

Obligations of Foreign Investors Interested in Investing in KSA

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Abstract

Investing in a foreign country comes with a fair share of challenges, which is why some countries have a small percentage of foreign investors. In Saudi Arabia, the case is different, and this is because the country is working on Vision 2030, which will be critical in improving the economy of the country. The research will focus on the obligation of foreign investors interested in investing in KSA in line with Vision 2030. The research will evaluate foreign investment laws and how they impact foreign investments in Saudi Arabia. Qualitative research will be used in this research. The data that will be used is secondary. Content analysis is the method that will be used to analyze the data collected. With the help of the research, it will be possible to know if the government's and foreign investments' initiatives impact foreign investors' obligations and how they can impact the achievement of Vision 2030 goals as far as foreign investments are concerned.

Keywords: *Foreign Investors, Investments.*

Introduction

Investing in a foreign country comes with a fair share of challenges, which is why some countries have a small percentage of foreign investors. In Saudi Arabia, the case is different, and this is because the country is working on Vision 2030, which will be critical in improving the economy of the country. The research will focus on the obligation of foreign investors interested in investing in KSA in line with Vision 2030. The research will evaluate foreign investment laws and how they impact foreign investments in Saudi Arabia. Qualitative research will be used in this research. The data that will be used is secondary. Content analysis is the method that will be used to analyze the data collected. With the help of the research, it will be possible to know if the government's and foreign investments' initiatives impact foreign investors' obligations and how they can impact the achievement of Vision 2030 goals as far as foreign investments are concerned.

Research Problem and Objectives

Research Problem

The problem that the research will focus on is the obligation of foreign investors interested in investing in the Kingdom of Saudi Arabia in line with Vision 2030. Every nation has laws, rules, policies, and guidelines that guide foreign investors. The obligations of a foreign investor vary based on the size and type of business. Such obligations may include meeting certain thresholds of the law, selling particular products or services, taxes, and licenses. The government of the Kingdom of Saudi Arabia has economic and business goals

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that are included in Vision 2030. Vision 2030 is a roadmap that the government of Saudi Arabia will rely on to improve business and economy in the country. One of the major focus areas in Vision 2030 is to increase foreign investments by attracting investors, driving the growth of new industries and providing entrepreneurs with the tools they require to succeed. In summary, the problem that the research will focus on is what is expected of foreign investors to invest in the Kingdom of Saudi Arabia in line with Vision 2030 goals and objectives.

Objectives

- a. Discuss how the laws and policies that guide foreign investments in the Kingdom of Saudi Arabia align with vision 2030.
- b. Investigate what a foreign investor willing to invest in the Kingdom of Saudi Arabia is expected to do before they are allowed to invest in the country by the government in line with vision 2030 goals.
- c. Explain the rules, requirements, and steps that foreign investors must follow before they are allowed to start operating in the Kingdom of Saudi Arabia and how they support vision 2030 goals.

Significance of the Research

The research is significant in numerous ways, and one of them is helping to understand the efforts of Saudi Arabia in attaining Vision 2030 goals. The efforts of a government to attain a certain goal are seen in its initiatives and policies. The government of Saudi Arabia has pronounced and demonstrated its commitment to improving the economy and increasing opportunities by 2030. The level of its commitment can be seen in the policies and laws it has established to help achieve Vision 2030 goals. If policies are stricter than those of other nations, it will be proof that the government's commitment is not reflected in its foreign investment policies. However, if the policies are friendly and attractive to foreign investors, it will prove that the government is committed to achieving Vision 2030 goals. With the help of the research findings, it will be possible to measure the foreign investment policies against the government's commitment to achieve Vision 2030 goals to know if there is a balance or if there is more that the government must do.

The second significance is assessing the suitability of the current foreign investment rules and policies in helping the government of Saudi Arabia achieve Vision 2030 goals. Laws and policies have a significant impact on business activities in a country. It is important to note that the assessment of the effectiveness of laws from a theoretical perspective can be different from the realistic perspective. For example, the government might think that implementing certain laws can help to bear positive results, but it might turn out that implementing such laws does not have significant effects. With the help of the research, it will be possible to know if the obligations of foreign investors interested in investing in Saudi Arabia attract or repel them. If the obligations are attractive, it will be evident that the foreign investment laws and policies are suitable. With this in mind, it is accurate to assert that the research is significant because it will help to determine the suitability of foreign investment policies and laws in supporting the achievement of Vision 2030.

The third significance is that it will inform researchers in the fields of foreign investments, the economy, and international business. In this case, it is important to understand the importance of research in improving and developing the field of research. Researchers use research findings from other researchers to dictate the direction they want to take in researching an issue. At the same time, in some cases, researchers use secondary data to support their research projects. Researchers' main aim is to increase knowledge about events in a specific field or industry. In most cases, researchers use the current knowledge to dictate future research projects. In this research, foreign investments will be a critical

topic. In the future, the research findings might be referenced by other researchers to give them ideas and directions for future research. The economy of Saudi Arabia will also be one of the areas of concern because it is related to the decision to improve foreign investments. International business will also be important because foreign investments will attract international investors. The findings of the research will help researchers gain a better understanding of the aspects and topics that have been mentioned above.

Literature Review

The importance of literature cannot be underestimated or ignored in any research project. Scholars, authors, analysts, organizations, institutions, researchers and governments share information about issues and ideas. Their contribution is important in increasing the understanding of a phenomenon or issue. The literature review presents an opportunity for a researcher to review the works of other researchers to understand the most recent developments in an area of concern or interest. This section will review the literature available about the laws and policies that the Kingdom of Saudi Arabia has implemented to guide foreign investors. Many parties have focused on the issue, so the literature review will not be restricted to peer-reviewed articles. Instead, it will focus on authoritative adverse materials to understand the research topic from various perspectives.

Foreign Investment Laws in KSA

According to the Ministry of Investment (n.d.a), the foreign investment law has eighteen articles that guide foreign investors. The articles aim to provide clarity to potential foreign investors and guide the local administrative bodies when dealing with foreign investors interested in investing in Saudi Arabia. Each article presents a well-detailed definition of what it focuses on and what foreign investors are expected to do. The first article focuses on the meanings of terms (Ministry of Investment, n.d.a). The meanings of business terms are important because they help business owners to know if the definition of terms changes from one nation to another. In this regard, it is imperative to note that different nations have different business cultures, which might lead to changing meanings and definitions. The second article of the foreign investment law clarifies what should happen to foreign investors if they apply to invest in Saudi Arabia. There are important main points in the second article, and the first one pertains to the fairness of the system of licensing foreign investors. According to the second article, prejudice must be eliminated when evaluating an application from a foreign investor. The elimination of prejudice demonstrates the commitment of the government of Saudi Arabia to treat all foreign investors equally.

The second main point in the second article is about the type of investment a foreign investor plans to establish in Saudi Arabia. In this case, investors willing to establish temporary or permanent investments must be treated equally and given the same attention (Ministry of Investment, n.d.a). Discriminating against some of the investors because of the types of investments they will establish in Saudi Arabia is highly discouraged by the law, and this has been echoed by the Ministry of Investment (n.d.c). The third important area that the second article focuses on is the application period. In Saudi Arabia, it should only take thirty days for an application to be approved or declined. If an application is declined, there must be a reasonable cause for decline. At the same time, the reason must be communicated to the applicants within the period of thirty days.

The foreign investment law presented by the Ministry of Investment (n.d.a) is helpful because it shares the legal requirements of foreign investors. It helps to assess the commitment of the government of Saudi Arabia to reaching Vision 2030 goals. The foreign investment law helps to know if investing in Saudi Arabia is easy or hard. The information shared will be important in this research because foreign investment laws and policies are critical in meeting the research objectives. No gaps are identified in the laws because they

are clear and have a direct connection or relationship with foreign investments in Saudi Arabia.

The Embassy of The Kingdom of Saudi Arabia (n.d.) shares information, some of which has been shared by the Ministry of Investment (n.d.) about the requirements of investing in Saudi Arabia. However, the information The Embassy of The Kingdom of Saudi Arabia (n.d.) shares is more detailed and extensive. According to The Embassy of The Kingdom of Saudi Arabia (n.d.), foreign investors should be familiar with the Real Estate Law and the Foreign Investment Act before investing in Saudi Arabia. In the Real Estate Law, the government of Saudi Arabia made it possible for individuals and companies to own the required real estate for personal residences and workmen's housing. However, they must attain approval by the Licensing Authority. Companies and individuals can also lease the real estate to other entities. In the case of organizations or investors willing to develop land, the value of construction and land cannot be less than SR 30 million. Based on the Real Estate Law, it is apparent that owning land and property in Saudi Arabia is easy as long as one complies with the local laws and requirements.

The Embassy of The Kingdom of Saudi Arabia (n.d.) shares information about the Foreign Investment Act, which outlines what foreign investors expect. Some of the areas that the Foreign Investment Act focuses on are double taxation, confiscation of investment, repatriation of shares, and free exchange of shares. Foreign investors are protected from double taxation. Any party cannot confiscate their investments and property without a court order. Foreign investors can repatriate their shares and earnings from investments established in Saudi Arabia. Foreign investors can freely exchange shares with local or foreign investors.

The information The Embassy of The Kingdom of Saudi Arabia (n.d.) shares demonstrates how easy it is for foreign investors to operate in Saudi Arabia. The established laws reduce barriers that frustrate foreign investors from investing in the country. At the same time, the laws protect foreign investors from possible exploitation or abuse by local investors and administrative organs and agencies. The information will be helpful in this research because it will help to know if the current foreign investment laws make it hard or easy for foreign investors to invest in Saudi Arabia. The credibility and reliability of the information cannot be doubted because it was published by the government of Saudi Arabia and shared through one of its international websites.

Al-Adeem and Al-Khonain (2020) assert that transparency and quality financial reporting are critical to investments. Sometimes, the interests of managers and investors might differ, and conflicts of interest might occur. In such cases, accounting fraud might lead to losses and a lack of trust among investors. The government of Saudi Arabia understands the challenges that might be associated with corporate governance and financial reporting. As a result, the government has passed corporate governance rules that aim to enhance accountability, quality, and transparency in accounting and reporting. The move has had a positive impact on foreign investors. When laws support transparency, investors' trust and confidence increase because they know their money will be invested in organizations that can be held accountable. Al-Adeem and Al-Khonain (2020) share important information for this research. The information helps to know how the government of Saudi Arabia has been aligning its laws with Vision 2030. Increasing the confidence and trust of foreign investors is a strategy for attracting them to invest in Saudi Arabia. The information will help to achieve one of the objectives of the research.

Alharbi (2023) concludes that the government of Saudi Arabia has proven its commitment to establishing and implementing policies that enhance foreign investments. The policies that the government of Saudi Arabia has been establishing and implementing have been critical in enhancing transparency and eliminating discrimination (Capital Market Authority, n.d.). One of the challenges foreign investors may face when investing in a foreign nation is discrimination from local agencies and people. When the law protects

them from possible discrimination, they become more confident and investing in a foreign nation does not worry them. Investors can invest in Saudi Arabia without partnering with local partners, which has positively impacted foreign investments because it has eliminated barriers to entry. The information shared by Alharbi (2023) comes in handy in this research because it helps to know the current foreign investment laws' impacts on foreign investments. The information helps to assess the commitment of the government of Saudi Arabia in supporting foreign investments and thus will be useful in accomplishing the goals of this research.

Government Initiatives to enhance the achievement of vision 2030

According to the Ministry of Investment (2023), the government of Saudi Arabia has been active in establishing international investment agreements with various nations worldwide. Some of the nations that the government has established agreements with are Singapore, South Korea, France, Switzerland, Malaysia, China, Germany, Spain, and Japan. The agreements have been important in booting business between Saudi Arabia and these nations. Investors in the respective nations have an opportunity to expand their businesses and operations to Saudi Arabia. Expanding businesses and accommodating more investors from different nations is one of the primary goals of Vision 2030. The action of establishing international investment agreements is a clear indication that the government is motivated to achieve Vision 2030. Agreements with nations make business activities and relationships smooth. As a result, investments thrive. The information by the Ministry of Investment (2023) is critical to this research because it helps to know if the government of Saudi Arabia is committed to making Vision 2030 a reality. The commitment of the government to reaching out to other governments is a clear indication of the government's dedication to improving foreign investments.

According to the Centre for Business & Economic Research (2020), the government of Saudi Arabia has done a commendable job in attracting foreign investments. Saudi Arabia holds the twenty-third position out of the twenty-five largest economies globally. It is ranked eleventh out of one hundred eighty-one nations regarding ease of doing business. The government has laid down various measures to attract foreign investors to Saudi Arabia. Some of them are removing restrictions in foreign exchange, transfer of profits and capital abroad and foreign transfer. Eliminating such barriers has been critical in encouraging foreign investors to invest in other nations and choosing Saudi Arabia. Vision 2030 is a cornerstone for increasing foreign investments in Saudi Arabia. It has played an important role in making Saudi Arabia one of the most competitive nations regarding foreign investments. The information shared by the Centre for Business & Economic Research (2020) is rich in details that reveal the strategic initiatives that the government of Saudi Arabia has implemented with the main aim of increasing foreign investments. The information adds value to this research by helping to understand the level of commitment demonstrated by the government of Saudi Arabia in making its country a hub for foreign investments.

The obligations and requirements for foreign investors interested in investing in KSA

The Ministry of Investment (n.d.b) shares the terms and conditions foreign investors must consider and adhere to when investing in Saudi Arabia. Some of the investment areas that the article focuses on are public transportation activities, 100% foreign commercial license, r serving agents and providing workers service, and colleges and universities. When applying for a license to provide public transport, investors should not have penalties issued inside or outside Saudi Arabia regarding traffic safety for the last ten years; they must be approved by the public transportation authorities of Saudi Arabia, and technical specification and production method must align with Gulf, Saudi or international standards and must submit annual security levels improvement plans. Regarding investors interested in obtaining a 100% foreign commercial license, the company should apply for the Saudi employment percentages and develop a program to put Saudi employees in leadership

positions. Every year, the company must train 30% of Saudi employees. The company should commit to investing SR 300 million for the first five years after its establishment. Regarding manufacturing companies, 30% of the products supplied in the local market must be manufactured in Saudi Arabia. Organizations that invest in research and development programs must dedicate 5% of their total sales to research and development programs in Saudi Arabia. Regarding logistics and distribution organizations, organizations must have a unified center to provide services and must provide after-sales services.

Organizations interested in obtaining a license for serving agents and providing workers services must have a certificate of at least three years of experience. They must have a website that shares information about the services provided. In the case of obtaining a license for colleges and universities, the programs offered must align with the needs of the labor market of Saudi Arabia, and the Ministry of Education must determine this. The colleges and universities must also employ Saudis according to the percentage determined by the Ministry of Labor and Social Development. The information shared by the Ministry of Investment (n.d.b) is important in this research because it shares the requirements that foreign investors must meet before investing in Saudi Arabia. The requirements of establishing a business in a foreign nation can help to know if the nation supports or frustrates foreign investment. In this research, the information will help achieve one of the objectives, thus playing a critical role in accomplishing the goal of this research.

Methodology

Qualitative research has been used in this research. Qualitative research helps collect and analyze non-numerical data to gain a better understanding of an issue or phenomenon (Vindrola-Padros & Johnson, 2020). It was the most suitable method for this research because the expected results of this research are non-numerical. A qualitative research method supports the collection of detailed data, which impacts research positively because a researcher can collect data that will help to increase the understanding of the research problem. The type of data used in this research is secondary. Due to the nature and type of research, the research has relied on diverse data sources. Data used in this research come from conferences, peer-reviewed journal articles, government websites, and government reports. The analysis method used is content analysis. Content analysis captures concepts and themes in qualitative data (Lindgren et al., 2020). It helps to identify the most common themes and concepts and relates them to the research topic to identify any relationship that might enhance the understanding of the research topic. In this research, themes associated with the research objectives will be identified and used to provide the findings.

Findings/Results

Based on the data analyzed about the laws of foreign investments in Saudi Arabia and their impacts on the accomplishment of Vision 2030, the government has done a commendable job. The laws can be divided into different sections, and the first one is entry to the market. Barriers to entry limit foreign investments because it becomes challenging for investors to enter a foreign market. The government of Saudi Arabia has reduced barriers to entry, which has been critical in motivating foreign investors. Unlike years ago when a foreign investor would be favored if they partnered with a local investor, a foreign investor can now establish a business in Saudi Arabia without the need to partner with a local partner. The legal requirements for foreign investors who wish to invest in Saudi Arabia have also been reduced. The taxes and other charges that most foreign investors are charged when investing in foreign nations have been removed. Apart from eliminating taxes and other charges, applying to establish a business in Saudi Arabia is fast. It takes thirty days or less for an application from a foreign investor to be reviewed. The law emphasizes the need for application reviewers to observe fairness when reviewing the applications and only fail to

approve applications with reasonable grounds. In this case, it is accurate to assert that the government of Saudi Arabia has made it possible for foreign investors to establish businesses in the country easily.

The second section pertains to operations within Saudi Arabia. The legal requirements for operating a business in Saudi Arabia are friendly and reasonable. At the same time, the laws allow investors to invest freely and give them the right to access resources they may need to operate smoothly. The Real Estate Law is one of the laws that have demonstrated the commitment of Saudi Arabia's government to supporting foreign investors' operations. Access to housing and business buildings is critical in investments. Foreign investors in Saudi Arabia have the right to buy and develop land. It, therefore, becomes possible for the investors to design property or structures that support their business operations. At the same time, the law protects foreign investors from any form of discrimination. When investing in a foreign nation, discrimination from residents can be a challenge. In Saudi Arabia, the confiscation of assets or investments can only happen with a court order. Investors are allowed to repatriate their assets and money whenever they want to do so. In this case, the government of Saudi Arabia has made it possible for foreign investors to invest in Saudi Arabia without fear.

The data has revealed that the initiatives that the government of Saudi Arabia has been putting in place have a direct and positive impact on the achievement of Vision 2030 goals. The government of Saudi Arabia has signed numerous investment agreements with different nations worldwide, including China, France, and Germany. Investment agreements with nations with advanced technologies and hosts of some of the biggest brands in the world will play a significant role in promoting foreign investments. Apart from signing numerous investment agreements, Saudi Arabia's government has improved transparency in corporate governance and accounting. The government understands that investors need to trust the business mechanisms before investing their money. Increasing investors' confidence has gone a long way in helping the government achieve Vision 2030 because more investors will be interested in investing in Saudi Arabia.

The data analyzed shows that the obligations of foreign investors are not strict enough to frustrate foreign investors from investing in Saudi Arabia. One of the requirements is ensuring that at least 30% of the employees in a company are Saudis. The requirement is achievable, and the percentage is reasonable. Adhering to local standards when manufacturing products and offering services is another requirement. The requirement does not hinder foreign investors from investing in Saudi Arabia because they are expected to do the same in their home countries. Based on the requirements of foreign investors, it is correct to state that the obligations of foreign investors are reasonable, achievable, and manageable.

Conclusion

Vision 2030 is a significant economic milestone for Saudi Arabia, and this is seen in the attention that the government of Saudi Arabia has given to achieving economic goals. The research has revealed that the government of Saudi Arabia is headed in the right direction, and it might achieve Vision 2030 goals before the expiry dates. International agencies have recognized Saudi Arabia as one of the nations where doing business is easy for foreign investors. The government has eliminated barriers that frustrate foreign investors from investing in other nations. One of the initiatives or strategies that stands out is that foreign investors can purchase and develop land in Saudi Arabia. Establishing and implementing laws that make it possible and easy for foreigners to invest in Saudi Arabia has started to bear positive results, and the country may continue increasing foreign investments. According to the data collected and analyzed, it is evident that the government of Saudi

Arabia has reduced the obligations of foreign investors, thus attracting them to invest in the country, which will positively impact achieving Vision 2030 goals.

Recommendations

Undoubtedly, the government of Saudi Arabia has done a commendable job in reducing the obligations of foreign investors. Based on the strategies and initiatives of the government, only one recommendation will be applicable and helpful in this research. The recommendation pertains to the minimum capital or cash that investors should have to purchase assets in real estate. Based on the current laws, only investors with investments worth SR 300 million and more are eligible to buy and develop property in Saudi Arabia. The country should reduce the amount of capital expected. Only large corporations can afford to comply with this requirement. The government should change the laws to accommodate middle-level investments. Middle-level investments have been critical in boosting the economies of many nations, and most of them grow rapidly. Bringing them on board and making it possible for them to invest in the country will increase the speed of achieving Vision 2030.

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