What are the challenges?

Challenges when doing business in Saudi Arabia
A physical presence is very important when establishing a business in Saudi Arabia.

Challenges include:

- identifying suitable sponsors for initial entry into the market
- finding an appropriate Saudi partner for joint ventures
- lead time to establish legal entities and obtain licenses from appropriate ministries

You must apply through the relevant government ministries for licences to do business in Saudi Arabia. You need to contact DIT in Saudi Arabia for advice on the appropriate processes, at: https://www.gov.uk/world/organisations/department-for-international-trade-saudi-arabia#contact-us.

Businesses must also employ a certain quota of Saudis to comply with Saudisation rules. Saudisation (Nitaqat) is a Saudi policy which aims to create better employment prospects for Saudi citizens, and rely less on imported foreign labour.

You must take a great deal of care when establishing payment terms with private and government entities in Saudi Arabia in order to help ensure you get paid on time. Saudi Arabia is ranked in mid table in the World Bank's ranking for contract enforcement. See: http://www.doingbusiness.org/en/data/exploretopics/enforcing-contracts.

[Source – DIT/FCO/gov.uk]

Business risk

Bribery and corruption

Bribery is illegal. It is an offence for British nationals or someone who is ordinarily resident in the UK, a body incorporated in the UK or a Scottish partnership, to bribe anywhere in the world. In addition, a commercial organisation carrying on a business in the UK can be liable for the conduct of a person who is neither a UK national or resident in the UK or a body incorporated or formed in the UK. In this case it does not matter whether the acts or omissions which form part of the offence take place in the UK or elsewhere.
Bribery is illegal in Saudi Arabia, and is prosecuted with increasing vigour. In 2011, a National Anti-Corruption Commission (Nazaha) was established, which seeks to tackle corruption in all its forms, see: https://www.nazaha.gov.sa/ar-sa/pages/default.aspx. Press articles on investigations and prosecutions on corrupt dealings are featured increasingly in the Saudi press.

Efforts to tackle corruption in Saudi Arabia are complicated by the culture of patronage and wasa that exists to varying degrees in all Arab states. The late King Abdullah had done much to tackle the market-distorting effects of patronage and wasa that exist in the Kingdom, and compel prominent individuals to play by the rules. Whilst Saudi partners with good social and family connections will remain important to most business dealings in the country for the foreseeable future, there is a growing tendency to see the quality of a product, and the terms under which it is offered as the primary drivers of a deal.

[Source – FCO Overseas Business Risk/gov.uk]


Visit the Business Anti-Corruption portal at: http://www.business-anti-corruption.com/country-profiles/saudi-arabia/ for procedures you can establish to protect your company from corruption risks.

You can also find information on the UK Government’s website on bribery and corruption at: https://www.gov.uk/anti-bribery-policy.

[Source – FCO Overseas Business Risk/gov.uk]

**Intellectual Property (IP)**

IP rights are territorial, that is they only give protection in the countries where they are granted or registered. If you are thinking about trading internationally, then you should consider registering your IP rights in your export markets.

Saudi Arabia issued and has enforced a patent law since its accession to the World Trade Organization in 2004.

Certificates of Patents granted by the GCC Patent Office (GCCPO) secure legal protection of the inventor’s rights in all member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE). See: https://www.gccpo.org/DefaultEn.aspx.

Information is provided on the UK Government’s Intellectual Property page at: https://www.gov.uk/intellectual-property-an-overview, and at the Intellectual Property Office – the UK Government agency providing free and impartial advice on protecting

Saudi Arabia’s Intellectual Property Rights Index (IPRI) score increased by 0.054 to 6.187 in 2017-18, placing it 6th in the Middle East and North Africa (MENA) region and 44th in the world. See: https://www.internationalpropertyrightindex.org/country/saudi-arabia.

Terrorism and security

Saudi Arabia continues to work very hard to tackle the threat from violent extremism. However, there remains a high threat of terrorism. Since 2015, Daesh has claimed responsibility for a number of attacks throughout the Kingdom. The Foreign Office warns about travel to the area along the Yemeni border. Crime levels are generally low. For the most up to date information please read the information provided on the terrorism page of the FCO travel advice pages at: https://www.gov.uk/foreign-travel-advice/saudi-arabia/safety-and-security.

Cyber security

The Saudi Government inaugurated its National Cyber Security Centre (NCSC) in January 2016. British companies operating in Saudi Arabia, whatever their size, may be subject to cyber attacks.

Businesses wishing to implement the most important technical controls can apply to be assessed under the National Cyber Security Centre’s ‘Cyber Essentials Scheme’. See: https://www.cyberessentials.ncsc.gov.uk/ for more information.

Commercial disputes

Sharia law as practised in Saudi Arabia lacks codification and the convention of precedent. It also tends to provide redress for actual damages suffered, rather than for speculative losses like loss of opportunity or of reputation. Notwithstanding this, and prohibitions against anything else deemed haram (forbidden) in Islam (e.g. financial speculation or gambling), Sharia law in Saudi Arabia allows considerable freedom for private individuals and entities to form contracts as they see fit.

Where possible, many non-Saudi investors and business partners prefer to agree contracts according to laws in foreign jurisdictions, or commit to international arbitration. Where enforcement of the rules of foreign judges or arbitration becomes necessary within Saudi Arabia, claimants must make a representation to the Saudi Board of Grievances (a group of Sharia trained judges separate from the Kingdom’s main Sharia court system). The Board of Grievances also has jurisdiction over a series of administrative tribunals (referred to locally as ‘committees’) which can be used to settle disputes according to government administrative regulations.
There have been instances of invoices not being paid on time and delays in processing payments. You are advised to take expert advice and appropriate measures to mitigate this potential risk, and any British company wishing to do business in or with Saudi Arabia should enlist the services of a law firm with experience of the country.

The Saudi legal system differs in many ways from the UK. Suspects can be held without charge and are not always allowed quick access to legal representation. The Saudi authorities have detained witnesses and victims of crimes. If you need consular assistance, British Embassy staff will try to visit you as soon as they are aware of the case, but in some instances Embassy staff may not be permitted to do so immediately or may have limited access.

Anyone involved in a commercial dispute with a Saudi company or individual may be prevented from leaving the country pending resolution of the dispute. Government bodies often retain passports for official purposes; sponsors also sometimes retain passports, although this is illegal.

[Source – FCO Overseas Business Risk/gov.uk]
What are the challenges?

Shipping/Logistics

Case Study

Executive Search

Accountants/Professional Business Services

Project Management Design Engineering Consultancy Services

Law

Banking/Financial Services
What are the challenges?

Airlines/Corporate Travel Services

ICT/Telecommunications Services

Commercial Real Estate

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