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# Saudi Arabia issues call for foreign investment in ports and logistics sector

In April 2000, the Supreme Economic Council enacted the Foreign Investment Act (FIA), which is a broad framework within which non-Saudis are permitted to invest in the Kingdom in minority, majority or 100%-foreign-owned ventures.

**Lying at the confluence of international trade routes connecting three continents, Saudi Arabia seeks to maximize the benefits of its strategic geographic position, and is today engaged in the work to build a major transport and logistics hub for the region. While Saudi Aramco's initial public offering in December successfully raised almost \$30 billion for government coffers, the authorities increasingly see foreign direct investment as another useful way of raising capital to fund sorely needed infrastructure.**

"Saudi Arabia's government has already invested heavily in the construction of several transport and logistics infrastructure [projects] such as ports, railways, roads and airports. To take full advantage of these investments, Saudi Arabia is entering into a new series of international partnerships and working with

the private sector to complete, improve and link its infrastructure internally and across borders," the Saudi Arabian General Investment Authority (Sagia) said.

"Transport and logistics infrastructure is also being [improved to] drive higher performance, including more rigorous governance, leaner processes and a more efficient customs system."

Maritime transport is a key sector which is undergoing enhancement and expansion, despite already displaying world-class characteristics. "Saudi Arabia's maritime network is unrivaled in the Middle East, [with] a capacity of approximately 8 million teu per year and receiving 11,000 ships annually. More than 270 million tons of cargo move through the Saudi maritime network on a yearly basis, making it the largest within the GCC (Gulf Cooperation Council)," Sagia said.

## SAR112.5 billion (\$30 billion) investment is planned for upgrading Saudi Ports facilities.

According to Sagia, plans have been announced to invest SAR112.5 billion (\$30 billion) in upgrading facilities that will enable Saudi ports to compete at a global level. SAR159 billion has been set aside to develop its first private port, King Abdullah Port, which is expected to handle 20 million teu when complete. The Kingdom is also investing SAR337.5 billion to develop its road and railway infrastructure.

Saudi Arabia is also developing six economic and industrial cities that are designed to stimulate both the economy and industry. Saudi industrial output already constitutes a share of 90% in non-oil exports and is set to give the logistics industry a major boost when the new streamlined industrial cities come online. Of a total of six cities planned, development of King Abdullah Economic City (KAEC), 120km north of Jeddah, is at the most advanced stages, putting it at the forefront of the international investment drive.

The Saudi Logistics Hub (SLC), an initiative mandated by the government to drive new growth in Saudi Arabia's thriving logistics sector, is the key entity overseeing maturation of the landside logistics process. It recently published figures underlining improvements in several key metrics (See Table 1).

**Table 1: Time improvements in various key metrics in Saudi Ports and Logistics Sectors**

Metric	Unit	Before	After
Free storage time for import-export of empty containers	Days	5	30
Truck stopover time by launching trucking appointment system	Hours	3	0.41
Exemption of storage fees at ports	Days	10	5
Dwell time in ports	Days	14	4
License issuance and renewal procedures	Days	20	1
Private sector participation	Percent	30%	53%

Source: Saudi Logistics Hub

"Saudi Arabia currently commands a 55% share of the logistics market in the GCC region. Over the last decade, the country has invested more than USD100 billion in its transport and logistics infrastructure, resulting in a comprehensive nationwide network. In 2019, Saudi Arabia saw a 47% increase in the number of new foreign transport and logistics companies establishing operations, according to Sagia," the SLC announced in December, to mark a Saudi roadshow to Singapore, led by the transport minister, which is also expected to include the UAE, Jordan, Egypt, China, Japan, India, and Germany.

## Saudi Arabia currently commands a 55% share of the logistics market in the GCC region and has one of the fastest-growing logistics sectors globally.

"Today, Saudi Arabia has one of the fastest-growing logistics sectors globally and was ranked the world's fastest economic reformer by the World Bank Group's Doing Business 2020 report, jumping 30 positions to 62nd place. [It] demonstrated significant improvements in nine of the 10 'Doing Business' indicators, including jumping... 103 positions to 38th place in the Starting a Business ranking. Saudi Arabia's impressive reforms are part of the government's efforts to enhance the business climate and encourage foreign investors to set up operations in the country."

International Maritime Industries (IMI), the new super-yard at Ras Al Khair on Saudi Arabia's east coast, is perhaps the most important maritime initiative ever taken in the kingdom. A senior official issued a call to international suppliers to attend the Saudi Maritime Congress in Dammam in March 2020.

"With the largest ship and rig yard in the Middle East and a guaranteed offtake from Saudi Aramco and Bahri, International Maritime Industries is looking for world-class suppliers to join us on our journey of success and prosperity," Abdullah Al Muhanna, VP Procurement and Supply Chain, IMI told Seatrade.

"We are looking for expert knowledge and capability in almost all corners of ship manufacturing and rig building and have a support network and processes to help international suppliers set up in Saudi Arabia. Saudi Maritime Congress is the perfect platform for us to meet so we are recommending that any suppliers serious about doing business in Saudi Arabia need to be here in Dammam in March 2020."

Set to become fully operational by 2022, IMI is expected to generate 80,000 direct and indirect jobs by 2030 and is likely to make a USD 17-billion economic impact.

This year, the International Monetary Fund's (IMF) projects real growth of 1.9% in the kingdom. The Saudi Arabia 2019 Article IV Consultation was published last September.

"The authorities have taken important steps to strengthen the legal framework and reduce barriers to doing business. The bankruptcy and commercial pledge laws have filled important gaps in the legal infrastructure. FDI (Foreign Direct Investment) licensing requirements and procedures for starting a business have been streamlined, the negative investment list narrowed to accommodate priority investments under Vision 2030, and the efficiency of port clearance improved," it said.

It did mention one proviso. "The authorities are continuing to work on strengthening financial account data, where data on positions and flows for FDI and other investment are weak," it said.

Third-party international endorsement for Saudi Arabia's ports and logistics drive has also been forthcoming, with United Parcel Service (UPS), the American multinational supply chain management company, saying that the international market was helping to spur local progress.

"The planned diversification of the economy has led to a more tolerant view of non-Saudi businesses," UPS 2019 Saudi Arabia Country Guide said. "Though there are still barriers and regulations in place that restrict some trade, there are areas experiencing more openness for foreign investors, including wholesale, retail and franchise sectors."

Saudi Maritime Congress provides a unique global platform for international and local businesses to connect and network, highlighting investment opportunities and driving the future prosperity for their business and the Kingdom.



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