1 Product description

- ✓ Stone and marble industry is considered one of the conventional and historic industries and one of the most important productive sectors in Palestine, with more than 13,500 workers
- ✓ The Palestinian production of stone is about 4% of the world's Stone production. Currently, the State of Palestine is the twelfth largest producer of stone and marble in the world
- ✓ The stone and marble sector is the pillar of the Palestinian export sector, contributing around to the GDPUS\$ 400 million in total revenue to the GDP
- ✓ Competition in international markets is increasing and directly affects Palestinian exports. In Arab markets, Palestinian enterprises face competition from Indian, Iranian and Turkish marble
- ✓ The reserves in the sector are valued at US\$30 billion, reflecting the export potential of the sector
- ✓ Sector enterprises can be divided into three main categories depending on their specific activities: quarries, stone and marble factories, and workshops
- ✓ The main market for the sector's products is Jordan, Saudi Arabia, UAE, Qatar, South Korea, Japan, Mexico and European countries

More details about the stone kinds can be found on the electronic Palestinian Stone Library on the following link: <http://centers.ppu.edu/stonelibrary>





1.2 Objectives and methodology

Our primary objective for the market study was to gather the information necessary to give Palestinian exporting companies, in particular, those who participated in the supply survey, a good overview of the characteristic of the Saudi Arabia market, and a perspective on their chances to sell into this market.

In order to do so, we have used the following approach for each of the topics as highlighted in your Terms of Reference:

Describe the characteristics and structure of the Saudi market; including the identification of potential importers, distributors, end-users etc...;	Compiling existing research reports. We identified the best-selling products currently offered in each category in the market, complete with pictures of the goods and their packaging. Listing leading retailers and wholesaler.
Assess the potential for augmenting demand and/or changing to new sources of supply ;	Research on trends and volumes in the market. Calls with industry organizations and various parties in the value chain.
Identify impediments affecting imports;	Calls and meetings with importers/distributors
Determine areas in which specific enterprise-level assistance may be requested such as licensing, customs duties, taxes, quality control, other rules and regulations affecting imports etc...	Calls and visits with importers in Saudi, and exporters on the Palestinian side
Provide information about trade procedures, trade logistics, needed documents and standards to enter KSA.	Compiling information obtained from governments, customs authorities, and industry organizations.
Identify areas where measures are required to facilitate imports from diversified sources of supply.	Based on the information gathered for the previous points, we can easily identify these and provide recommendations.



2 Summary of conclusions and recommendations

2.1 Market overview

The construction market size is hundreds of billion dollars and expected to grow at a compound annual growth rate of 5.9% by 2020 and all the way long to the vision of 2030. Only the government is expected to spend US\$ 261 Bn from 2019- 2025

Construction had a recovery from 2016 and 2017 as a number of factors push the industry back to higher size. These include the timely resumption of government payments to contractors after some delays and bottlenecks, with the MoF saying it had paid 98% of invoices up to September 2017 within 45 days; the rollout of tens of thousands of affordable housing units; and a boost to real estate investment and diversification from newly established real estate investment trusts.

High competition in the market, Saudi Arabia imports from all over the world; China, Turkey, Italy, Spain and USA. Both, the exporter and the local partner invest a lot in local marketing activities and advertisements.

2.2 Distribution channels and import

Distribution channels and outlets for the construction materials sector can be divided into two parts: Galleries/ showroom or Building materials trading companies, the five biggest are: CPC Holding, Saudi Ceramics, Zamil Industrial Investment Company, Bawan Co. and the Red Sea Housing.

2.3 Options to enter the market

Characteristic for stones and marble is that they the interesting quantities are sold in big construction projects. This market can therefore only be served by working through distributors, or establishing an own permanent presence in Saudi Arabia.

Working with distributors requires a clear outline of how you want to support them in their sales and service activities, plus an open discussion on how much margin they should be able to make on your products. Finding the distributors and setting up collaboration consists of multiple visits to gain trust and establish a working relationship.

The other way to establish presence in a new market is with an own permanent representation, where possible combined with a showroom. If this is being done with a group of companies, costs can be shared and the investment is limited. The effect however



is that Palestinian producers can be seen as accessible, adaptive and able to sustain their position.

2.4 Market entry recommendations

For the Palestinian companies, it would be the most efficient to have a joint pavilion on one of the bigger trade fairs in Saudi Arabia, The Big 5 Saudi -Mar 2019 and the Stone & Surface Saudi –April 2019 both will take a place in Jeddah. This would also allow to invite the interested importers or distributors to see the products and learn more about the companies.

Recommendation 1: stimulate Palestinian exporters to attend fairs together, with a joint pavilion.

In case this does not lead to direct results, there is the option to do an individual importer search. This allows for more intense interaction with an importer. However, this process requires a local consultant who will be involved for a longer period.

Recommendation 2: do individual importer searches where necessary.

As an alternative to working with a distributor, an own showroom can be the hub to serve the company for meetings and the place to work for a local representative. Having your own location can also give access to other market segments: individuals who build their own house in standard, villas or palaces designs. As well as helping the metals industry from Palestine to display their products, a company like Al Naseem Brothers.

Recommendation 3: Local representation with a dedicated showroom

For many large products there are tender procedures to get the best offer out of the market. These procedures have many written rules, but there are even more unwritten rules on how to present your services and what is fitting in the respective culture. Even how you describe your company can make a difference.

Insiders in the market mostly know when certain tenders are opened. This gives the opportunity to prepare for it and to approach potential partners and subcontractors in advance. It is well worth investing in somebody local who can monitor the market opportunities.

Recommendation 4: Support companies in their tender procedures

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2.5 What Alliance experts can do for you

Recommendation 1: We can advise on how to present yourself at a trade fair and invite potential buyers to come to the Palestinian pavilion

Together with Paltrade and the participating companies in a trade fair we can advise how to best present Palestine and the products of the respective companies. With our current contacts with importers and distributors, we can also personally invite them to visit the Palestinian pavilion and let them meet with the most relevant companies. If necessary, we can also extend this invitation round to more companies. This is a limited extra investment that strongly will increase the yield of participating in the exhibition.

Recommendation 2: do individual partner searches

Alliance experts is specialised in selecting the right agent or distributor in the over 30 countries where we are active. We live there, work there, know the culture and speak the language. And we think from the perspective of the local distributor. This helps us to make connections and arrange appointments.

Based on your strategy for your market entry, we draft a partnering profile, describing your company and the type of partner that you are looking for. In parallel, we list a broad range of potential distributors or agents. We discuss this long-list with you, to see what type of companies you want to focus on. We then approach the companies with your profile in hand. We call them in the local language, get through to the right decision maker, and send your profile and follow-up to see whether he or she is interested in an appointment. Once we have a short-list of interested companies, we try to arrange meetings for you shortly after one another, so that you can come over and spend your time efficiently.

Recommendation 3: Local representation with a dedicated showroom

Alliance experts, with its local people, can advise you where to set up your local representation and showroom. On the short term we can be your representative, or do this part-time if the number of companies to represent is small. If more capacity is needed, we can help you in hiring the right representative.

Recommendation 4: Tender support

Alliance experts has for a select number of countries specialists with experience on how to write tender documents with a high chance of winning the project. We can offer this as a



project-based, short-term intensive service. On the other hand, we can also represent you in the market for just one or two days a month, in order to monitor the market and get more insight information.



3 Import profile of the sector

An astonishing volume and variety of major construction and fit-out projects are currently underway in Saudi Arabia as the Vision 2030 national development plan becomes reality. More than 80 mega projects, each worth at least \$1 billion, are currently underway or planned for completion by this date.¹

Saudi Arabia is currently facing a shortage of affordable housing as a result of its growing population and urbanization. According to Saudi Arabia's Housing Ministry, 3.3 million new housing units are required to be built by 2025, in order to address the country's chronic housing shortage. Consequently, the government is taking help from foreign countries to build residential buildings in the country. In September 2016, the government signed a memorandum of understanding with the Chinese government to build 100,000 new homes in Al-Ahsa province.

The government's commitment to pursuing quality development and increasing expenditure on educational infrastructure is expected to support the institutional construction market over the forecast period. Under the school construction project of the Gulf Cooperation Council, the Saudi Arabian government plans to build 44,411 new schools across the country by 2020.

Even the Vision 2030 involves a complete refocusing of the national economy away from oil towards the further development of large-scale infrastructure development, real estate, tourism and services. Large-scale construction projects range across a variety of sectors with a particular focus on tourism and hospitality, retail, commercial and residential real estate development².

¹ www.index-saudi.com/

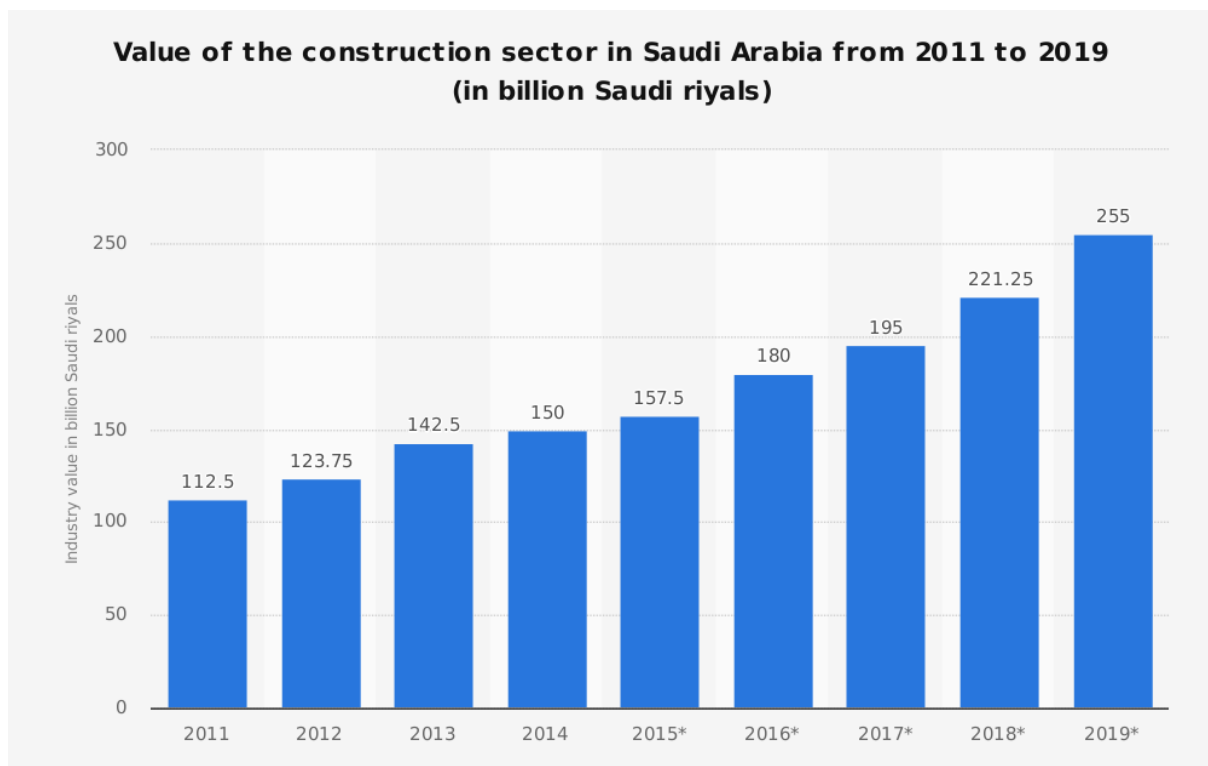
² <https://www.index-saudi.com/exhibit/why-saudi-arabia/>



3.1 Market size

KSA's 2018 budget is deemed the largest ever and the government is expected to spend US\$ 261 Bn. The budget provides a roadmap for the on-going economic transformation replacing the dependency on oil prices and energy equities. The prime feature of the budget is the key focus on structural reforms accompanying rising spending patterns. For 2018, the government forecasts a deficit of US\$ 52 Bn., which is equivalent to 7.3%.

The construction sector is certainly lining up to build their chances in Saudi Arabia. Moreover, the rapid growth of the Saudi population and strong urbanization trends are fuelling the urban construction sector. The building construction sector is expected to register the highest contractor awards followed by the energy and infrastructure sectors in 2018. Real construction output fell by 3.3% in 2016 on the back of a broader economic decline in the country.³⁴



³ <https://www.worldconstructionnetwork.com/opinion/saudi-arabias-slow-recovery/>

⁴ https://www.intersecksa.com/resources/files/ISSA2018_Market%20Report_KSAConstructionOverview_English02.pdf

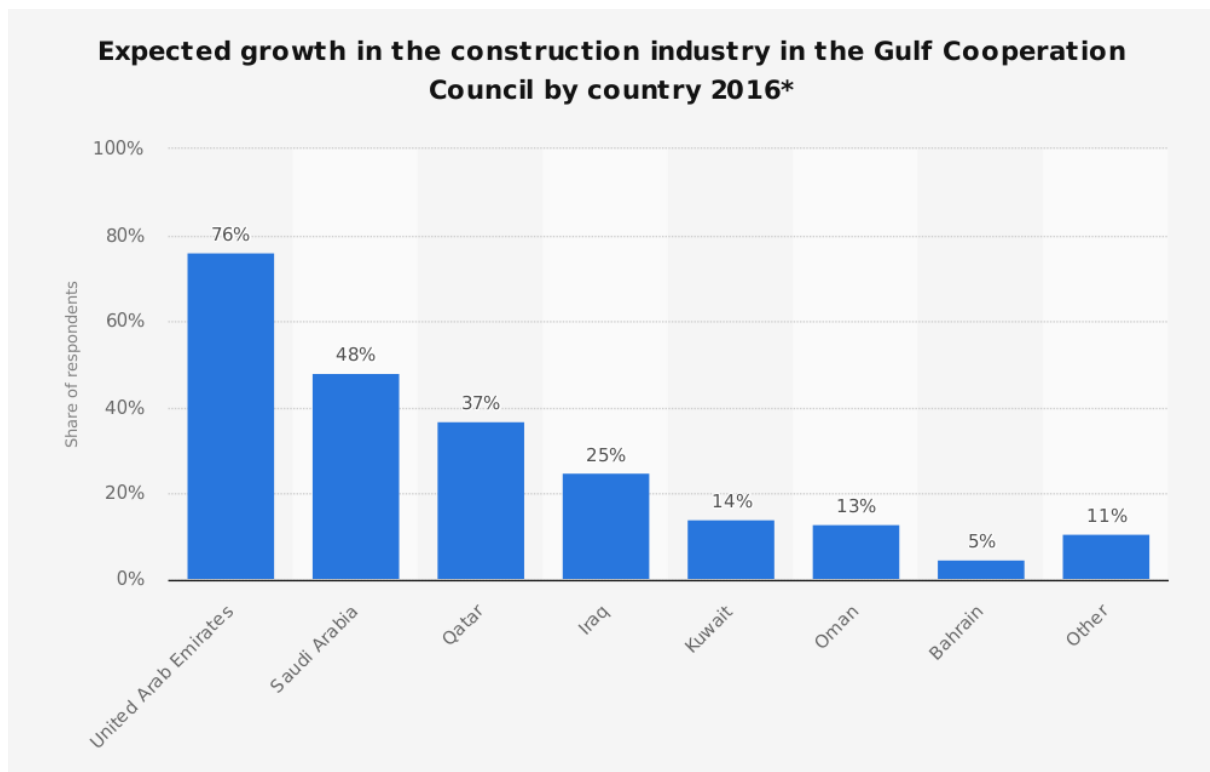


3.2 Growth rate

In the first half of 2017, the construction industry contributed 78.1bn SAR (USD 20.8bn) to the economy, with 6.2% of total GDP for this year.

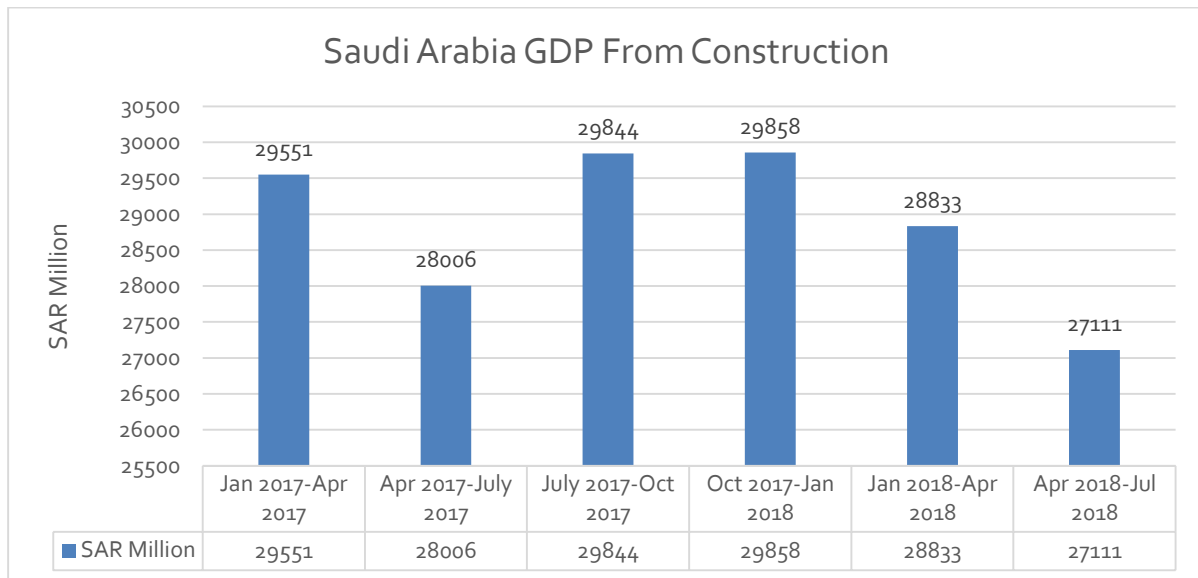
In real terms, the Saudi Arabian construction industry's output contracted by 1.9% in 2016, following average annual growth of 6.2% during the preceding four years. This decline was mainly due to low oil prices and the country's high fiscal deficits; both reduced the government's spending power.

Growth over the forecast period (2017–2021) is expected to be supported by government focus on developing transport infrastructure, energy and utility facilities, and affordable housing across the country.



GDP from construction in Saudi Arabia decreased to 27111 SAR million in the second quarter of 2018 from 28833 SAR million in the first quarter of 2018. GDP from construction in Saudi Arabia averaged 27891.50 SAR million from 2010 until 2018. It also reached the maximum of 31972 SAR million in the first quarter of 2015, while lowest being of 21969 in the fourth quarter of 2010⁵.

⁵<https://tradingeconomics.com/saudi-arabia/gdp-from-construction>



In the first quarter of 2017 the GDP form construction in Saudi Arabia was 29551 SAR million, with a decrease in the second quarter of 2017, with again increase in the third and fourth quarter of 2017. But there has been a fall in GDP from the first quarter of 2018 being around 28833 SAR million⁶.

⁶<https://tradingeconomics.com/saudi-arabia/gdp-from-construction>



3.3 Market history

1986	Construction had suffered significantly more than other sectors during the oil price slump, declining by 22%, 12% and 17% respectively, it remained in recession for the next two years, in 1986 the authorities had nothing like the stockpile of foreign assets that they enjoy today.
1988	Oil price fall had a much shallower impact on economic activity than two years earlier. This had an impact on construction, trade, and finance & real estate all dipped back into recession. Due to the fall in oil price Saudi Arabia suffered great loss as revenues from exports decreased and there was budget deficits in government for the construction sector. The falling oil prices have been forcing Saudi Arabia to diversify its economy and attract investment in non-oil related industries. Lower oil prices have posed a significant challenge to the construction sector, as revenues fell and government was forced to cut its expenditure from the construction sector. ⁷
1990	The upturn in oil prices was quickly registered in a number of sectors, including construction. Despite the comparatively positive story, it is worth noting that both Public utilities and construction posted only weak growth over the period. Public investment had been very strong for the first half of the 1980s and with the oil price collapse in 1986 the authorities took the opportunity to rein back capital spending quite sharply. Thus, investment in utilities and other areas of infrastructure remained subdued even after oil prices recovered in 1990.
1998	By the 43% rebound in oil prices, which helped confidence to recover fairly quickly, construction lagged the general recovery, and in fact only fell into recession in 1999, just as oil prices were recovering. Nevertheless, the sector's eventual rebound, in 2000, was a strong one. Government services, meanwhile, mirrored the direction of current spending and performed poorly.
2000 – 2008	The decline in oil prices in 2002,04,05,06 was the most severe of any of the periods under consideration. But against this, the rebound in prices in 2009-10 has been more vigorous than previous episodes. In addition, the counter-cyclical response of the authorities has also been much more robust (overall spending has increased significantly).
2010	Construction firms have not performed particularly well, despite the enhanced budgetary allocations for infrastructure. Indeed, the net income of construction firms has continued to trend down in 2010.
2016, 17, 18	Construction had a recovery from 2016 and 2017 as a number of factors push the industry back to higher size. These include the timely resumption of government payments to contractors after some delays and bottlenecks, with the MoF saying it had paid 98% of invoices up to September 2017 within 45 days; the rollout of tens of thousands of affordable housing units; and a boost to real estate investment and diversification from newly established real estate investment trusts.

⁷ <https://commodityinside.com/implications-oil-prices-construction-infrastructure-saudi-arabia/>



With the vision of 2030, the plan is a wide-ranging strategy to transform Saudi Arabia into a diversified, knowledge-based economy. Funding already allocated to construction under vision 2030 and its related, shorter-term National Transformation Programme (NTP) 2020 includes \$90bn for new public transport in Riyadh, Jeddah, Makkah and Medina; \$8bn for the expansion of the national railway network; and \$60bn for water utilities. Vision 2030's emphasis on developing sectors such as healthcare, defence, and transport and logistics should see increasing sums invested in the construction of hospitals, factories and other infrastructure.

3.4 Market Potential

The Saudi government have settled outstanding payments of the infrastructure projects of the 2017 budget. During the current year, the government have released the White Land Regulations (taxing owners). The new levy is designed to encourage the development of the undeveloped urban land and is expected to lead to a notable boost in the construction sector by bringing down the cost of land and stimulating building work.

There is also a clear potential from the establishment of the General Authority for Real Estate. It's responsible for regulating and developing the real estate sector. The body aims at raising sector growth to an average of 7% per year by 2020 from 6.2% in 2014-16.

NEOM city is 26,500 square (km) (10,230 square miles) zone and will focus on industries including energy and water, biotechnology, food, advanced manufacturing and entertainment, this worth USD500 Bn.

In September 2017 the central bank announced measures to help cutting down home financing costs. The lifting of the maximum loan-to-value ratio for a housing loan from 70% to 85% should also provide stimulus. The residential mortgage market is expected to be almost double from 280bn SAR (USD 74.6bn) to 500bn SAR (USD 133.3bn) in 2020.

Current projects:

Project name	Value: USD bn&mn
NEOM CITY: Announced in Riyadh in October 2017 with its first phase due to complete in 2025, this unprecedented project will build a new megacity on the Red Sea near Saudi Arabia's northeast border with Egypt and Jordan and cover an area some thirty-three times the size of New York City ⁸ .	USD 500bn
KING ABDULLAH ECONOMIC CITY: Situated off the Red Sea across 181 km ² , approximately the size of Washington DC, this is the largest private development of its kind in the	USD 100bn

⁸<https://www.index-saudi.com/visit/saudi-mega-project/>

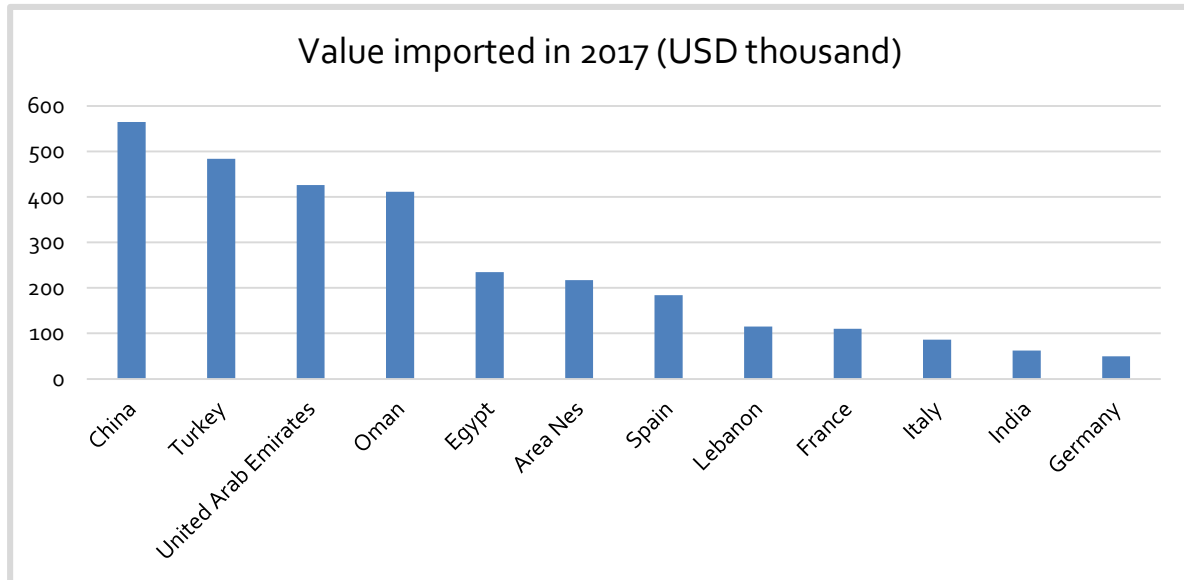


<p>world and is set become home to two million people. Its key target demographic is younger Saudi's with international exposure.</p>	
<p>RIYADH METRO: The biggest urban mass-transit system that's ever been created in one phase, this is a six-line, 85-station metro network for the national capital, whose population is projected to grow by 40% by 2030.</p>	USD 22bn
<p>DAHIYAT AL FURSAN NEW CITY: Located 14 kilometres east of King Khalid International Airport this major residential project will include construction of apartments, townhouses, education buildings and commercial buildings. 100,000 housing units are planned together with the necessary urban infrastructure, which will house a population of over 600,000 people. The developments are expected to be completed by March 2020.</p>	USD 20bn
<p>KING ABDULLAH FINANCIAL DISTRICT: Recently announced as the new home of the Kingdom's sovereign wealth fund, the 17.2 million-square-foot master plan calls for over 60 residential, office, and retail towers; schools, medical clinics, civic buildings and hotels capable off housing 50,000 residents when complete.</p>	USD 7.8bn
<p>AL-QIDDIYA ENTERTAINMENT CITY: An entertainment city almost as big as Las Vegas located southwest of Riyadh, this major new development will include theme parks, resorts, hotels and residential units on about 100 miles of sandy coastline on the Red Sea. At a total size of 334 square km, its first phase due to open to the public in 2022.</p>	USD 500mn
<p>THE AVENUES: An enormous retail facility extending across 390,000 m² and therefore set to become one of the Middle East's largest shopping malls. Also includes two residential towers, two hotel towers, a medical tower and office units.</p>	USD 1.9bn



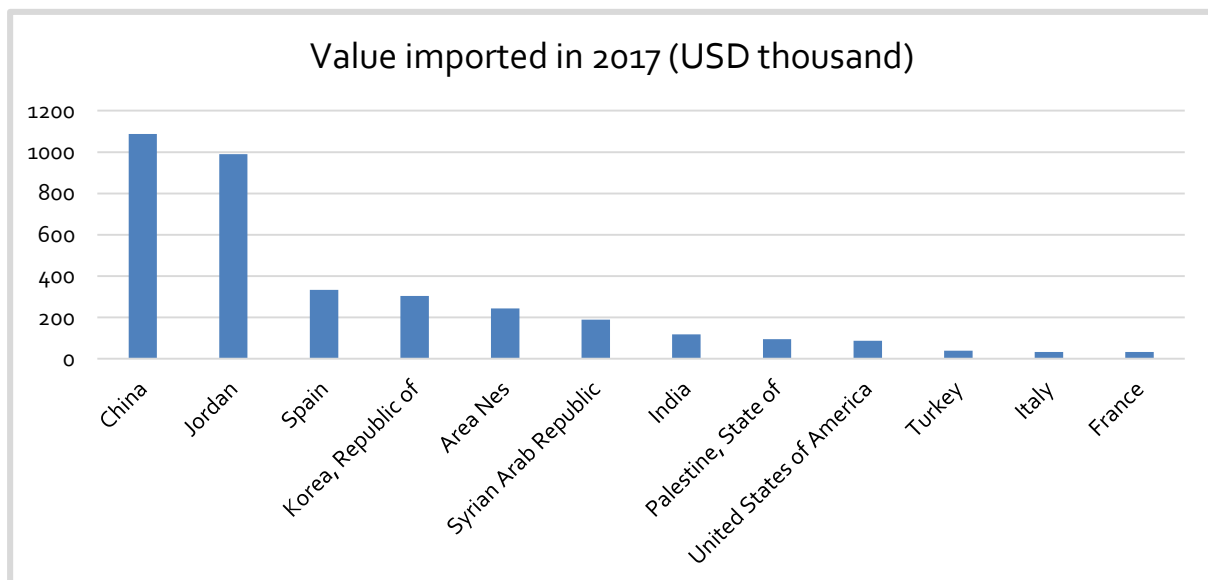
3.5 Competition in market

Product: 680210, Tiles, cubes and other processed articles of natural stone



China was ranked first among the exporters to in Saudi Arabia during the year 2017, where it represented exports 19% the volume was (565) thousand, followed by Turkey with the second place with 16% the volume was (484) thousand, followed by UAE 14% and Oman 14%.⁹

Product: 680299, Monumental or building stone, in any form, polished, decorated or otherwise worked

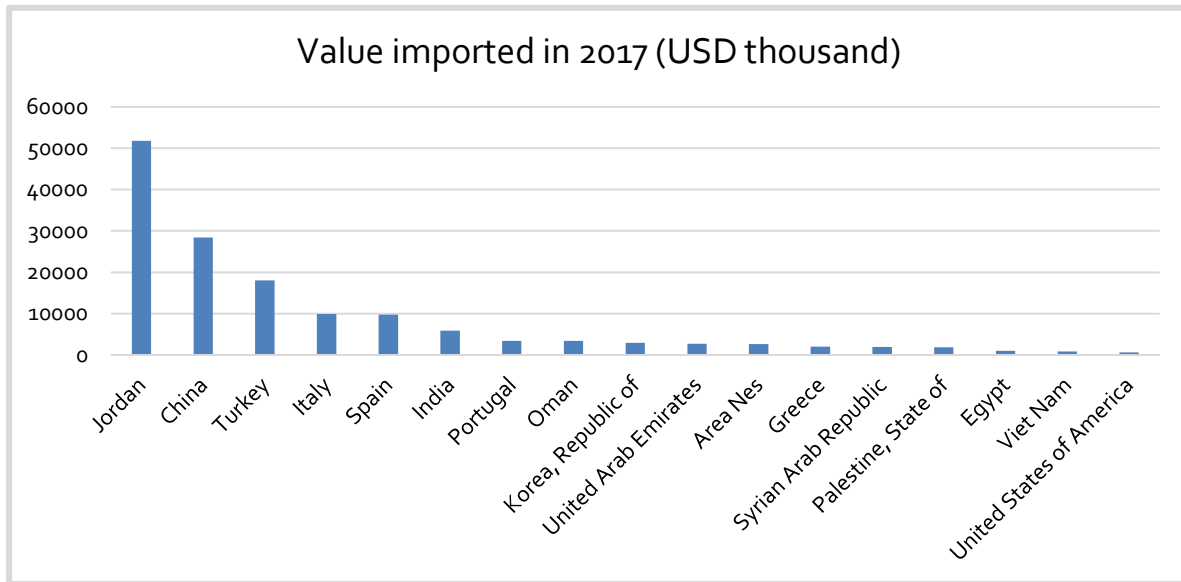


⁹<https://www.trademap.org>



China was ranked first among the exporters to in Saudi Arabia during the year 2017, where it represented exports 31% the volume was (1) million, followed by Jordan with the second place with 28% the volume was (900) thousand, followed by Spain 9% and Korea 9%.¹⁰

Product: 6802, Monumental or building stone, natural (excluding slate), worked, and articles



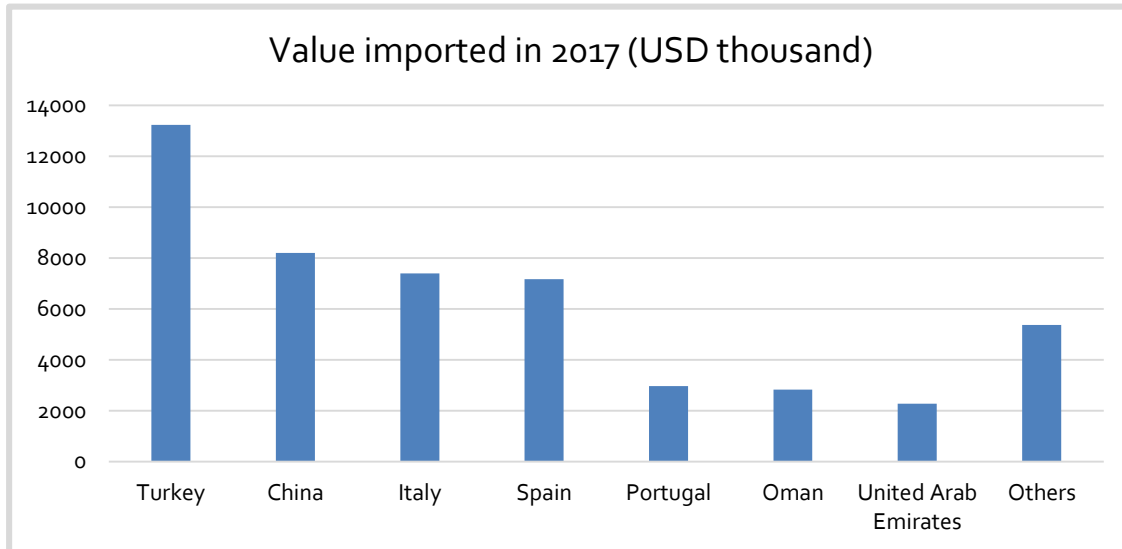
Jordan was ranked first among the exporters to in Saudi Arabia during the year 2017, where it represented exports 35% the volume was (5) million, followed by China with the second place with 19% the volume was (2.8) million, followed by Turkey 12% and Italy 14%.¹¹

¹⁰<https://www.trademap.org>

¹¹<https://www.trademap.org>

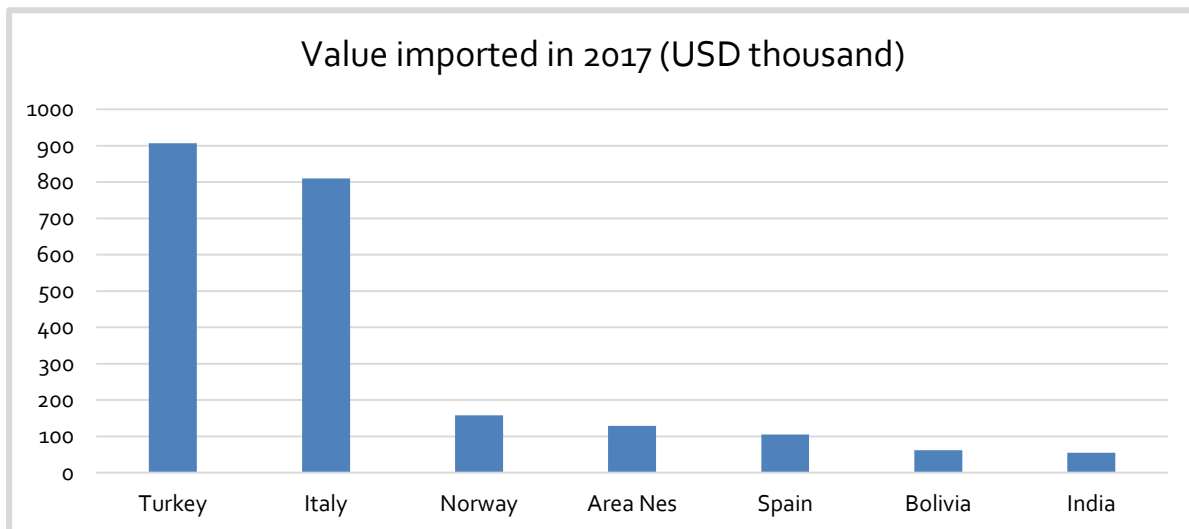


Product: 680221, Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even



Turkey was ranked first among the exporters to in Saudi Arabia during the year 2017, where it represented exports 27% and (13) million, followed by China with the second place with 17% the volume was (8) million, followed by Italy 15% and Spain 14%¹²

Product: 251512, Marble and travertine, merely cut, by sawing or otherwise, into blocks or slabs of a square



Turkey was ranked first among the exporters to in Saudi Arabia during the year 2017, where it represented exports 40% the volume was (900) thousand, followed by Italy with the

¹²<https://www.trademap.org>



second place with 36% the volume was (810) thousands, followed by Norway 7% and Area Nes 6%.¹³

3.6 Distribution channels

Distribution channels and outlets for the construction materials sector can be divided into two parts:

- Galleries and showrooms of domestic manufacturers, which is 15% of the building materials market.
- Building materials trading companies, which are 85% of the total market, where they sell to contractors, they sell about 90% of the total volume of the materials market construction in Saudi Arabia.
- Tenders and direct projects with the construction companies.

For Palestine companies especially the building material trading companies are interesting. The five biggest are described below.

1. Since 1982, CPC Holding Affiliated Company's mission is to provide clients with quality construction products and services. It is a private company, no market valuation is provided.
2. Saudi Ceramics- Saudi Ceramics, founded in 1977, has achieved a reputation for the high standards of their manufactured ceramic tiles, sanitary ware, and electric water heater products. It is the largest manufacturer in the country in its field.
3. Zamil Industrial Investment Company- Zamil Industrial is a preeminent business group responsible for the development of inventive design and engineering solutions for use in the construction industry. At the end of 2013, Zamil Industrial posted a turnover of SAR 5.4 billion/USD 1.44 billion, an increase of 16.8% over 2012.
4. Bawan Co. - Bawan Co. is a product of the merge between Abdullatif& Mohammad Al Fozan Co. and Abdulkader Al Muhaidib& Sons General Trading Company L.L.C., two premiere industrial companies in the field of trading & manufacturing of building materials and industrial investment in Saudi Arabia. Badwan is a Closed Joint Stock Company, with SAR 500 million worth of capital divided into 50 million shares.
5. Red Sea Housing- Red Sea Housing is one of the world leaders in manufactured housing. They have more than 25 years of design, planning, and construction experience that serves clients in the oil and gas, mining, engineering, and construction industries.

¹³<https://www.trademap.org>



Source: <https://marcopolis.net/largest-building-material-companies-in-saudi-arabia.htm>

Working with distributors requires a clear outline of how you want to support them in their sales and service activities, plus an open discussion on how much margin they should be able to make on your products. Finding the distributors and setting up collaboration consists of multiple visits to gain trust and establish a working relationship.

Federal Express, United Parcel Service (UPS), Deutsche Post's DHL, and Aramex all serve major communities in the Kingdom of Saudi Arabia construction industry.



3.7 Market characteristics

Natural stone and marble became a very popular material used both indoor and outdoor. Today, most of the new buildings, houses and apartments in the kingdom were built with natural stone and marble products.

1. Saudis prefer to add stone in the decoration of the bedrooms or corridors, as well as adding the marble to all floors. In most villas, palaces and public places, you can see how much stone and marble the place is located from the entrances to public gatherings and places of hospitality. Stone and marble are also used to decorate mosques, hospitals, hotels and palaces.
2. The Saudi women choose granite surfaces for kitchens and dining rooms (in palaces and villas), and they are available in the local market from different sources, local and international brands. Nowadays, many carpenters have stone and marble included in their offer.
3. Designers are currently using natural stone to make beautiful and exotic pieces of art. Saudis enjoy home-made pieces of art on the walls.
4. The most modern buildings in the Kingdom, are designed to create homogeneity between nature and natural resources. By laying the stone in the exterior construction, the stone gives a beautiful view along with the green environment.
5. One of the most famous marble uses is the famous columns, especially in mosques and mega-malls such as hotels and malls. Many of them are on the entrance or outside spaces.

During Oct 2018, stone and marble companies were trying their best to convince the Ministry of Trade and Industry to accept re-exportation and benefit from investment opportunities in Bahrain and Qatar. The opening of the re-export of imported marble and granite will move this market and re-take control of the GCC market.



3.8 Import policy and procedures

The products will be tested in accordance with Saudi or international standards. The Saudi government have supported the laboratory with the latest equipment and benefited from the best companies specialized in the manufacture of construction materials inspection equipment and training technicians to operate and maintain it. Normally it takes 10 days for testing stone and marble at the SASO, <https://www.saso.gov.sa>

General requirements for the product used in construction (construction)

Stone and marble subjected to this regulation, designed for construction work in its entirety or part, shall be suitable for the purpose for which it is designed for, taking into account, in particular, the health and safety of the product users at all stages of construction work.

The stone and marble shall be tested anyway. The technical resistance and stability of the product must comply with all regulations at the SASO as per the product type.

To meet the requirements of these regulations, the supplier must satisfy the basic characteristics of the products and have the right certification for each product, as follows:

Certification requirement:

Product	Certification
Product: 680210, Tiles, cubes and other processed articles of natural stone	GSO EN 12057:2011 EN 12057:2004
Product: 680299, Monumental or building stone, in any form, polished, decorated or otherwise worked	EN 12058, EN 12057 GSO EN 12057 EN 14527, for only: 680299
Product: 6802, Monumental or building stone, natural (excluding slate), worked, and articles	GSO EN 12057:2011 EN 12057:2004 680223: GSO ASTM C 615:2010 ASTM C615 680229: GSO ASTM C 568 ASTM C 568



Product: 680221, Marble, travertine and alabaster articles thereof, simply cut or sawn, with a flat or even	GSO ASTM C503 ASTM C503/C503M GSO ASTM C 1527 ASTM C 1527
Product: 251512, Marble and travertine, merely cut, by sawing or otherwise, into blocks or slabs of a square	GSO ASTM C 1527/2008 ASTM C 1527

Source: <https://www.customs.gov.sa/en/tariff-standard-specifications>

The exporter shall ensure the packaging of the product according to type and dimensions, all these requirements can be found in chapter 3.10

The exporter held responsible in pursuing the regulations made by SASO, any conflicts may occur penalties and tickets. Exporters shall comply with all regulations relating to the safety of transportation, storage and inspection required for issuing permits prior to export.

The SASO Authority shall be entitled to cancel the certificate of conformity or license to use the quality mark if the supplier violates its terms, and to take the necessary procedures to ensure the preservation of the rights of the commission.

If there are any amendments to the product during the period of validity of the certificate of conformity, the certificate or license becomes cancelled and must apply for a new one.



3.9 Import channels

There are several parties who serve as the formal importer of stone and marble:

- **Architects** – Some importers are:
 - Marble Homes Co.(<http://marblehomes-sa.com/en/about-us/>) – MARBLE HOMES CO. is a Saudi Arabia based company; the headquarters are located in Jeddah and consist of more than 50,000 Sq.M of factory and offices. The departments include Marketing & Sales, Import & Export, International projects, Factory management, Architectural department, Production & packaging and Financial department.
 - First Marmo (<http://www.firstmarmo.com/>) - First Marmo is a major importer and wholesale supplier of premium quality natural stone for commercial and residential building projects. Established in 2012 by a team of three professionals from Saudi Arabia, Qatar and Italy.
- **Construction contractors** – Some of the importers are:
 - Al Ajjal Factory Co. Ltd.(<http://alajjalfactory.com/>) – Since 1979, Al Ajjal Factory's mission has been to deliver the highest quality marble supply to its clients. Over the past few decades, the company has collaborated with the world's top designers and suppliers.
 - Alrimal GRC Factory (<http://alrimalgrc.com/>) – is a Construction Company (Civil & Electromechanical) that has built a strong reputation for delivering a quality service, on time, and at a competitive price. Their commitment to innovation and excellence invariably results in a successfully completed project for both contractor and client.
 - Al- Fouzan Trading and Contracting Co.(<https://www.alfouzan.com/>) - Al-Fouzan Trading and Contracting Co. is one of the distinct companies which follow studied plans and polices since its foundation in 1974. Al Fouzan is one of the huge construction companies in the execution of medical cites , hospitals , universities and educational centers .¹⁴
- **Building material companies** –
 - StoneTech (<http://stonetech.co.za>) – They are one of Four KSA Accredited stone surface solution companies in the greater Gauteng. That means that we are market leaders in terms of quality workmanship insofar as your stone surface requirements go. They have top of the range manufacturing equipment which is manned by well trained and experienced staff.
 - Hejarat Alard (<https://www.stoneadd.com/Hejarat-Alard-B1666.htm>) - Hejarat Alard is a Saudi based company that imports and supply the local market with exotic stones. Hejarat Alard is Saudi stone buyer and importer. Hejarat Alard buy stone products from different countries.

¹⁴ <https://www.stonecontact.com/suppliers/stone-importer/saudi-arabia-country/2>



- Abraj Corporation (<http://abrajcorp.com/>) - Abraj Corp. Is the source for the products one need to keep one's business running at full capacity without missing a beat. They are the supplier of choice for Saudi Arabia. ¹⁵
- **Stone and marble distributors –**
 - Castle Rock Co. (<https://www.castlerockq8.com/>) - CASTLEROCK General Trading and Contracting Company was established in the year 2005. CASTLEROCK today is one of the leading registered suppliers, service providers and contractors for many organizations and institutions such as US Army, USAF, Navy, Oil and Gas sector, hotels, schools and corporate clients.
 - Alrimal GRC Factory (<http://alrimalgrc.com/>) – is a Construction Company (Civil & Electromechanical) that has built a strong reputation for delivering a quality service, on time, and at a competitive price. Their commitment to innovation and excellence invariably results in a successfully completed project for both contractor and client.¹⁶

Each group may consist of a great variety of parties, from big to small, from broad to very specialized ones.

3.10 Packaging and labelling

Stone and marble are hard in nature, they are subjected to harsh treatment as they travel miles through rough seas or roads. In order to protect the product from breakage or even damage (like staining, etc.), the exporter should ensure the right procedures while packing stones in wooden crates.

The finished pieces are then cleaned and inspected and placed inside a custom shipping crate so that the stone or marble can be securely transported. Each piece is wrapped and loaded into the crate. The crate is then closed and reinforced. Each crate shall have the dimensions of the pieces inside, the count and the net weight. A "Fragile" label is a must on each crate.

Exporters shall implement the following procedures in packing stone and marble ready to transport:

- Marble tiles shall be packed in thermocol (polystyrene) boxes / corrugated boxes and wooden crates. The wooden crates are fumigated before dispatch.
- The stone tiles are packed directly into the wooden crates but before starting to pack, each wooden crate is first in-lined with foam sheet or thermocol sheet to protect stones against



¹⁵ <https://www.stoneadd.com/web/Saudi-Stone-Buyer.asp>

¹⁶ <https://www.stonecontact.com/suppliers/stone-importer/saudi-arabia-country/2>



damage. Between the polished surfaces put a thin polythene sheet to protect the surface from getting undue scratches.

- Slabs also packed in wooden pallets. The wooden pallets are fumigated before dispatch. Between the polished surfaces of the slabs, we always put thin polythene sheet to protect the surface from undue scratches.
- Hard stone is directly packed in the fumigated wooden crates. Any loose gaps are tightened by filling wood, hardboard, foam sheet etc. to protect stone pavers from colliding with each other.

Every crate & pallet must have the crate number, the number of slabs/tiles, size, product name and endorsed "Made in Palestine". The quantity in each container as per the weight limit mentioned in the Pro-forma Invoice.

Before the container moves out from your facility, you should always email the digital images of each packed container to your clients. This makes it easy for them to view the material as well as the packed crates that everything has been done as per the order and with full transparency.

3.11 Prices (in relation to potential buyers)









Prices of artificial stone:

- A special symbol can be up to 400 to 500 SAR per m²
- Cement composition stone – 32 to 35 SAR per m²
- Whitestone - 115 SAR per m²
- Yellow stone - 135 SAR per m²

Prices of natural stone:

1. Whitestone –Riyadh: 140- 180 SAR per m²
2. Yellow stone –Riyadh: 180- 200 SAR per m²
3. Cream Stone –Riyadh: 170- 200 SAR per m²
4. Turkey: 180, 190, 200, 230 SAR per m²
5. Jordan: Al Rwaishid, Ajloun 80 – 190 SAR per m²

Prices of marble:

1. Local: 180 – 400 SAR per m²
2. Spain: 250 – 400 SAR per m²
3. Turkey: 220 – 350 SAR per m²

3.12 Commercial practices

Saudi Arabian market is highly competitive and business transactions take place on the basis of quality and cost. There must be no references to the State of Israel, alcohol or any other religion other than Islam in any literature intended for use in the Kingdom. The consequences are that it may get no further than customs. In case of trade fairs



participation, event material, displays and exhibits need to arrive in the Kingdom at least four weeks before the exhibition. Promotional material must conform to the Kingdom's moral code and it is best advised to check with the organiser or preferred freight forwarder first. There are restrictions on what can be imported into the Kingdom, plus various legislative stipulations and procedures to be followed.

Visas can be obtained for business trip or an event for staff only and not for visitors (in case you are going to a trade fair you can't invite foreigners from around the world to visit you there), - it's important to ensure that male staff can be made available for the exhibition as visa applications for females are often more challenging to obtain.

Going there alone is possible but not advised. There is no substitute for a professional support team working behind the scenes and guiding you through the procedures. Selecting a suitable event and or visiting your potential buyers is important, and obtaining professional support from the organiser is even more so.

Getting into Saudi Arabia

Advance visas are required for all foreigners wishing to enter Saudi Arabia. The only significant exception is citizens of the Gulf Cooperation Council nations.

All business travellers require a business visa for entry into Saudi Arabia. Business visas are issued to the following individuals: business people, investors, representatives of companies, managers, sales managers, sales representatives, accountants, production managers, administrative managers, and consultants.

Visitors to Saudi Arabia who arrive on business visas also require an invitation from a local sponsor that has been approved by the Saudi Chamber of Commerce. In this case, the local interested companies, who will issue you with an invite letter. You then need to take the letter along with your passport to the Saudi embassy in Jordan. This can be done online through <https://www.vfstasheel.com/landing.html>, the Kingdom of Saudi Arabia – Visa Service Center. For further information. Once this invitation is secured and certified, the actual process of issuing the visa is relatively fast and painless, taking from one day to two weeks.

Getting exhibits into Saudi Arabia

The following information is a brief guide on how to make exhibiting in Saudi Arabia easy.

- Firstly, always use the recommended forwarders in your country, the chamber of commerce in Palestine can help you on this. They have been recommended to you as they all have extensive knowledge about sending exhibition freight into Saudi Arabia.
- Goods without a Certificate of Origin CANNOT be cleared in Saudi Arabia, speak with the Palestinian chamber of commerce for obtaining one.
- ALL goods MUST have a serial number and country of origin EMBOSSED on them or attached with a PERMANENT sticker that cannot be removed



- Catalogues, Brochures and Literature will be referred to the Ministry of Information for verification and screening. DO NOT SEND any material showing women, women at work, alcohol or pork produce.
- Completing customs clearances in Saudi Arabia is a very delicate and time consuming exercise, so to avoid disappointment please adhere to the arrival deadlines. Please note that customs in Saudi Arabia only work from 8am – 2pm Saturday to Wednesday.
- There is NO temporary importation into Saudi Arabia for Exhibitions, all cargo MUST be cleared on a permanent basis by paying customs duties outright, these range depending on product from 5% CIF – 22% CIF. Please take this into consideration when deciding on what is to be shipped, for Palestinian goods the customs duties is 0%.
- Event material, displays and exhibits need to arrive in the Kingdom at least four weeks before the exhibition.

Patents/trademarks/copyright

The Saudi Arabian General Investment Authority - www.sagja.gov.sa - has all the up to date details regarding patents, trademarks and copyright laws within the Kingdom. The Acts and Laws relating to each can be found under 'Investment Climate, Some things you need to know, Laws'. The Ministry of Commerce is responsible for providing protection for trademarks and also has information on their website about what can and cannot be protected - www.mci.gov.sa It is also worth noting that not all Middle Eastern countries offer this security, nor do they have any major copyright laws, so Saudi is fairly special in terms of providing this.

Local representation

Saudi law does not require foreign companies to appoint a commercial agent to do business in the Kingdom. Companies can make direct sales to the private sector from outside Saudi Arabia. But in practice, appointing an agent or distributor is the most common procedure for companies wishing to enter the Saudi market. Virtually all government purchasing is conducted by local tenders and in the majority of cases only Saudi Arabian companies may bid. Foreign companies need a Saudi agent to bid for Saudi government tenders. The relationship between a foreign contractor and his Saudi agent is regulated by the Ministry of Commerce. (www.commerce.gov.sa).

How and where to start?

Preperations	<ol style="list-style-type: none"> 1. Your business profile and website shall be in English and Arabic 2. You present your latest brouchers, catalogs and products 3. You have the contact details of the companies you want to approach 4. You email them first; including your business profile and catalogs
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	5. Then, and only after you followed the above steps; You can make the first call
Introducing your business to Saudis	<p>6. During the first call you shall check on your email and make sure the received it, if not make sure to correct that.</p> <p>7. If you sent this email to the general administration then you ask them to forward that to the related department and/or ask them to provide the right email</p> <p>8. Once you have reached the related department (procurement, international business, owner etc ..), you try to make it short and direct to the point, no need to promote the Palestinian products, they are aware of all. This way they will let you know right away whether they are interested to go on or not.</p>
If they are interested	<p>9. If the person in charge is interested he/she might ask you to send a sample and detailed sheets about your product.</p> <p>10. He/she will ask for price list, so make sure you review your prices and consult with your freightforwarder on shipping costs, customs, taxes etc.. so you provide the right price.</p> <p>11. You shall contact DHL, Aramex to send the sample to the mail of the company (make sure to get it right, sometimes the mails on the websites are not correct, or the facility has moved somewhere else but that is not updated on their website yet).</p> <p>12. Make sure you have more than 1 PCS in your sample package, including catalogs. As they might send that to different parties. And make sure you packge them nicely and properly to keep them in good shape.</p>
After receiving your samples	13. Once your samples arrived, make sure to follow up on to get their feedback, ask the person on "when to call to



	check”, don’t be noisy and try to be patient.
14. In most of the cases, sending your samples is not enough. They might ask you to come over to meet you in person and discuss the business, sales, prices, marketing activities etc..	

What are the other essentials to know?

Etiquette: The business and cultural environment of Saudi Arabia is highly conservative. Astute readiness, and a fundamental knowledge of the Saudi culture, can make the difference between a successful business deal and a failed negotiation. Conversely it is vital to remember that a wealth of Saudi executives and government officials are familiar with 10 international culture and customs. They are therefore comfortable with the West's approach to business, provided respect is shown both ways. Businesswomen in Saudi - conducting business in Saudi Arabia is rather more challenging for women. There is still gender segregation, despite its progression in other areas. Many public places like hotels and restaurants will have communal rooms where women are served with their husbands. It is fairly rare for Muslim men to shake hands with women or adopt the familiar body contact that is common when speaking in the West. This is not exclusive: Saudis familiar with the West may act contrarily.

Negotiations: Saudi people generally demonstrate great negotiation capacities. During a business meeting, people use body language and eye contact rather than direct words. During the conversation people make assumptions about what is not said. Particular emphasis is placed on tone of voice, the use of silence, and facial cues. It is vital to be aware of these non-verbal aspects of communication in order to avoid misunderstandings. For instance, silence is often used for contemplation and one should not feel obliged to speak during these periods. It is not unusual for Saudis avoid giving bad news and to give effusive and non-committing acceptances. Meetings are often lengthy, and negotiations may be tough, since Saudis are experts at bargaining. Stay firm and courteous at all times, but be prepared to compromise a little in the long-term interests of the relationship.

Religion: No public religious expression is permitted other than that of Islam.

Food and Alcohol: The import or possession of alcoholic beverages and pork products is not allowed. This is religious law. Offenders are open to penalties.

Public Holidays: The Saudi weekend falls on Thursday and Friday. Public holidays are taken for the two yearly Eid Festivals. During this period, all government and corporate offices are closed.

Communications: The best way to communicate with businesses is by telephone or fax. The use of e-mail is expanding, but it is still not a very reliable method of business to business communication and they often go unanswered. Any postal material should be sent by courier.

Advertising: Marketing has garnered much popularity and momentum in recent years. Helped by the overturn of the ban on television spots, businesses now utilise all the



advertising avenues available, including TV, newspapers, trade magazines and billboards.

Transport: The best way to get around for business visitor is to use a chauffeured car supplied by the hotel or to use taxis. Many local business contacts will be happy to send a car to pick up foreign visitors from their hotel.

Gift Giving: It is not obligatory to give gifts when visiting a Saudi - either at the office or at home - but gifts can be helpful in the relationship building process. When offering a gift, it is likely that the gift will not be opened in front of the giver.

Saudi Arabian Dress Code: Visitors to Saudi are expected to dress in a conservative, smart fashion. Men should wear suits and ties for business meetings, despite the heat and women should wear business suits (not trousers) which leave as little flesh showing as possible. Skirts should be well below the knee and preferably ankle-length. It is also advisable for women to carry a headscarf.

- What is the time difference? The time in Saudi Arabia is GMT + 3
- What is the currency? Saudi Arabia uses the Saudi Arabia Riyal



3.13 Sales promotion

3.13.1 Trade fairs

The best way to make yourself known in the market is through specialised events, where it is possible to showcase the materials. A number of these events are listed below.

Mon, 28 - Wed, 30 Jan 2019	Facilities Management EXPO Saudi (FM EXPO Saudi)	FM EXPO Saudi is Saudi Arabia's only exhibition and congress dedicated to the facilities management industry. This brings together key decision makers to network, while offering fantastic business development opportunities. It attracts the kingdom's biggest buyers of cleaning products and equipment from government, hospitality, retail, healthcare, aviation, sporting and education sectors. Approximately 1,302 visitors and 25 exhibitors attend this exhibition.	https://www.fmexpo-saudi.com/	Riyadh
Sun, 10 - Wed, 13 Mar 2019	The Big 5 Saudi (The Big5 Saudi)	The Big 5 Saudi is Saudi Arabia's premier and rapid growing construction show, which was launched in 2011. The 9 th edition will take place on 13 th March 2019 which will incur profit for the construction industry suppliers and manufacturers. Approximately 13,027 visitors and 285 exhibitors attend this construction show.	https://www.thebig5audi.com/	Jeddah
Mon, 18 - Thu, 21 Mar 2019	Saudi Building & Interiors Exhibition (SBIE)	This exhibition is the perfect marketing platform for all Saudi constructors and interior designers as they are given the privilege of accessing to the vibrant and lucrative construction and interiors.	https://www.tradefairdates.com/SBIE-Saudi-Building-Interiors-Exhibition-	Jeddah



		Approximately 15,000 visitors and 200 exhibitors attend this exhibition.	M5769/Jeddah.html	
Sun, 21 - Tue, 23 Apr 2019	Stone & Surface Saudi	This is one of the premier and important event that is held in Saudi Arabia for Stone and Surface design industry. This offers invaluable opportunity for international and local suppliers of stone, marble and surface design products and solutions to connect with the key buyers and decision-makers. Approximately more than 12 countries participate and more than 6,500 visitors attend this event.	https://www.stoneandsurfacesaudi.com/	Jeddah

3.13.2 Magazines

Another way for promotion is through advertisements in specialised construction and interior design magazines. Most of the specialists in Saudi Arabia have the following magazines to read:

1. <http://www.gulfconstructiononline.com>
2. http://www.constructionweekonline.com/emagazines/cwaa_349.php
3. <http://www.freeconstructionmagazines.com/>
4. <https://issuu.com/djmagazine/>
5. <https://www.thebusinessyear.com>
6. www.designboom.com

3.14 Market prospects

An astonishing volume and variety of major construction and fit-out projects are underway in Saudi Arabia as the Vision 2030 national development plan becomes reality. More than 80 mega projects, each worth at least \$1 billion, are currently constructed or planned for completion by this date.

Source: www.index-saudi.com

Saudi Arabia is currently facing a shortage of affordable housing as a result of its growing population and urbanization. According to Saudi Arabia's Housing Ministry, 3.3 million new housing units are required to be built by 2025, in order to address the country's chronic



housing shortage. Consequently, the government is seeking help from the foreign countries to build residential buildings in the country. In September 2016, the government signed a memorandum of understanding with the Chinese government to build 100,000 new homes in Al-Ahsa province.

The government’s commitment to pursue quality development and increase expenditure on educational infrastructure is expected to support the institutional construction market over the forecast period. Under the school construction project of the Gulf Cooperation Council, the Saudi Arabian government plans to build 44,411 new schools across the country by 2020.

The question is how to build upon this movement. Saudi Arabia will have a great need for stones and marble, but how can Palestine companies be involved.

One of the simplest options would be to be present physically in the market, with a showroom that can be used to display products permanently and some sales staff. By doing so, the barrier of 1500 km physical distance can be overcome. This could already work as a joint approach of a few companies in this sector.

3.14.1 Market Attractiveness for Marble and Stone

Foreign sellers of marbles in the country has certain advantages and disadvantages

Advantages	Disadvantages
Saudi Arabia primarily dependent on imports for granite, stone and marble. Hence for exporters, Saudi Arabia is a lucrative market. Saudi Arabia imported \$2.8 million worth of marbles in 2017	High quality requirement and strict import regulations
Increasing number of construction activities in the country will need more imported stones and marbles	Choosing the right distribution partner could be challenging in the country



4 Legal, political and economic factors

4.1 Political climate and stability (Pestle Analysis of Saudi Arabia)

Political Factors

The role of the government in Saudi Arabia has grown significantly since the founding of the Kingdom. It is imperative that government evolves and improves continuously to keep pace with rising expectations, challenges and needs of its citizens. At the foundation of Vision 2030 are recent political initiatives implemented by King Salman in the first half of 2016. On May 7, 2016, the royal court released fifty decrees outlined by the King that sought to reorganize the government consistent with Saudi Vision 2030 to “focus and clarify responsibilities, and ease procedures to offer better services. Under the Strategic Directions program, the government approved the strategic directions determined by a variety of Saudi government agencies. Again, the King issued an order that abolished several departments in order to streamline bureaucracy in the government.

As the Saudi government moves toward comprehensive implementation of Vision 2030, it is also working to promote shared services across government agencies to increase productivity and raise the efficiency of government spending. The Fiscal Balance Program (FBP) is one of the Executive Programs laid out in Vision 2030 and is a key component of balancing the budget and boosting governmental performance by increasing efficiency. The initiatives in place for the Kingdom to achieve economic equilibrium by 2020 include roadmaps to enhance spending efficiency, reform energy prices, and promote non-oil revenue as part of the Fiscal Balance Program (FBP 2020) and Vision 2030 plan.

Women in Saudi Arabia have steadily gained political power. In recent years, a number of laws and decrees have empowered women, reaching from the highest consultative levels to the polls on the local level.

Economic Factors

Vision 2030 has led to a major surge in international investment in the Kingdom. Investors have long viewed the Kingdom as an attractive place to conduct business due to the emergence of key opportunities for partnership in a number of industries, including healthcare, manufacturing, and technology. Saudi Arabia also provides duty-free access to other GCC and MENA economies and enjoys reliable transport and infrastructure links.

Increasing foreign participation in Saudi Arabia’s stock exchange is among the key provisions of the National Transformation Program. In response to this investor interest, the Kingdom has gradually introduced significant changes over the course of 2016. These changes include relaxed requirements for foreign investors, plans for a secondary index and



changes to settlement cycles, and regulations for trading REITs (real estate investment trusts) for the first time.

The localization of industry under Vision 2030 offers promising opportunities for global public-private enterprises. In recognition of the logistical requirements of international partnership, Vision 2030 and preceding trade policy set out to streamline investor entrance into Saudi markets. In 2015, the Saudi Arabian General Investment Authority (SAGIA) announced that it would allow full foreign ownership of retail and wholesale businesses in the Kingdom, thereby removing the former 25 percent local ownership requirement. Even foreign investors are no longer required to adopt local partners in many sectors and may own real estate for company activities.

Minimum capital requirements to establish business entities range from zero to SR 30 million (\$8 million) depending on the sector and the type of investment. The principal challenge in the implementation of Vision 2030 concerns the diversification of the economy away from its dependence on oil and the efficient promotion of the private sector. The proposed initial public offering (IPO) of Saudi Aramco has generated massive interest among potential buyers and investors.

Saudi Arabia aims to achieve long-term financial returns from its domestic and international investments and is working effortlessly with the Kingdom's Vision 2030 strategy to diversify the Saudi economy. Since the release of Vision 2030, Saudi Arabia has been party to various agreements that piqued significant international interest. One of the largest investments came in the announcement of a \$3.5 billion injection into the Silicon Valley giant Uber in June 2016, highlighting the increasing internationalization of the Saudi financial profile through strategic partnerships. Saudi Arabia's Vision 2030 sets the target of increasing women's participation in the workforce from 22 to 30 percent.

Social Factors

Saudi Vision 2030 recognizes the rich cultural and social heritage that distinguishes the Kingdom as a nation rooted in its identity as the heart of the Arab and Islamic worlds. Education is widely regarded by Saudi social and political analysts as the single most important and most challenging area for change. Saudi Arabia is the world's eighth-highest education spender and recently initiated a complete review of the education system. The primary aim of the education initiatives is to enable young Saudis to fill jobs in industries currently dominated by expatriates. Vision 2030 seeks a more prominent role for families in the education of their children. Saudi Arabia will close the gap between the outputs of higher education and the requirements of the job market.

In April 2016, the Kingdom's leadership curtailed the ability of the CPVPV to arrest and interrogate individuals. As part of the regulation limiting the operations of the CPVPV, employees can no longer pursue or request identification from suspects. Employees of the CPVPV are also blocked from working outside of office hours. Efforts to increase



accountability to public will and welfare have been praised by Saudi citizens and members of the international community.

Vision 2030 recognizes that culture and entertainment are indispensable to maintaining a high quality of life. Nationwide, the government-funded “Daem” initiative will enhance the quality and range of cultural activities available to those residing in the Kingdom. Moreover, the establishment of the General Authority for Culture in May 2016 marked a historic moment in the Kingdom’s acknowledgement of the arts as one pillar of a well-rounded society. Vision 2030 has extended development within the social sector to female athletes and aspirants.

Technological Factors

Saudi Arabia represents the region's largest IT market, with strong growth in consumer and enterprise end markets. Massive public investments in infrastructure, health, and education have paved the way for advanced technology and security systems in the country with the government planning for the industry to raise its contribution to the GDP by 20 percent by 2020. The IT market in the country was valued at \$3.6 billion in 2011 and was expected to reach \$4.9 billion after 2014. Significant unmet demands for web-based and mobile services and increased enterprise and government commitments for web-based services provide large-scale opportunities for contractors and service providers, with massive public investments in connectivity for Economic Cities, extending unique opportunities for green field projects covering millions of users.

On March 9, 2017, Saudi Arabia’s Ministry of Communications and Information Technology signed a memorandum of understanding with IBM for the training and qualification of more than 38,000 individuals over the next four years through 30 new educational institutions in information and communication technology (ICT) programs. By 2020, about 19,000 trainees are expected to acquire certification in the field.¹⁷

Legal/Law Factors

Saudi Arabia’s first comprehensive bankruptcy law went into effect last month, one of many reforms to the legal system that economists say may be more important in the long run than high-profile privatizations. The legal reforms have attracted less media coverage because they are highly technical, but they are extensive, ranging from new laws to the creation of courts and training of judges, and they have accelerated over the past couple of years.

The importation of certain articles is either prohibited or requires special approval from the competent authorities. Importing the following products requires special approval by Saudi

¹⁷ https://www.saudiembassy.net/sites/default/files/WhitePaper_Development_May2017.pdf



authorities: agricultural seeds, live animals, books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment and radio-controlled model airplanes; horses; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artefacts. Saudi law prohibits importation of the following products: weapons, alcohol, narcotics, pork and pork products pornographic materials, distillery equipment, retreated or used tires, used clothing and certain sculptures.¹⁸

Environmental Factors

Environmental sustainability cannot be divorced from economic prosperity. Leading Saudi institutions and enterprises have honoured their commitment to reducing their environmental footprint through resource conservation campaigns and preparations for greener company operations. As it transitions toward cutting-edge environmental and technological consciousness, Saudi Aramco has been developing an extensive carbon management strategy for the Kingdom that includes: supporting the Kingdom's efforts in energy efficiency that focus on all end-user sectors, expanding gas supplies, focusing on developing renewables, and boosting research and development of "win-win technologies" that could dispose of carbon while turning it into beneficial products.¹⁹

4.2 International trade developments

Foreign trade plays an important role in Saudi Arabia's economy, with merchandise trade as a proportion of GDP reaching 68.6% in 2014, according to the World Bank's most recent data. This compares favourably to other economies of similar size, such as Turkey (50.1%), Indonesia (39.9%) and Argentina (25.5%). The nation's oil wealth has played a large part in this role. The readily extractable nature of the Kingdom's oil has helped Saudi Aramco to establish a reputation for production stability.

One of the more interesting trade trends of recent years is the relative increase of non-oil exports from Saudi Arabia as a percentage of total trading activity. In 2011 nonoil exports accounted for 12.5% of total exports of goods and services, according to data from the General Authority for Statistics (GaStat). By 2014 the share of non-oil exports had increased to 16.9% of the total, and by 2015 its contribution had soared to 24.9% – although this precipitous rise was largely the result of declining oil prices throughout 2015. Saudi Arabia's favourable location on traditional trade routes between the East and West combines with the global demand for energy products to ensure that the Kingdom's products are directed to a wide array of markets.²⁰

¹⁸ <https://www.export.gov/article?id=Saudi-Arabia-prohibited-restricted-imports>

¹⁹ https://www.saudiembassy.net/sites/default/files/WhitePaper_Development_May2017.pdf

²⁰ <https://oxfordbusinessgroup.com/overview/centre-stage-kingdom-well-placed-take-advantage-its-strengths>



4.3 Trade agreements (i.e. trade advantages)

GAFTA was declared within the Social and Economic Council of the Arab League as an executive program to activate the Trade Facilitation and Development Agreement that has been in force since January 1st, 1998. The GAFTA includes in its membership 17 Arab countries:

Jordan, Morocco, Kuwait, United Arab Emirates, Syria, Tunis, Bahrain, Lebanon, Libya, Saudi Arabia, Iraq, Sudan, Oman, Egypt, Yemen, Qatar and Palestine.

GAFTA is one of the most important economic achievements in the area of Arab common work. It contributes to efforts towards establishing the Arab Common Market. As of January 1st, 2005, the agreement reached full trade liberalisation of goods through the full exemption of customs duties and charges having equivalent effect between all Arab countries members of the GAFTA, except Sudan and Yemen being less developed countries where customs duties and charges having equivalent effect will be reduced by 16% annually as of January 1st, 2005 to reach full exemption by the end of 2010 (pursuant to the resolution of the Arab League Council at its 14th meeting in Beirut regarding offering less developed Arab countries preferential treatment).

Saudi Arabia is a member of the Gulf Cooperation Council (GCC) which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods among member states. The member states also agreed that they would switch to a single currency by January 1, 2010 at the latest, which has not materialized as yet, and the common market proposal is still being worked out. Saudi Arabia is also a member of the League of Arab States. The League has agreed to negotiate an Arab Free Trade Zone.

In 2003, the United States signed a Trade and Investment Framework Agreement (TIFA) with Saudi Arabia. A TIFA is typically an umbrella agreement for ongoing structured dialogue between the United States and foreign governments on economic reform and trade liberalization. The agreement promotes the establishment of legal protections for investors, improvements in intellectual property protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations. TIFA negotiations on a wide variety of trade and trade policy issues occur every one to two years.²¹

²¹ <https://www.export.gov/article?id=Saudi-Arabia-Trade-Agreements>



4.4 Trade barriers (both tariff and non-tariff)

As a member of the World Trade Organization (WTO), the Saudi Arabian government (SAG) has taken positive steps to become a more open, transparent, and predictable market; however, it has regressed in several key areas as well.

Saudi Arabia uses technical regulations developed both by the Saudi Arabian Standards Organization (SASO) and by the Gulf Standards Organization (GSO). Saudi Arabia continues to move toward adherence to a single standard, which is often based on International Organization for Standardization (ISO) or International Electro technical Commission (IEC) standards. Manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products.

Saudi Arabia uses the Harmonized Commodity Description and Coding System for tariff classification purposes. As a member of the Gulf Cooperation Council (GCC), it applies the GCC common external tariff of 5% to be levied on most goods imported from countries outside the GCC. Goods that compete with those produced domestically are dutiable at rates of 12% or 20 percent, depending on the industry. Certain textile imports are among the products on which the 12% rate applies. Dates are dutiable at 40 percent. Cigarettes and other tobacco products are dutiable at 100 percent. Certain goods are exempt from the common external tariff. For instance, goods manufactured within the GCC states are exempt from any duties as they are transported within the union.²²

Customs duties or Import duty and tax will be pending and need to be cleared while importing goods into Saudi Arabia either by a private individual or a commercial entity.

The valuation method is CIF.

The import duty and taxes payable are calculated on the complete shipping value, which includes the cost of the imported goods, the cost of freight and the cost of insurance.

Below is the duty and sales tax for stone and marble for Saudi Arabia:²³

Item description	Hscode classification	Hscode description	General duty (%)
Accessory With Precious Semi Precious Stones Without Precious Metals	71-16-20-90	Other	5

²² <https://www.export.gov/article?id=Saudi-Arabia-trade-barriers>

²³ <https://customsdutyfree.com>



Money Clip With Precious Or Semi Precious Stones	71-16-20-10	Articles of personal ornamentation	5
Sharpening Stones Handheld	68-4-30-0	Hand sharpening or polishing stones	12
Beads Rhinestones Of Glass	70-18-10-90	Other	5
Beads Rhinestones Of Plastic	39-26-90-99	Other	5
Grinding Wheels Millstones Agglomerated Abrasives Ceramics	68-4-22-0	Of other agglomerated abrasives or of ceramics	5
Grinding Wheels Millstones Agglomerated Natural Synthetic Diamond	68-4-21-0	Of agglomerated synthetic or natural diamond	5
Granite Stone For Wall And Flooring	68-2-93-0	Granite	5
Marble Stone For Wall And Flooring	68-2-91-90	Other	5
Kitchen Accessories Of Stone	68-2-99-0	Other stone	5



5 Acronym

- SAR – Saudi Riyal
- GDP – Gross Domestic Product
- NTP - National Transformation Programme
- SASO - Saudi Arabia Standards Organization
- GaStat - General Authority for Statistics
- TIFA – Trade and Investment Framework Agreement
- WTO - the World Trade Organization
- SAG - Saudi Arabian government
- GSO - Gulf Standards Organization
- FBP - Fiscal Balance Program
- REIT - Real estate investment trusts
- SAGIA - Saudi Arabian General Investment Authority
- IPO - Initial public offering
- CPVPV – Committee for the Promotion of Virtue and the Prevention of Vice
- VAT – Value Added Tax
- ISO - International Organization for Standardization
- IEC - International Electro technical Commission
- GAFTA - Greater Arab Free Trade Area