



# Palestine Trade Centre



## Market Study for the Kingdom of Saudi Arabia for Metal and heavy machinery

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 metals and heavy machinery products.

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





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## 1 Introduction

The market study in this report focuses on metal and heavy machineries in Saudi Arabia in general, but given the products of the companies that participated in the supply research, when we went more into detail, we have focused on metal furniture, industrial machinery and metal doors market.

This study aims to achieve more growth in the economy. It will also focus on possible ways to provide assistance in the Saudi Arabian market in order to increase Palestinian products' market share.

The Heavy Metal and Machinery companies involved in this study are:

- Al Naseem Brothers Trading & Investment Co
- Al -Raed Industrial & Machinery Co
- Pfs-safes

### 1.1 Product description

The metal industry is served by an association which represents 40 major firms working in the sector. The sector is comprised of the following diversified fields: metal doors, aluminum profiles, iron and steel rods, welding and abrasive materials, nails and steel rods, metal furniture, scales, stone machinery, packaging machinery, lathing, agricultural machinery, municipal containers, kitchen wear, electric circuit boards and other specialized workshops.

It is obvious that the majority of the products are either used for the industry or as complementary parts to other businesses. ISO certificates and fire preventing certificates have been acquired by some firms.



## 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 <b>characteristics</b> and <b>structure</b> of the Saudi market; including the identification of <b>potential importers, distributors, end-users</b> 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 <b>demand</b> and/or changing to new sources of <b>supply</b> ;	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 <b>licensing, customs duties, taxes, quality control, other rules and regulations affecting imports</b> etc...	Calls and visits with importers in Saudi, and exporters on the Palestinian side
Provide information about <b>trade procedures, trade logistics, needed documents and standards to enter KSA.</b>	Compiling information obtained from governments, customs authorities, and industry organizations.
Identify areas where <b>measures are required to facilitate imports</b> 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

Saudi Arabia is one of the largest steel consumers in the GCC region. Saudi Arabia steel consumption is expected to reach 19.3 million MT by 2025, increasing from 14.1 million MT from 2014. Within these broad category we have looked at specific segments:

**Metal Safes:** the number of local metal safes and locker manufacturers is limited. The market is dominated by international players. The market also has foreign players such as Diplomat Safes and Chubb safes. One of the local players is Khaldoon Furniture Factory.

**Metal Shutter Doors:** these doors are popular in Saudi Arabia and there are multiple local players manufacturing such doors. These include Shahab Doors, Al Kuhaimi Group, Al Barrak Automatic Doors and Crawford Solutions among others.

**Food Processing Equipment:** in this segment the machineries are primarily imported from China, Turkey, Germany, Italy, Spain, USA and other countries.

### 2.2 Distribution channels and import

Yaser Enterprise is one of such leading importers of metal safes in the country. Additionally, the products are distributed through a number of online channels such as Souq and Alibaba. Rolling shutter products are primarily distributed by the interior designing firms or wholesaler of construction products. E.g. AAG Saudi Trading & Contracting. Also, a number of wholesaler for food processing equipment. ANKO, and Reziza are two major examples of distributors of such food processing equipment in Saudi Arabia.

### 2.3 Options to enter the market

Characteristic for the type of products that are the focus of this research is that they are either highly customised or require local installation or servicing. The 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

One of the best ways to enter the market is through a local distributor, who would formally also be the importer of the products. As there are not many trade shows for the specific product categories, there is the option to do an individual importer search. However, this process requires a local consultant who will be involved for a longer period.

### **Recommendation 1: 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 2: 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 3: Support companies in their tender procedures**

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## 2.5 What Alliance experts can do for you

### **Recommendation 1: 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 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, 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 2: 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 3: 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.



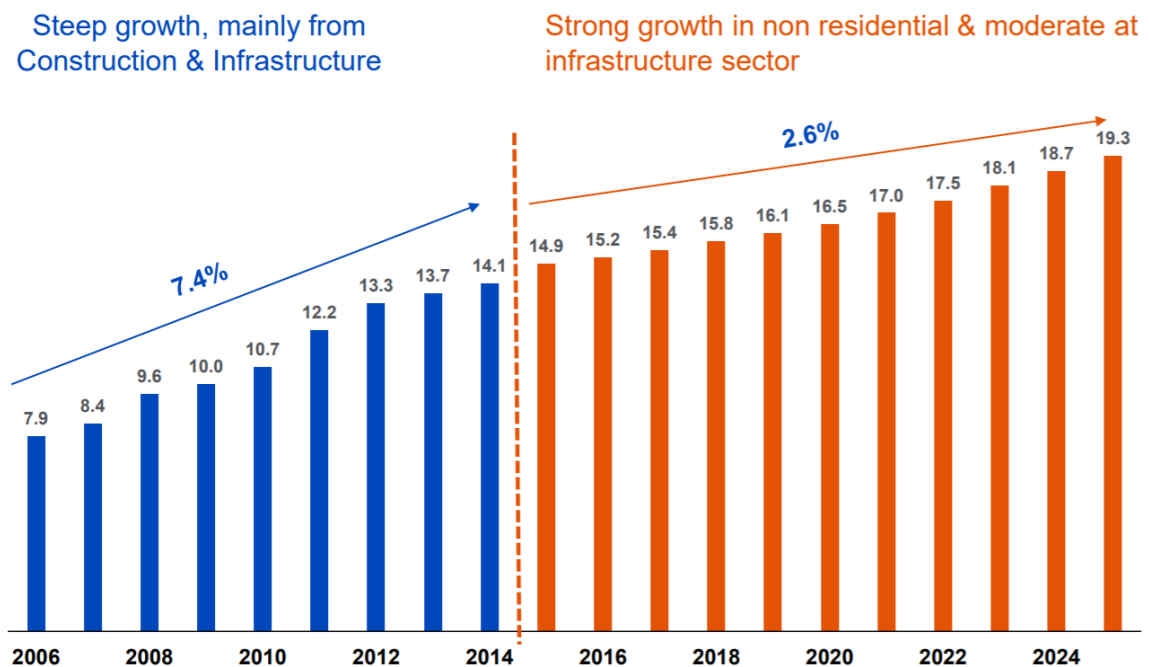


### 3 Import profile of the sector

#### 3.1 Market size

Saudi Arabia is one of the largest steel consumers in the GCC region. Saudi Arabia steel consumption is expected to reach 19.3 million MT by 2025, increasing from 14.1 million MT from 2014. The market is expected to grow at a CAGR of 2.6% during 2014-2025, primarily driven by increasing construction activities in the region.

#### Saudi Steel Market Demand Estimate (MMT)



The chart shows the growth of steel market in Saudi Arabia from the year 2006 to 2018 and an estimated growth from the year 2020 to 2024. The market faced a steep growth till 2014 with average rate of growth of 7.4%, demand majorly coming from construction and infrastructure market. Whereas, year 2016 onwards strong growth of demand was seen in non – residential sectors while a moderate demand at infrastructure sector. With current flow of demand, the growth is estimated at an average of 2.6%.

##### 3.1.1.1 Production & Import Scenario

Saudi Arabia produced 4.77 million tonnes of crude steel in 2017, a 12.65% increase compared with 5.461 million tonnes a year earlier, according to World steel data.

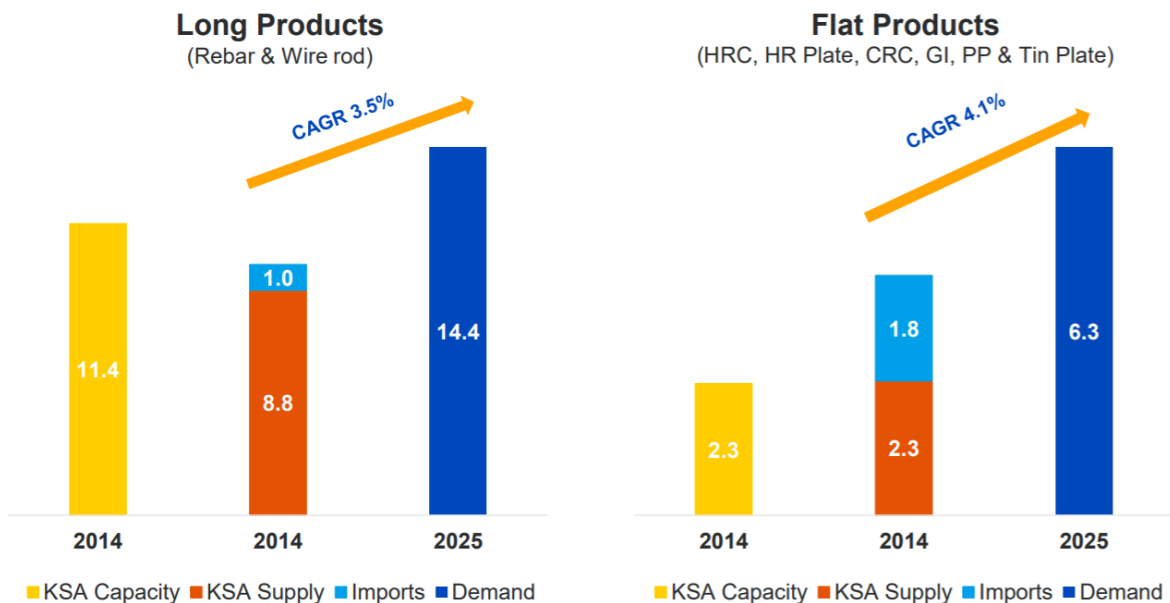


Demand for rebar imports remained weak in 2017, and early 2018, as local material was sufficient. Moreover, the country removed the ban on rebar exports in late 2017 and started to export its products, mainly to East Asian countries. However, local demand for steel is not strong in Saudi Arabia, whose economy is also having hard times.

### 3.2 Growth rate

#### Long Products and Flat Products

Growth for long products such as Rebar and Wire rod is expected to be 3.5% during 2014-2025. Flat products such as HRC, HR Plate, CRC, GI, PP & Tin Plate expected to register a growth rate of 4.1%



### 3.3 Market history

Saudi Arabia has a long history of downstream and upstream industrial and manufacturing activity, driven in large part by the success of its home-grown conglomerates Aramco and SABIC. The government's latest industry focus and cash injection is set to further fuel the local specialised manufacturers who help to support the oil and gas industry.

Over the past 40 years, KSA has made some great progress in widening its industrial base. According to the Saudi Industrial Development Fund (SIDF), the number of operating industrial units in KSA increased from just 198 in 1974 to over 7,000 in 2015. Hence, the market for heavy machineries also grown in the country.



The amount of capital invested in the kingdom's manufacturing and industrial sectors soared from nearly SR 12 billion in 1974 to more than SR 1.1 trillion in 2015. The number of employees in Saudi Arabia engaged in manufacturing and industrial activity also saw a huge increase from 34,000 in 1974 to 990,000 in 2015. With such rapid industrial growth market potential for metals and machineries have grown in the country.

In specific sectors, such as the manufacturing of machinery and equipment, the number of KSA factories leapt from just 12 to 208 in four decades. Saudi Arabia also has a long history of using safety lockers made of steels, especially in the banking sector. However, in the recent past, safety lockers are being used by the households as well as by the Mosques. Recently, safe deposit facilities were installed outside the Grand Mosque in Makkah. This was highly praised by the visitors.

Industrial Activity	Factory No.		Total Finance (SR Million)		Manpower No.	
	1974	2016	1974	2016	1974	2016
Manufacture Of Food Products	23	790	73.4	58,922	122	151,311
Manufacture Of Beverages	17	224	59.7	27,149	208	51,534
Manufacture Of Textiles	1	97	0	6,917	0	17,882
Manufacture Of Wearing Apparels	4	114	3.9	1,238	187	14,754
Manufacture Of Leather & Related Products	1	32	0.6	526,8	9	2,602
Manufacture Of Wood And Cork, Except Furniture	4	92	43.8	1,296	175	7,432
Manufacture Of Paper And Paper Products	12	254	153.4	13,372	846	35,684
Printing & Reproduction Of Recorded Media	9	43	56	2,642	18	5,827
Manufacture Of Coke & Refined Petroleum Products	2	150	300	123,278	3,202	23,866
Manufacture Of Chemicals & Chemical Products	12	738	1,804	532,430	1,578	93,022
Manufacture Of Basic Pharmaceutical Products	-	40	-	5,239	-	9,741
Manufacture Of Rubber And Plastics Products	9	103	107.4	26,767	522	95,083
Manufacture Of Other Non-Metallic Mineral Products	24	1,623	1,499	102,227	1,813	198,095
Manufacture Of Basic Metals	2	333	3.6	74,187	29	69,567
Manufacture Of Fabricated Metal Products	32	1,097	133	23,927	600	118,331
Manufacture Of Computer, Electronic And Optical Products	3	52	27.8	2,931	217	10,185
Manufacture Of Electrical Equipment	7	232	2.4	18,321	40	39,984
Manufacture Of Machinery And Equipment N.E.C.	9	224	9.1	36,783	5	35,785
Manufacture Of Motor Vehicles, Trailers And Semi-Trailers	7	153	6.3	2,893	25	14,132



Manufacture Of Other Transport Equipment	1	10	0.1	1,052	0	46,663
Manufacture Of Furniture	22	323	39.4	3,132	509	26,357
Other Manufacturing	4	74	24.5	1,937	91	11,894
Repair And Installation Of Machinery And Equipment	1	3	0.2	10,9	13	141
<b>Total</b>	<b>206</b>	<b>7,741</b>	<b>4,348</b>	<b>1,067,185</b>	<b>10,209</b>	<b>1,037,845</b>

### 3.4 Market Potential

Iron and steel items and industrial machinery are among the top 10 import goods for Saudi Arabia. In 2016, industrial machinery represented 13.7% of the total imports in the country, while iron and steel articles represented nearly 3.3%. With high import numbers for heavy metal and machinery, the market has immense potential as an export destination for Palestine-based companies.

#### Top 10 Import Items for KSA<sup>1</sup>

HS Code	Import USD\$
<b>(84) Industrial Machinery</b>	<b>\$17,781,406,760</b>
(87) Motor Vehicles & Parts	\$17,723,184,554
(85) Electrical Machinery	\$14,326,302,975
(30) Pharmaceuticals	\$5,200,754,234
(99) Items nesoi	\$4,860,459,142
(73) Iron & Steel Articles	\$4,213,703,667
(40) Rubber	\$3,634,920,277
(90) Precision Instruments	\$3,477,559,547
(71) Precious Stones & Metals	\$3,226,246,166
<b>(72) Iron &amp; Steel</b>	<b>\$3,197,627,730</b>

<sup>1</sup> <http://www.worldstopexports.com/saudi-arabias-top-10-imports/>



### 3.5 Competition in market

**Metal Safes:** Number of local metal safes and locker manufacturers are less in number. Market is dominated by the international players. One of the local players is Khaldoon Furniture Factory. The market also has foreign players such as Diplomat Safes and Chubb safes.

**Metal Shutter Doors:** Metal shutter doors are popular in Saudi Arabia and has multiple local players manufacturing such doors. Some of the companies that are manufacturing such doors in the local market include Shahab Doors, Al Kuhaimi Group, Al Barrak Automatic Doors and Crawford Solutions among others.

**Food Processing Equipment:** In the food processing equipment segment, the machineries are primarily imported.

#### 3.5.1 Metal Safe

**Diplomat Safes** is a South Korea-based manufacturer of Safes and supplies products in the KSA market through wholesalers and distributors. It also sells its products online through channels such as souq, and elavd.com

#### Products





Price: SAR 3,600-7,000

**Khaldoon Furniture Factory:** Founded in 1975, Khaldoon is a manufacturer of steel furniture for household and commercial uses. It offers metal lockers

**Products:**



**Chubb safes:**

Chubb safes is a UK-based manufacturer of safes and vaults. Chubb safes solutions are well known and appreciated for unique combination of robustness, reliability and modern designs.

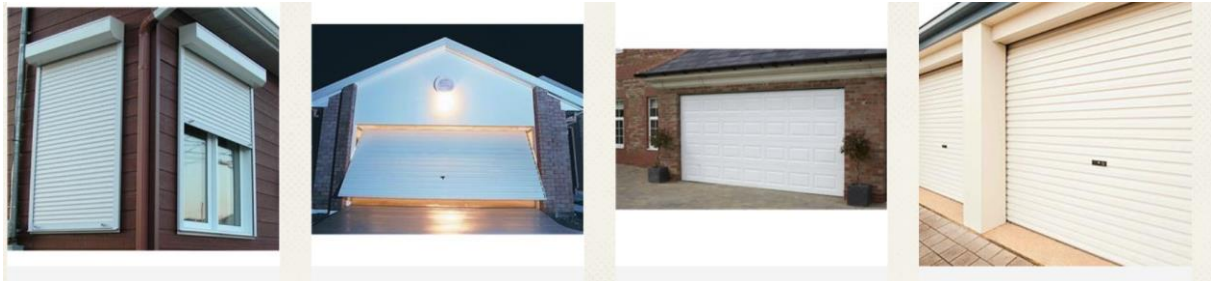


Price Range: SAR 1,000-20,000

### 3.5.2 Rolling Shutter

**Al Barrak Automatic Doors Factory:** It is one of the country's leading manufacturers and installers of Automatic Doors and components to both the domestic and industrial sectors of Saudi Arabia. It offers Window shutters, tilt doors, sectional overhead garage door and domestic roll-up garage door

#### Products



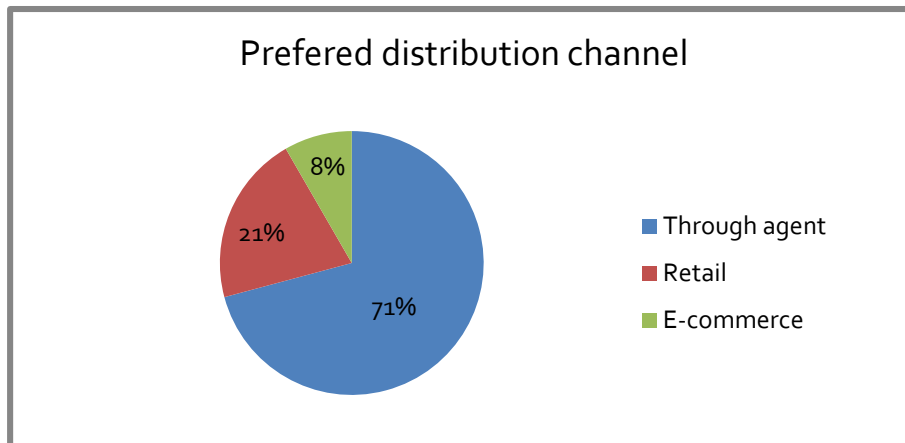
**Shahab Doors** offers a diverse range of rolling shutter door services and products in Jeddah, Kingdom of Saudi Arabia. Shahab Doors offers traditional range of rolling shutter to suit all applications with manual and electrical operation.





### 3.6 Distribution channels

Products under study are mostly imported in KSA and sold through the agents. Metal Safes and rolling shutters are sold by a number of wholesalers in the country. Additionally, there are retail stores and online channels for distribution of products.



Some often choose to appoint a master franchisor or distributor for the whole country, which later could include other nearby countries; Kuwait, Qatar, Bahrain, Oman, and the UAE. This is what happens if you successfully distributed your product in Saudi Arabia, same in UAE.

#### 3.6.1 Importers, Wholesalers and Distributors

Metal safes are sold in the Saudi market through importers and wholesalers. Yaser Enterprise is one of such leading importers of metal safes in the country.

The products are **distributed** through a number of online channels such as Souq and Alibaba, Elavd<sup>2</sup>. Other major distributors are like Al Kuhaimi Group, Al Kaffa Company, and Al Manar Eastern Factory.

On the other hand, rolling shutter products are primarily distributed by the interior designing firms or wholesaler of construction products. One of such examples is AAG Saudi Trading & Contracting.

Other distributors like Al-Andalus Holding Co, Rolcc Company, and Westwood Security Shutters.

<sup>2</sup> <https://elavd.com/metal-safes>



Also sold in e-commerce platform like Alibaba. This is further supported by the variety of widely spread sale and distribution channels in the Kingdom, including standalone stores, furniture stores and construction materials stores.

### 3.6.2 E-commerce

Saudi Arabia is the second largest Internet user population that reaches 24.1 million, with a penetration rate well above the regional average at 72%. According to the Ecommerce Foundation, total e-commerce revenue across all product categories was USD 6.13 billion in 2017. The average Saudi consumer spends USD 618 online, which is expected to grow to USD 660 by 2020. Following is a list of the most popular online markets in Saudi Arabia:

- [www.haraj.com.sa](http://www.haraj.com.sa)
- [www.souq.com](http://www.souq.com)
- [www.cobone.com](http://www.cobone.com)
- [www.aliexpress.com](http://www.aliexpress.com)
- [www.extrastores.com](http://www.extrastores.com)
- [www.alibaba.com](http://www.alibaba.com)
- [www.opensooq.com](http://www.opensooq.com)

A lot of traffic to these web stores comes from social media. Saudi Arabia has a total of nearly 20 million social media users (59% of total population and 79% of Internet users) and 16 million of them also access their social media accounts via mobile (Hootsuite Survey 2017).

Almost all social media users are reported to have a Facebook account (nearly 19 million), WhatsApp is used by a large amount of Internet users (88% of total - 21.2 million people). Twitter and Snapchat register their highest usage rates in Saudi Arabia across the MENA region, with 40% and 45% of social media consumers using these platforms. Twitter with 7.6 million users and Snapchat with 8.5 million.

## 3.7 Market characteristics

### 3.7.1 Metal Safe and Rolling Shutter

Products that are listed to be exported to Saudi Arabia include metal safe and rolling shutters.

Metal safes are primarily used in Banks for keeping valuable items such as Jewellery, and important papers. With rising number of banks and increasing security issues, the demand for metal safe is expected to rise in the country. Some of the local companies that are



manufacturing metal safes in the country include Yaser Steel Factory and Khaldoon Furniture Factory

Rolling shutters in the country is gaining popularity due to increasing number of retail shops and small offices in the country. There are a number of local players in the industry including Al Barrak Doors, Shahab Rolling Shutter Doors and Al Kuhaimi Group among others

### 3.7.2 Food Processing Equipment Market

The Saudi food processing sector growing rapidly due to government support of food processors, rising per capita income, and major demographic and socio-economic changes. Food industry in Saudi is expected to grow at 5.9% during 2016-2020.<sup>3</sup>

Saudi Arabia Food Processing Equipment Market is also expected to grow at a robust CAGR over the next five years, owing to rising applications of food processing equipment in meat and poultry. Moreover, the growing concerns in consumers related to food safety and the increasing popularity of convenience foods among the growing workforce of the country is expected to drive the market further.

### 3.7.3 Key factors driving the growth in Heavy Metal Safe

1. **Population growth:** the Saudi population which estimated at 32 million in 2017 and is expected to reach 40 million by 2025.
2. **Increased disposable income:** Saudi Arabia's economic growth in recent years has helped in increasing per capita income, from \$20,267 in 2008 to \$25,400 in 2014. With higher income, large number of Saudis can afford to shop high quality food products at retail outlets; and Saudis spend about 27 percent of their income on food. The Saudi government offers various direct or indirect subsidies to keep the prices of staple food products at very low levels. With such rise in disposable income, the locals will invest in high security metal safes for keeping their valuable assets.
3. **Increase in the Number of Banks:** Metal Safes are primarily used by the banks for keeping the valuables safe. With increasing number of bank branches, sales of such metal safe products are expected to grow. In 2017 alone, Banks operating in Saudi Arabia added 41 new branches. With this, the number of total branches in the country now reached 2,079 by the end of 2017. Most of these branches use metal safes for keeping jewellery and valuables. Hence, with rising number of bank branches, the economy create opportunities.
4. **Increasing Gold and Diamond Jewellery Sales:** According to TechSci report, gold and diamond jewellery sales in Saudi is expected to increase at a CAGR of 8% during

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<sup>3</sup> <https://www.thenational.ae/business/saudi-arabia-food-industry-expected-to-grow-at-5-9-a-year-1.627589>



2017-2022. With rising jewellery market, the demand for metal safes is expected to increase as these safes are primarily used for keeping valuable jewellery. <sup>4</sup>

#### 3.7.4 Key factor driving the growth in Metal Rolling Shutters

1. **Increasing Number of Retail Stores:** one of the major buyers of rolling doors are retail stores. Panda Retail Co, the largest retailer in Saudi, is continuing to expand rapidly by increasing the number of hypermarkets-63, Supermarkets 204 and Pandati convenience stores-262. Similarly, other retail stores such as Danube (Bin Dawood Group) and Lulu Hypermarket also expanded their chains by adding new outlets. With such rapidly growing numbers of retail outlets, the market for metal doors will grow in the country.

#### 3.7.5 Key factor driving the growth in Food Processing Equipment

1. **Growing Food Sector:** Saudi food industry is expected to grow at a CAGR of 5.9% during 2016-2020 mostly driven by processed foods. Hence, the demand for process food industry equipment is slated to increase in the country. <sup>5</sup>

### 3.8 Import policy and procedures

#### 3.8.1 Import Regulations

Products are marketed in KSA must cover following requirements of import.

- The importer shall have a commercial registration in which the type of importer's activity matches the imported goods type<sup>6</sup>.
- Original invoice attested by the agency responsible for trade in the exporting country.
- Certificate from the exporting country stating that the consignment is in conformity with the approved Saudi or international specifications.
- Original certificate of origin legalized by the Chamber of Commerce in the exporting country.
- Irremovable label showing the country of origin affixed on the commodity.
- Product sample requires to be submitted to the Quality Control Laboratory at the Ministry of Commerce and Industry according to goods type.

<sup>4</sup> <https://www.techsciresearch.com/news/3022-gold-diamond-jewelry-market-in-saudi-arabia-to-grow-at-8-cagr-until-2022.html>

<sup>5</sup> <https://www.thenational.ae/business/saudi-arabia-food-industry-expected-to-grow-at-5-9-a-year-1.627589>

<sup>6</sup> <https://www.blueabaya.com/customs-regulations-in-saudi-arabia-import-and-export>



The average customs duty except agricultural products, is 4.85%. For some products like steels, the tax is high close to 20%<sup>7</sup>.

### 3.8.2 The required documents for import license

The importers should have the required important documents.

- Passport (copy) with entry visa
- Residence Permit and Work Permit
- Proof of Employment legalized by Saudi Chamber of Commerce or a Saudi Government Agency
- Inventory, original with description of contents of cartons (PBO – “packed by owner”, CU – “contents unknown” and MISC. – “miscellaneous”, not acceptable) and purchase receipts for major household good items
- Certificate of Origin (for new items), itemized, with price for each article. (Inventory and Certificate of Origin MUST be legalized by the Saudi Embassy or Consulate and translated into Arabic)
- Original valued inventory for Customs purposes
- Keys for any locked items for customs inspection
- Certificate of Insurance, if applicable
- SASO Certificate of Conformity for all electrical items imported into the country
- Letter of Undertaking authorizing destination agent to perform Customs clearance
- Documents for surface shipments must be received at destination a minimum of seven days prior to arrival of vessel

A certification that proves the registration and marketing of the product in the country of origin shall be submitted with the request.

### 3.8.3 Customs Regulations

The owner of the goods must be in Saudi Arabia at the time of customs clearance.

- All shipments are inspected and subject to duty, including used household goods and personal effects
- Shipments are valued locally and rates vary depending on the item
- Containers and trailers must have a comprehensive packing list of all contents (in a water-proof envelope) taped to the rear door. (List should show customer’s full name and address.) Failure to comply will result in heavy fines.
- Shipments arriving in Saudi Arabia without a comprehensive packing list are subject to unloading and full tally at port of discharge
- “Make Mark” information: All goods imported into the country must show the country of origin; i.e. “made in USA”, “made in Japan”, etc. This mark must tally with the legalized documents presented to Customs for clearance of the goods

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<sup>7</sup> <https://en.portal.santandertrade.com/international-shipments/saudi-arabia/customs-procedures>



- Failure to comply with this regulation will prohibit entry of the goods

### 3.8.4 Importing application process

Submitting the application directly by the beneficiary:

- Submit the original letter to the drug sector headquarters in Riyadh.
- The import request will be processed, and the importer will be informed to submit for import license through IBRCS system in case of approval, and in case of rejection, the beneficiary will be informed.

### 3.8.5 Clearance regulations

For the customs clearance the following applies:

- Import of such products should be done in accordance with what is mentioned in the import License.
- A Data logger should be placed to register the temperature of the shipment according to what is mentioned in the related guideline and approved Data logger specifications, Also, the serial number of the Data logger should be written in one of the shipment documents.

The following document should be submitted for clearance:

- A copy of the clearance application from clearance system or the application number.
- The original invoice of the manufacturer or the marketing company certified by the chamber of commerce at the country of origin or the issuing country.
- Invoice which shall include the following information:
  - a) The invoice number and date.
  - b) The trade names of the products.
  - c) Concentration and pharmaceutical form.
  - d) Batch number, production date and expiration date.
  - e) Quantity, unit and package size.
  - f) Name, nationality and address of the manufacturer.
  - g) Name of the beneficiary.
- The certificate of origin (original copy) certified by the chamber of commerce at the country of origin or the exporting country.
- The certificate should state the beneficiary name, batch number, quantity, manufacturer's name and its nationality or otherwise, the number and date of the invoice.
- Copy of the import license.
- A copy of the bill of lading.
- A copy of the warehouse and manager's license.



- A certificate of analysis for each batch issued and certified by the quality manager at the manufactory.
- A copy of the custom statement

### 3.8.6 Conformity Assessment

The International Conformity Certification Programme (ICCP) is a combined conformity assessment and pre-shipment inspection scheme. Under the ICCP, 77 regulated consumer product lines are subject to quality and safety control through the application of mandatory Saudi and international standards on the following groups of commodities: (1) toys and playground equipment, (2) electrical and electronic items, (3) automotive products, (4) chemical products, and (5) others<sup>8</sup>.

### 3.8.7 Pre-shipment Inspection Requirements

The International Conformity Certification Programme (ICCP) uses preshipment inspection as a tool of conformity assessment on shipments valued at US\$5000 and more. Pre-shipment inspection varies with the status of the particular product vis-à-vis the programme, ranging from full pre-shipment inspection and pre-shipment testing for unknown/unregistered products, to pre-shipment inspection plus occasional pre-shipment testing for registered products, to occasional random pre-shipment inspection only for type-approved products. On behalf of SASO, the Intertek Testing Services administer the ICCO on a global basis.

## 3.9 Import channels

There are several parties who serve as the formal importer of goods:

- Manufacturer of metal shutter, metal safe and food processing equipment
- Specialised importers, servicing the above groups

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

All have their own logistical channels, but in general they import through one of the major airports or sea ports in the country.

Seaports	Airports
1. <b>Jeddah Islamic port</b> <a href="https://www.revolvy.com/page/Jeddah-Islamic-Port">https://www.revolvy.com/page/Jeddah-Islamic-Port</a> - Jeddah Islamic Port	International airports: 1. <b>King Fahd International Airport</b> <a href="https://www.airport-">https://www.airport-</a>

<sup>8</sup> <http://www.commerce.nic.in/trade/GCC%20NTMS%20final/Saudi%20Arabia.doc>





is located in the middle of an international shipping route between east and west. It is the largest and busiest port in the Middle East and North Africa (MENA) region.

2. **King Abdul Aziz Port**  
(<https://reconnectingasia.csis.org/database/projects/king-abdulaziz-port-terminal-2/648f3154-6ebo-44f7-980d-b7fb5ad771fd/>) - King Abdulaziz Port (Dammam Port) is the primary port of Saudi Arabia. The construction of the second container terminal is part of the expansion works at the already existing port at Dammam. The terminal is designed to support 1.8 million TEUs each year.
3. **Jubail Commercial Port**  
(<https://mawani.gov.sa/en-us/SAPorts/Jbeilt/pages/default.aspx>)
4. **King Fahd Industrial Port in Jubail**  
(<https://mawani.gov.sa/en-us/SAPorts/Jbeil/pages/default.aspx>)
5. **Jizan Port**  
(<https://www.logisticsmiddleeast.com/article-3913-top-8-shipping-ports-in-saudi-arabia>) - Jizan Port is situated on the southern Red Sea coast and is very close to the main east/west sea-trade routes to Europe, the Far East and Arabian Gulf. Jizan Port is a modern, well-equipped, deep-water port with a highly skilled work force ensuring a quick efficient turnaround of vessels at every opportunity.
6. **King Fahad Industrial Port in Yanbu**  
([http://www.worldportsource.com/ports/review/SAU\\_King\\_Fahad\\_Industrial\\_Port\\_in\\_Yanbu\\_649.php](http://www.worldportsource.com/ports/review/SAU_King_Fahad_Industrial_Port_in_Yanbu_649.php)) - King Fahd Industrial Port in Yanbu lies on the Red Sea Coast some 300km north of Jeddah Islamic Port and is considered the largest port for loading crude oil, refined products

[technology.com/projects/king-fahd/](https://www.technology.com/projects/king-fahd/)) - King Fahd International Airport (KFIA) is located in Dammam, the capital city of Eastern Province, Saudi Arabia. Occupying about 776km<sup>2</sup> of area, it is the largest airport in the world. The airport serves all the cities of the Eastern Province besides the main urban centres – Al Khobar, Dhahran, Dammam, Ras Tanura, Qatif, and Jubail Industrial City.

2. **King Abdulaziz International Airport**  
(<https://www.makemytrip.com/international-flights/jeddah-jeddah-king-abdulaziz-international-airport.html>) - Situated in Jeddah, King Abdulaziz International Airport (JED) is one of the largest airports of Saudi Arabia. Named after King Abdulaziz Al Saud, Jeddah Airport was opened on May 31, 1981. King Abdulaziz International Airport has three runways and three terminals, namely North Terminal, South Terminal and Hajj Terminal.
3. **King Khalid International Airport** (<https://www.riyadh-airport.com/terminals.php>) - Riyadh Airport is one of the three biggest airports of Saudi Arabia and serves the central part area and therefore, Riyadh. The airport comprises an area of 225 square kilometres and is the main hub of Saudi Arabia Airlines.
4. **Prince Mohammad Bin Abdulaziz International Airport**  
(<https://www.airport->



and petrochemicals in the Red Sea. Located in the middle of the line between Europe and America through Suez Canal and the Far East through Bab Elmandeb, the port was developed to serve the nearby industrial complex, especially with the export of construction material and equipment.

7. **Port of Rabigh**  
(<https://www.findaport.com/port-of-rabigh>) - A deep-water port protected by an offshore barrier reef running parallel to the coast primarily serves the Rabigh Refinery operated by Petro Rabigh, a joint venture of Aramco and Sumitomo Chemical. Port handles primarily dry and liquid bulk cargoes, although some general cargoes are handled.
8. **Port of Ras al Ghar**  
([https://www.fleetmon.com/ports/ras-al-ghar\\_xxxxx\\_8496/?language=en](https://www.fleetmon.com/ports/ras-al-ghar_xxxxx_8496/?language=en)) - The Port of Ras Al Ghar is a very small port in Saudi Arabia.
9. **Port of Ras al Khafji**  
([https://www.fleetmon.com/ports/ras-al-khafji\\_sasar\\_8508/?language=en](https://www.fleetmon.com/ports/ras-al-khafji_sasar_8508/?language=en)) - The Port of Ras al Khafji is a small port in Saudi Arabia.
10. **Port of Ras al Mishab**  
([https://www.port-directory.com/ports/ras\\_al\\_mishab/](https://www.port-directory.com/ports/ras_al_mishab/)) - The Port of Ras al Mishab is situated in Saudi Arabia and is one of 5000 ports listed on Port Directory.
11. **Ju'aymah Crude and LPG Terminals**  
([https://www.fleetmon.com/ports/ju-aymah-oil-terminal\\_sajut\\_8502/](https://www.fleetmon.com/ports/ju-aymah-oil-terminal_sajut_8502/))
12. **Port of RasTanura**  
([https://www.marinetraffic.com/en/ais/details/ports/1665/Saudi\\_Arabia\\_port:RAS%20TANURA](https://www.marinetraffic.com/en/ais/details/ports/1665/Saudi_Arabia_port:RAS%20TANURA))

[technology.com/projects/prince-mohammed-bin-abdul-aziz-international-airport-new-terminal-madinah/](https://www.technology.com/projects/prince-mohammed-bin-abdul-aziz-international-airport-new-terminal-madinah/)) - Prince Mohammed Bin Abdul Aziz International Airport (PMIA), also called Al-Madinah International Airport or Madinah Airport, is located in the north-east of Madinah, the capital city of the Madinah Region, Saudi Arabia. The airport is one of the two major gateways to Saudi Arabia and the holy city of Madinah for Hajj and Umrah pilgrims, the other one being King Abdul Aziz International Airport.

5. **Al-Ahsa International Airport**  
(<https://gaca.gov.sa/web/en-gb/airport/al-ahsa-airport>) - Al-Ahsa International Airport is an airport serving Hofuf, a city in Eastern Province, Saudi Arabia.
6. **Prince Abdul Mohsin bin Abdulaziz International Airport**  
(<https://gaca.gov.sa/web/en-gb/airport/prince-abdalmohsin-bin-abdulaziz-airport>) - Prince Abdulmohsin Bin Abdulaziz Airport is an airport near Yanbu, Saudi Arabia. It offers both domestic and regional service. The airport was upgraded in late 2009 to enable it to operate international flights with newly expanded arrival and departure lounges. The contract for the airport expansion project was signed with a national company in June 2006 at a cost of SR188 million. The airport features air bridges that link passengers



<p>13. <b>Dhiba Sea Port</b>  <a href="https://mawani.gov.sa/en-us/SAPorts/Dhiba/Pages/default.aspx"> (https://mawani.gov.sa/en-us/SAPorts/Dhiba/Pages/default.aspx)</a> ) - Dhiba Port (occasionally spelt Diba Port) is strategically located at the north end of Saudi Arabia's Red Sea coast. A natural harbour protected on all three sides by hills, it has vast hinterland on the inland frontier up to the Northeast coast of Saudi Arabia and extends up to the Mediterranean Sea on the maritime front. It is nearest Saudi's port to the Suez Canal and other Egyptian ports.</p> <p>14. <b>Dhuba Bulk Plant Terminal</b>  <a href="https://www.marinetraffic.com/en/ais/details/ports/21716/Saudi_Arabia_port:DUBA%20BULK%20PLANT"> (https://www.marinetraffic.com/en/ais/details/ports/21716/Saudi_Arabia_port:DUBA%20BULK%20PLANT)</a></p> <p>15. <b>Port of Duba</b>  <a href="https://www.findaport.com/port-of-duba"> (https://www.findaport.com/port-of-duba)</a> ) - Natural harbour protected on all three sides by hills. The port has vast hinterland on the inland frontier up to the northeast coast of Saudi Arabia, and extends up to the Mediterranean Sea on the maritime front. It is the last Saudi Arabian port developed to serve the NW provinces of the Kingdom, and is the nearest Saudi Arabian port to the Suez Canal and other Egyptian ports. Handles Ro-Ro, breakbulk cargo and livestock.</p> <p>16. <b>Port of Qadimah</b> <a href="https://www.port-directory.com/ports/qadimah/">(https://www.port-directory.com/ports/qadimah/)</a></p> <p>17. <b>Yanbu Commercial Port</b>  <a href="https://mawani.gov.sa/en-us/SAPorts/Yanbut/Pages/default.aspx"> (https://mawani.gov.sa/en-us/SAPorts/Yanbut/Pages/default.aspx)</a> ) - Yanbu Commercial Port is the nearest major Saudi seaport to Europe and North America and is the focal point of the most rapidly growing area on the Red Sea. Traditionally it has served as the nearest gateway for seaborne</p>	<p>directly with aircraft, a first for regional airports in the Kingdom.</p> <p>7. <b>Prince Nayef Bin Abdulaziz Regional Airport</b>  <a href="https://gaca.gov.sa/web/en-gb/airport/prince-naif-bin-abdulaziz-airport"> (https://gaca.gov.sa/web/en-gb/airport/prince-naif-bin-abdulaziz-airport)</a> ) - Prince Nayef bin Abdulaziz International Airport (IATA: ELO, ICAO: OEGS), it is an airport in Buraidah, Saudi Arabia.</p> <p>Regional airports:</p> <p>8. <b>Abha Regional Airport</b>  <a href="https://www.flightradar24.com/data/airports/ahb"> (https://www.flightradar24.com/data/airports/ahb)</a></p> <p>9. <b>Jizan Regional Airport</b>  <a href="https://www.flightradar24.com/data/airports/giz"> (https://www.flightradar24.com/data/airports/giz)</a></p> <p>10. <b>Ha'il Regional Airport</b>  <a href="https://www.revolv.com/page/Ha%27il-Regional-Airport"> (https://www.revolv.com/page/Ha%27il-Regional-Airport)</a> ) - Ha'il Regional Airport is an airport serving Ha'il, the capital of the Ha'il Province in Saudi Arabia.</p> <p>11. <b>Tabuk Regional Airport</b>  <a href="https://www.flightradar24.com/data/airports/tuu"> (https://www.flightradar24.com/data/airports/tuu)</a></p> <p>12. <b>Ta'if Regional Airport</b>  <a href="https://www.flightradar24.com/data/airports/tif"> (https://www.flightradar24.com/data/airports/tif)</a></p>
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<p>pilgrims bound for the holy city of Madinah. Port expansion in 1979 increased the capacity to nine berths with modern facilities and equipment. It can handle in excess of 3 million tonnes of cargo per year.</p> <p>18. <b>Port of Zulf</b> (<a href="https://www.port-directory.com/ports/zuluf/">https://www.port-directory.com/ports/zuluf/</a>)</p>	
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### 3.10 Packaging and labelling

The following information must be given on the packaging or labelling:

#### **Name and address**

The name and address of the responsible person established within a Member State must be on the container and the packaging. Where the product is manufactured, the country of origin must also be given.

#### **Precautions**

Precautions to be observed in use, as shown in the annexes of the Regulation, must be printed on the label. Special precautionary information on the use of food processing machineries, and metal safe.

#### **Batch code**

The batch number of manufacture or the reference for identifying the goods.

#### **Function**

If not otherwise obvious from design and packaging.

#### **Additional information**

Additional information of each heavy metal products should be included.

#### **Presentation**

All required information must be visible, indelible and easily legible. The ingredients list must be given in a language that is easily understood by the consumer. All of the other information must be in English and Arabic and can be supplemented by other languages. There is one set of rules about presentation for ingredients lists and another set for the other information.

#### **Other information**



The other information must normally appear on both the container and the packaging. However, if it is not possible for the batch code to appear on the container, it can appear on the packaging only. Similarly, where there are practical constraints, the conditions for use may appear on a leaflet, label, tag, tape or card enclosed with or attached to the product, again with an indication referring the consumer to it.

## Labelling and Marketing Requirements

- Labelling and marking requirements are compulsory for any products exported to Saudi Arabia.
- SASO has specific requirements for identifying marks and labels for various imported items.
- Quality control laboratories at ports of entry may reject products that are in violation of existing laws. Products arriving at port having less than one-half of the time remaining between production and expiration date will be rejected and cannot be sold on the market
- Arabic manuals must be included with any household electrical appliances exported to Saudi Arabia.
- Mandatory labelling requirements for the presence of genetically modified ingredients became effective on 1 December 2001.

### 3.11 Prices (in relation to potential buyers)

The pricing component is highly competitive in the heavy metal industry, especially in metal shutter, metal safe and food processing segment. Multiple local players dominating the market which makes a challenging environment for the companies exporting products in KSA.

The high price is only justifiable by either exceptional product quality, or very extensive marketing. But also in the case of exceptional product quality, investments in marketing are necessary to sell at all.

### 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.

### 3.12.1 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.

### 3.12.2 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.

### 3.12.3 Patents/trademarks/copyright

The Saudi Arabian General Investment Authority - [www.sagia.gov.sa](http://www.sagia.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](http://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.

### 3.12.4 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](http://www.commerce.gov.sa)).

### 3.12.5 How and where to start?

Preperations	<ol style="list-style-type: none"> <li>1. Your business profile and website shall be in English and Arabic</li> <li>2. You present your latest brouchers, catalogs and products</li> <li>3. You have the contact details of the companies you want to approach</li> <li>4. You email them first; including your business profile and catalogs</li> <li>5. Then, and only after you followed the above steps; You can make the first call</li> </ol>
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<p>Introducing your business to Saudis</p>	<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>
<p>If they are interested</p>	<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 package them nicely and properly to keep them in good shape.</p>
<p>After receiving your samples</p>	<p>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.</p>



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..

### 3.12.6 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

### 3.12.7 Top tips for successful business in Saudi Arabia

- Business is usually family-based with all senior positions filled by family members.
- This family-orientation leads naturally to the development of strong hierarchies with the oldest male relatives being at the head of the organisation
- Age is worthy of respect and honourable visitors will display respect to older people - therefore it is good to have some older heads amongst any delegation going to Saudi.
- Try to find out the relationship tree of any company you wish to do business with. Power may not reside with a functional head if that head is not a family member or has poor relationships at the top.
- Managers tend to lead through instruction and subordinates are not expected to show initiative. If is not requested, it may not get done.
- Meetings can involve sitting in rooms with unknown people who are simultaneously meeting your contact. In effect, several meetings may take place at the same time.
- Initial meetings can be very time-consuming and appear to deliver very little in terms of tangible returns, but patience will often pay off, leading to business transactions later.
- Time is very flexible and meetings may start very late and last for many hours, so it may be best not to schedule a series of meetings on the same day.
- Teams work well if birth or kinship associates everybody in the team. Teams of strangers rarely gel effectively.
- Loud and aggressive discourse denotes engagement and interest - not anger or hostility. Do not be frightened or worried if the noise levels in meetings start to grow.
- Levels of eye contact are very strong and strong eye contact denotes sincerity and trustworthiness.
- Avoid touching anybody with your left hand or pointing feet at people as both of these are seen as extremely rude behaviour.
- Do not comment on the political situation in the Middle East or make any adverse comments about the influence of Islam.



### 3.13 Sales Promotion

#### 3.13.1 Trade Fairs

Metal and Steel Saudi Arabia to be held on 29<sup>th</sup> April 2019 to 1<sup>st</sup> May 2019 at RICEC centre<sup>9</sup>

<p>It is the 8<sup>th</sup> international exhibition for steel, steel fabrication, metal forming, fabricating and finishing. This trade fairs helps one by exposing to the full relevant customer and supplier bases. There are about 200 exhibitors, with 6,877 visitors who take part in this trade fair. Metal &amp; Steel Saudi Arabia started in 2012 to bring together leading industry figures and cutting edge technologies. This event is organized alongside with FABEX Saudi Arabia.</p>	<p><a href="https://www.fabxsaudi.com/">https://www.fabxsaudi.com/</a> <a href="http://tradeshows.tradeindia.com/metalsteelsa/">http://tradeshows.tradeindia.com/metalsteelsa/</a></p>
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#### 3.13.2 Magazines

Magazines for Metal and Heavy Industry are:

The big 5 heavy: <https://www.thebig5heavy.com/>

#### 3.13.3 Direct Marketing

There no such direct method of marketing, but word of mouth and direct meeting with prospect clients.

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<sup>9</sup> <https://www.tradefairdates.com/Fairs-Riyadh-R2428-T2-S1.html>



### 3.14 Market prospects

Saudi Arabia imports a number of metal products and machineries from outside. Some of the key drivers and challenges for companies exporting metals and heavy machinery products to Saudi Arabia include the following.

#### 3.14.1 Market Attractiveness for Metal

Some of the advantages and challenges for outside companies offering metal items include

Advantages	Challenges
Limited number of local producers make the kingdom heavily dependent on import for metal products	Strict import regulations and quality requirement
Steel production in the country has gone down during the last few months making the country more dependent for outside companies	Limited number of local distribution channel for metal products such as safes and boxes

How to distribute the products? Options include retail shops in malls and individual shops. Moreover, the suppliers could partner with online channels to sell metal safes.

#### 3.14.2 Market Attractiveness for Machineries

Food industry is gaining focus in the Kingdom and food processing is one of the areas that is expected to see growth in the near future. Hence, heavy machineries in food industry will be in demand in the country. Most of these machineries are imported from foreign countries. Exporters to Saudi Arabia has significant opportunity to push the food processing machineries among the producers.



## 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 greenfield 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.<sup>10</sup>

### **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

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<sup>10</sup> [https://www.saudiembassy.net/sites/default/files/WhitePaper\\_Development\\_May2017.pdf](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.<sup>11</sup>

## 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.<sup>12</sup>

## 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.<sup>13</sup>

<sup>11</sup> <https://www.export.gov/article?id=Saudi-Arabia-prohibited-restricted-imports>

<sup>12</sup> [https://www.saudiembassy.net/sites/default/files/WhitePaper\\_Development\\_May2017.pdf](https://www.saudiembassy.net/sites/default/files/WhitePaper_Development_May2017.pdf)

<sup>13</sup> <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.<sup>14</sup>

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<sup>14</sup> <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.<sup>15</sup>

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 metals for Saudi Arabia:<sup>16</sup>

Item description	Hscode classification	Hscode description	General duty (%)
Belt Buckle Of Base Metal	83-8-90-90	Other	5
Accessory Of Base Metal Clad With Precious Metals	71-13-20-0	Of base metal clad with precious metal	5

<sup>15</sup> <https://www.export.gov/article?id=Saudi-Arabia-trade-barriers>

<sup>16</sup> <https://customsdutyfree.com/>



Accessory Of Precious Metal	71-13-19-10	Of gold	5
Accessory Of Precious Metal Silver	71-13-11-0	Of silver, whether or not plated or clad with other precious metal	5
Accessory With Precious Semi Precious Stones Without Precious Metals	71-16-20-90	Other	5
Money Clip Of Precious Metal	71-13-19-10	Of gold	5
Money Clip Of Base Metal Clad With Precious Metal	71-13-20-0	Of base metal clad with precious metal	5
Money Clip Of Precious Metal Silver	71-13-11-0	Of silver, whether or not plated or clad with other precious metal	5
Articles Of Or Clad With Other Precious Metals Other Than Jewellery	71-15-90-0	Other	5
Petrol Can Of Metal	73-10-29-0	Other	5
Belt Buckle Of Base Metal	83-8-90-90	Other	5



## 5 Acronym

- SIDF - Saudi Industrial Development Fund
- SASO - Saudi Arabian Standards Organization
- ICCP - The International Conformity Certification Programme
- REIT - Real estate investment trusts
- SAGIA - Saudi Arabian General Investment Authority
- CPVPV – Committee for the Promotion of Virtue and the Prevention of Vice
- ICT – Information and Communications Technology
- GaStat - General Authority for Statistics
- TIFA – Trade and Investment Framework Agreement
- SASO - Saudi Arabian Standards Organization
- GSO- Gulf Standards Organization
- IEC - International Electro technical Commission
- ISO - International Organization for Standardization
- VAT – Value Added Tax
- SAG – Saudi Arabia Government
- WTO – World Trade Organisation
- IPO – Initial Public Offering
- ICCO - International Cocoa Organisation
- PBO - packed by owner
- CU - contents unknown
- MISC – miscellaneous
- GAFTA - Greater Arab Free Trade Area