

THE INFLOW OF FOREIGN DIRECT INVESTMENTS INTO THE KINGDOM
OF SAUDI ARABIA

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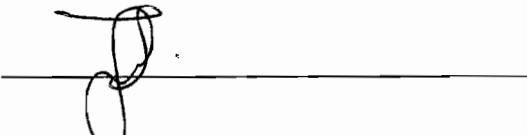
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ABSTRACT

This study generally concentrates on the foreign direct investment by the multinational companies in Saudi Arabia. Also, this study contributes to understand more about the foreign direct investment in the developing countries particularly in Saudi Arabia and the role of the government to attract the foreign direct investment to the country. It also analyze motives and drivers of the FDI inflow into Saudi Arabia.

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CHAPTER ONE

Introduction

Saudi Arabia is very special country of what it has. Saudi Arabia is the largest market in the Arabian Gulf region and, despite current political and economic uncertainties, offers investors and exporters many opportunities in a wide variety of business sectors. Key factors driving economic policy include the desire to reduce the dependence on oil, and the need to provide jobs, housing and services to citizens in a time of rapid population growth. The foreign investment law of 2000 significantly changed the rules for foreign investors, permitting 100% ownership of projects. There is a streamlined foreign investment application process with various investment incentives(Sagia, 2006).

The cost of entering the Saudi market is high because of the large cultural distance between most Westernized foreign investors and the Saudis. The market presents many opportunities and is extremely competitive. Saudi Arabia's attractiveness is related to its position at the heart of a regional market that includes the GCC, the Arab world in general. Many Indians and Pakistanis work in Saudi Arabia and they are important in the business sector as middle-level managers, both in the manufacturing sector and in the service sector especially retailing. In the kingdom, there are three major marketing regions with distinct cultures and business communities. These are the Western Region, which contains the commercial capital of Jeddah; the Central Region, with the capital, Riyadh; and the Eastern Province, where the oil

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