SAUDI ARABIA

Business Conditions Snapshot

- Saudi Arabia is pursuing economic and social reforms designed to diversify its economy and wean it from dependence on oil.
- This plan, known as Vision 2030, requires large injections of foreign direct investment, knowledge transfer and skilled workers.
- Reforms to contract, business and labour laws, the banking system and Saudi capital markets over the past four years have made it much easier to do business.
- New social reforms also make Saudi Arabia more attractive to business people. These include introducing visit and residency visas, relaxing dress codes, introducing an array of entertainment options, allowing gender-mixing at a number of tourist sites and in restaurants, and opening new sectors for female employment.
- Despite global uncertainty related to COVID-19, the Saudi economy and business environment are expected to progressively improve in 2021. The IMF forecasts GDP growth will decline by 5.4 per cent in 2020.
- Saudi Arabia’s leadership wants to invest the country’s oil wealth to develop the manufacturing industry, including down-stream oil and gas, renewable energies, automotives and downstream extractive processing.
- An infrastructure investment pipeline valued at US$1.2 trillion has been committed. FDI continues on an upwards trend, with projects associated with Vision 2030 continuing at pace despite the pandemic.
- Major Saudi sovereign wealth funds are also increasing their international investments. Aramco is interested in gas investments in Australia, and SALIC has invested in Australian agricultural land and is exploring further investment options. Major sovereign wealth funds are also sharpening the focus on domestic investment to build capacity in key sectors, such as health, agriculture and mining.

Key facts and figures

- Population: 34 million (2020)
- GDP growth: 0.2 per cent (2019)
- Political system: Absolute monarchy
- Two-way trade: $1.9 billion (2018–19)
- Major Australian Exports: meat, beef, vegetables, auto parts, education-related travel
- Two-way investment (2018): A$5.2 billion
- Saudi investment in Australia A$4.0 billion
Long-term investment in university education has resulted in a youthful generation of well-educated Saudis looking for professional roles, however there is a lack of trades and technical workers.

Over two million foreign tradespeople and labourers have left Saudi Arabia since 2017, and maintaining productivity without them is a challenge for the country, which is also trying to encourage Saudis into semi-skilled jobs.

Trade and Investment Opportunities

Australia’s economic and commercial interests in Saudi Arabia are largely in:
- extractive industries, infrastructure consultancies, agrifood and education, including VET.

The Saudi government is looking to develop sectors including mining, heavy industries, manufacturing, finance, health, tourism, entertainment, logistics and technology:
- it is slowly privatising a range of state-owned enterprises, and is looking for public–private partnership expertise.

Strong opportunities exist in education cooperation, both to build the numbers of Saudi students studying in Australian universities, and for Australian institutions to provide education services in the Kingdom including in the context of Vision 2030.

Given that Saudi Arabia is the largest economy in the Middle East—with healthy sovereign wealth funds—our two-way investment relationship has room for growth:
- Saudi Arabia’s major sovereign wealth fund—the Public Investment Fund (with US$350 billion assets under management)—has announced it is looking for assets globally – primarily oil and gas technologies, and renewable energy.
- Its subsidiary, SALIC, made its first investment in Australia in 2019 and is looking for further agricultural investments.

Initiatives are being implemented to capitalise on existing and upcoming opportunities as part of ongoing bilateral cooperation (for example, assisting with setting regulatory standards for mining in Saudi Arabia and Oman, and cooperation with Digital Economy eGovernment in Saudi Arabia).

Trade Policy Focus

Australia has been pursuing an Free Trade Agreement (FTA) with Gulf Cooperation Council (GCC) countries for more than a decade.

As part of the terms of the GCC Association Treaty, Saudi Arabia is obliged to negotiate FTAs in a bloc with its GCC partners.

All GCC FTA negotiations have been on hold since October 2017, pending resolution of an internal dispute between Qatar and its fellow GCC members.
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