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## OPPORTUNITIES FOR FRENCH COMPANIES ON THE SAUDI MARKET

By EY Saudi Arabia

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# EY Law KSA

Opportunities for French  
Companies on the Saudi Market



Building a better  
working world

### BILATERAL TREATIES & AGREEMENTS

In the intricate tapestry of international business relations, the synergy between nations becomes a critical catalyst for economic growth. At the forefront of this economic diplomacy stands the strategic partnership between France and the Kingdom of Saudi Arabia (KSA), anchored by both the Agreement on the Reciprocal Encouragement and Protection of Investments and the Double Taxation Treaty.

#### **Agreement on the Reciprocal Encouragement and Protection of Investments: A Pillar of Economic Cooperation**

The Agreement, signed in 2002, serves as the cornerstone of the flourishing business and investment relationship between France and Saudi Arabia. It is designed to boost economic collaboration, covering various types of investments, i.e., assets of all kinds, such as property, rights and income, owned or controlled by an investor of one of the Contracting Parties in the territory of the other Contracting Party.

#### **Key Provisions: A Closer Look**

**Fair and Equitable Treatment:** At the heart of the treaty lies a commitment to fair and equitable treatment. It places a reciprocal obligation on both Contracting Parties to encourage investments without resorting to arbitrary or discriminatory measures. This provision ensures that French investors in Saudi Arabia and Saudi investors in France are shielded from unjust impediments, fostering an environment conducive to sustainable economic growth.

**Most Favored Nation Clause:** A linchpin of the treaty, the Most Favored Nation (MFN) clause amplifies the attractiveness of the investment landscape. By ensuring that each party extends treatment to investors from the other party no less favorable than that granted to investors of a third state, the MFN clause establishes a level playing field and reinforces the principle of equality among investors.

**Dispute Resolution Mechanisms:** The treaty

incorporates robust mechanisms for dispute resolution, emphasizing the amicable settlement of investment disputes. If conflicts persist, investors can opt for either the competent court of the host country or arbitration, invoking the provisions of the Agreement on the Settlement of Investment Disputes between States and Nationals of Other States.

#### **Double Taxation Treaty: Fostering Economic Collaboration**

A critical companion to the investment agreement is the Double Taxation Treaty, providing a roadmap to avoid the pitfalls of double taxation on income. Let's take a closer look at its key articles:

**Persons Covered:** The treaty applies to residents of either or both Contracting States, setting the stage for a harmonious taxation framework.

**Taxes Covered:** Delving into the fiscal realm, the treaty identifies specific taxes subject to its

### THE SAUDI VISION 2030

provisions. In the case of Saudi Arabia, these include Income Tax, Corporate Tax, and Zakat Dues. France, on the other hand, covers Income Tax, Corporate Tax, Inheritance Tax, and Wealth Tax.

**General Definitions:** Defining crucial terms, the treaty ensures clarity. The "competent authority" is designated, and "resident" is carefully delineated based on criteria such as domicile, place of residence, or place of management.

**Elimination of Double Taxation:** The treaty outlines mechanisms for avoiding double taxation, ranging from exempting certain income categories to providing tax credits and deductions, so that residents of both countries are not burdened with excessive tax liabilities.

In the subsequent segments of this article series, we will explore the most prominent investment opportunities that the flourishing economy of Saudi Arabia currently offers.

Since the launch of the Saudi Vision 2030, which was formulated by His Royal Highness Prince Mohammed bin Salman bin Abdulaziz, Crown Prince, and Prime Minister, Saudi Arabia laid a solid foundation for success by implementing unprecedented reforms in the public sector, the economy, and society. Vision 2030 has three pillars which are:

**A Vibrant Society:** the Saudi Vision 2030 understands the importance of building a strong, happy, and fulfilling society as the foundation for economic prosperity, which is why it focuses on creating strong roots that embraces modern Islam, national pride, Saudi heritage, and culture, while also providing world-class entertainment options, sustainable living, and efficient health and social care systems. Saudi Arabia is unique in its cultural abundance, inherently Islamic faith, and national unity, and we as Saudis dedicate ourselves to fulfilling the duty towards pilgrims and promoting the rich national identity.

**A Thriving Economy:** the Saudi Vision 2030 is creating an environment that supports economic growth and job creation for all Saudis by leveraging Saudis unique location and potential, attracting top talent, and increasing global investment. The Kingdom is open for business. To become a leading global economy, improving the business environment, restructuring the economic cities, creating special zones, and deregulating the energy market to make it more competitive. Also, investing for the future by unleashing promising new sectors and privatizing government services to diversify the economy and ensure its sustainability.

**An Ambitious Nation:** the Saudi Vision 2030 is building a country that is effectively governed, transparent, and accountable, encouraging all of society – citizens, businesses, and non-profit organizations – to take the lead in identifying and pursuing opportunities to advance the collective future.

### UPDATE ON THE SAUDI MARKET & PROJECTS

The Saudi Vision 2030 includes several mega and gig projects, some of which are already up and running, and some of which are currently under development. Each project focuses on developing a specific area in the Kingdom, or specific sectors and provides different opportunities for citizens, residents, and investors. These projects include:



**NEOM:** a futuristic region in northwest Saudi Arabia powered at 100% by renewable energy. Led by the Public Investment Fund (PIF), NEOM is a place that prioritizes people and nature, creating a new model for sustainable living, working and prospering. It is a place where humanity can progress without compromising the health of the planet. The goal of NEOM is to grow and diversify the Saudi

economy, promote the effective and productive use of technology, and many more.

#### Key numbers:

- \$500B budget
- 450 km of coastline
- Creation of 380,000 jobs
- SAR 180B contribution to GDP by 2030
- 5 landmarks: Sindalah, The Line, Trojena, Oxagon
- Phase 1 of construction and destination planned for 2024

<https://www.neom.com/>



**QIDDIYA:** a global entertainment, sports, and culture hub in the making. With construction

having begun in 2019, it will offer international sports arenas, concert and entertainment venues, academies for sports and the arts, race-tracks, outdoor and adventure activities, and family-friendly theme parks – including a Six Flags park with the world’s longest, tallest and fastest coaster.

#### Key numbers:

- Area of 367 km<sup>2</sup> (30-minute from Riyadh)
- 25 distinct districts masterplans
- 400+ tourist attractions
- 275 rides and thrills
- 12 branded theme parks
- Creation of 325,000 permanent jobs
- 600,000 expected residents
- Millions of expected visitors
- Phase 1 completed in 2023

<https://qiddiya.com/>

### UPDATE ON THE SAUDI MARKET & PROJECTS



**RED SEA GLOBAL:** located along the west coast of Saudi Arabia with an area of 28,000 square kilometer, with 90 untouched islands, and a wide range of natural phenomena such as dormant volcanoes, desert dunes, and mountain canyons. The Red Sea also has the world's fourth biggest barrier reef with a thriving marine and coral life. The goal of the Red Sea Project is to diversify Saudi's economy away from oil-dependence, develop burgeoning industries such as tourism and hospitality, create around 70,000 direct and indirect jobs by 2030, and lead in regenerative development for design, construction, and operations.

#### Key numbers:

- Zero carbon project

- 4,155 km<sup>2</sup> for well-being and luxury
- 25 hotels, 3,000 rooms
- 500 residences
- 500,000 visitors expected
- 400+ contracts signed to date
- 70,000 direct and indirect jobs
- 3 destinations: The Red Sea, Amaala, Thuwal
- First luxury hotels and resorts opened in 2023

<https://www.redseaglobal.com/en/>



**KING SALMAN ENERGY PARC (SPARK):** a world-class hub for the region's energy sector, providing a full range of solutions to support businesses in Saudi Arabia. When completed, the

city will diversify the Kingdom's revenue streams and promote the adoption of clean energy technologies. The site will include a dedicated logistics zone and dry port, which will help facilitate the efficient movement of goods in and out of the park.

#### Key numbers:

- Area of 50 km<sup>2</sup>
- SAR 150B added to GDP in total
- SAR 6B/year added to GDP by 2030
- Creation of 100,000 jobs
- First and only Silver Leadership in Energy & Environmental Design (LEED) industrial city

<https://www.spark.sa/>



**GREEN RIYADH:** it aims to make Saudi Arabia's capital one of the top 100 most habitable cities in the world, improving access to green space, air quality, and the well-being of the city's residents. The project is planting trees in neighbourhood gardens, parks, mosques, schools, universities, healthcare facilities, and along streets and roads. By 2030, 7.5 million trees will be growing throughout the city.

Key numbers:

- 541 km<sup>2</sup> green spaces
- 7.5 M trees
- 1,100 km<sup>2</sup> green belts
- 16,400 km<sup>2</sup> roads and streets

<https://riyadgreen.sa/>



**MADE IN SAUDI:** Launched in 2021 by the National Industrial Development and Logistics Program and the Saudi Export Development Authority, Made in Saudi celebrates Saudi Arabia's homegrown talent and innovation. The program supports local businesses to grow their reach and promote their products both domestically and globally. By doing so it is positioning Saudi products and services as the preferred choice for domestic and international consumers. Not only are they encouraging Saudi citizens to buy more locally made products, but they're promoting the Kingdom as a global industrial destination and attracting investment, with a goal of increasing non-oil exports to 50% of non-oil GDP by 2030.

<https://saudimade.sa/en>



**DIRIYAH GATE:** Located just west of Riyadh, this project aims to transform the 7 km<sup>2</sup> of Diriyah into one of the Kingdom's most prominent tourism destinations. Drawing on the region's rich past, the Najdi-inspired Diriyah Gate reflects the architecture of 300 years past, newly adapted for 21st-century living.

Key numbers:

- UNESCO site of At-Turaif fort
- 5 museums + 5 cultural academies
- 36 hotels
- Luxury gated community of Wadi Safar
- Creation of 55,000 jobs
- 27 M annual visitor by 2023

<https://dgda.gov.sa/>



**ROSHN:** ROSHN is a national real estate developer powered by the Public Investment Fund, committed to delivering high quality communities to the Saudi citizens, and to achieving the Vision 2030 goal of 70% home ownership in Saudi Arabia within 10 years. They are building over 200M sqm of integrated neighborhoods that reflect the Kingdom's rich heritage and aspirations of its people.

### Key numbers:

- Real estate development projects in Riyadh, Makkah, Asir, Jeddah, Al Kharj
- 200 M sqm for \$ 90B
- Phase 1 launched in 2022

<https://www.roshn.sa/en/>

## OPPORTUNITIES FOR FOREIGN INVESTORS

Other projects that have been launched since the introduction of the Saudi Vision 2030 like Low Power Research Reactor, Rabigh Desalination Plant, Solar PV Cell Plant, Sports Boulevard, the Saudi Green Initiative, The Rig, Desert Rock, and many other projects. Because of these projects and in addition to them, there are 15 sectors in which foreign companies have an opportunity to operate in Saudi Arabia.

**Agriculture and food processing:** Domestic, regional, and worldwide demand for Saudi products items has been rising rapidly. Food products such as dates, seafood, and the halal industry has the protentional to lead \$1.3 trillion USD. The food and beverage market size is expected to grow at 3% per year over the next five years.

**Energy:** With Saudi's strong focus on renewable energy, sustainability, and energy efficiency it is Saudis economic backbone due to a large and well-established industrial base. Sau-

dis Vision 2023 sets the goal of meeting over 50% of the energy mix with renewable energy sources, boosting market demand for renewable energy through government support and private sector investments.

**Healthcare and life sciences:** As Saudi Arabia currently has a population of 35 million, 60% of the population are under the age of 35 which represents a market demand for the future. This sector is Saudi's third largest recipient of government funding, which accounts for 17.7% of the country's budget expenditure in 2021. The Saudi government is committed to increase private sectors participating in the market.

**Environmental services:** One of Saudi Arabia's fastest growing sectors that is driven by an increase in population, growing industrial output, and rising standards of living. In alignment with Vision 20230 water and waste management are two key elements for Saudi's goal towards sustainability and circular economy.

**Industrial and manufacturing:** With an average growth every year of 7.5%, it is one of the worlds fastest growing countries in the manufacturing sector. This sector is Saudi's third largest non-oil contributor to the Saudi economy, it is at the lead of Saudi's economic diversification, privatization efforts, and localization. The government's support, modern infrastructure, business-friendly regulations, and large market size are some of the key factors in the growth of the manufacturing industry.

**Pharma and biotech:** The sector provides appealing first mover advantages given the low infiltration of leading global pharmaceuticals manufacturers with local production facilities. The sector is expected to grow rapidly in the next years due to the increased demand for chronic disease treatment and population growth, with a predicted compound annual growth rate of 7.3% over the next six years.

**Chemicals:** Saudi Arabia is a global leader in the production of chemical products across all

segments, it is home to one of the most advanced chemicals industries globally. In alignment with Vision 2030 Saudi aims to grow the sector further and double its size by 2030, unlocking new opportunities for investors. Chemical investors in Saudi enjoy a cost-competitive environment and a strong ecosystem that includes world-class universities, R&D centers, suppliers, infrastructure, and logistics.

**Real estate:** The real estate sector is significant for Vision 2030, Saudi has taken action to transform the real estate sector. Vision 2030 has set a goal of 70% home ownership which provided new incentive to the appeal of the real estate sector, along with the government's commitment to involve the private sector to help reach this goal. The government also provides support by enhancing transparency through publishing real estate indicators, improving technology uptake in the entire value chain, launching the developers services center to create the appropriate in-

vestment environment, and providing innovative financing solutions to consumers.

**Financial services:** As a key enabler of Vision 2023's goals, the sector is expected to perform a significant role to support the development of the national economy, provide diverse sources of financing, diversify its sources of income, attract foreign capital, and inspire savings and investments. The government is supporting financial institutions to enable public and private sector growth, develop an advanced capital market, and increase funding to micro, small and medium enterprises.

**Transport and logistics:** Saudi's transport and logistics sectors are at the heart of the transformation envisioned by Vision 2030, aiming to turn the Kingdom into a global logistics hub. Saudi has the ideal location for the distribution of goods within the Arabian Peninsula, the Levant, and East Africa which is an area with an accumulated GDP of 2.41 trillion and 647 consumers.

**Mining and metals:** This sector represents one of the most exciting opportunities for investors with its huge natural resources endowment, under-supplied local market, an unprecedented effort to boost industrial production, and proximity to export markets in the MENA region. The demand for metal and mineral products exceeds local supply, signifying great potential for domestic mining operations to take advantage of import substitution.

**Tourism and quality of life:** The Kingdom has opened its doors to international tourism for the first time in 2019, with unexplored destinations adding massive potential on top of an already established religious tourism market. Supported by new entertainment, culture, and sports attractions being unleashed every day for residents and tourists, providing excellent first mover advantages for investors in the emerging stages of a thriving industry.

**Information and communication technology:** As a core component of Vision 2030, Saudi

Arabia has set ambitious targets to become a modern and globally competitive Information and Communications Technology (ICT) hub. This sector has a crucial role in driving growth, economic diversification, and innovation. The government is working alongside the private sector to modernize the ICT infrastructure, enhancing the regulatory framework to enable new innovative investments, and building the most suitable ecosystem to support entrepreneurs and digital talents.

**Human capital innovation:** A strategic pillar of transformation in the kingdom's vision 2030 is building towards A Vibrant Society, with two key metrics: the first being lowering the rate of unemployment to 7% and increasing the SME Contribution to the gross domestic product to 35% from a baseline of 20%. Private sector investment in Human Capital and innovation is an unmatched opportunity across the region, with education and entrepreneurship at the heart of Vision 2030. The sector focuses on

providing opportunities to participate and be a part of the journey of upskilling citizens by offering lifetime learning opportunities, encouraging a culture of innovation and entrepreneurship, and designing and activating policies and enablers of human capital.

**Aerospace and defense:** Saudi Arabia is restructuring its defense and security sector to localize over 50% of its military expenditure by 2030. The Kingdom's localization goal means billions of dollars' worth of investment opportunities for both local and international investors, including global original equipment manufacturers (OEMs) and small- and medium-sized enterprises (SMEs). The industry has witnessed noticeable changes over the recent years, with major business climate reforms, including the establishment of General Authority of Military Industries (GAMI) as the regulatory body, easy online licensing process, and allowing 100% foreign ownership for companies operating in the sector.