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The Saudi Arabian Economy

Policies, Achievements and Challenges

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CHAPTER 11

PRIVATIZATION AND FOREIGN DIRECT INVESTMENT

Overview

- One major plank of economic reform in Saudi Arabia has been the government's desire to entrust the private sector with the ownership and running of government owned assets through a privatization program.
- At the same time, Foreign Direct Investment (FDI) would be used as a strategic tool to attract technology to Saudi Arabia.
- The first privatization steps were launched in 2002 when the government announced its long term objectives for the privatization of many sectors.

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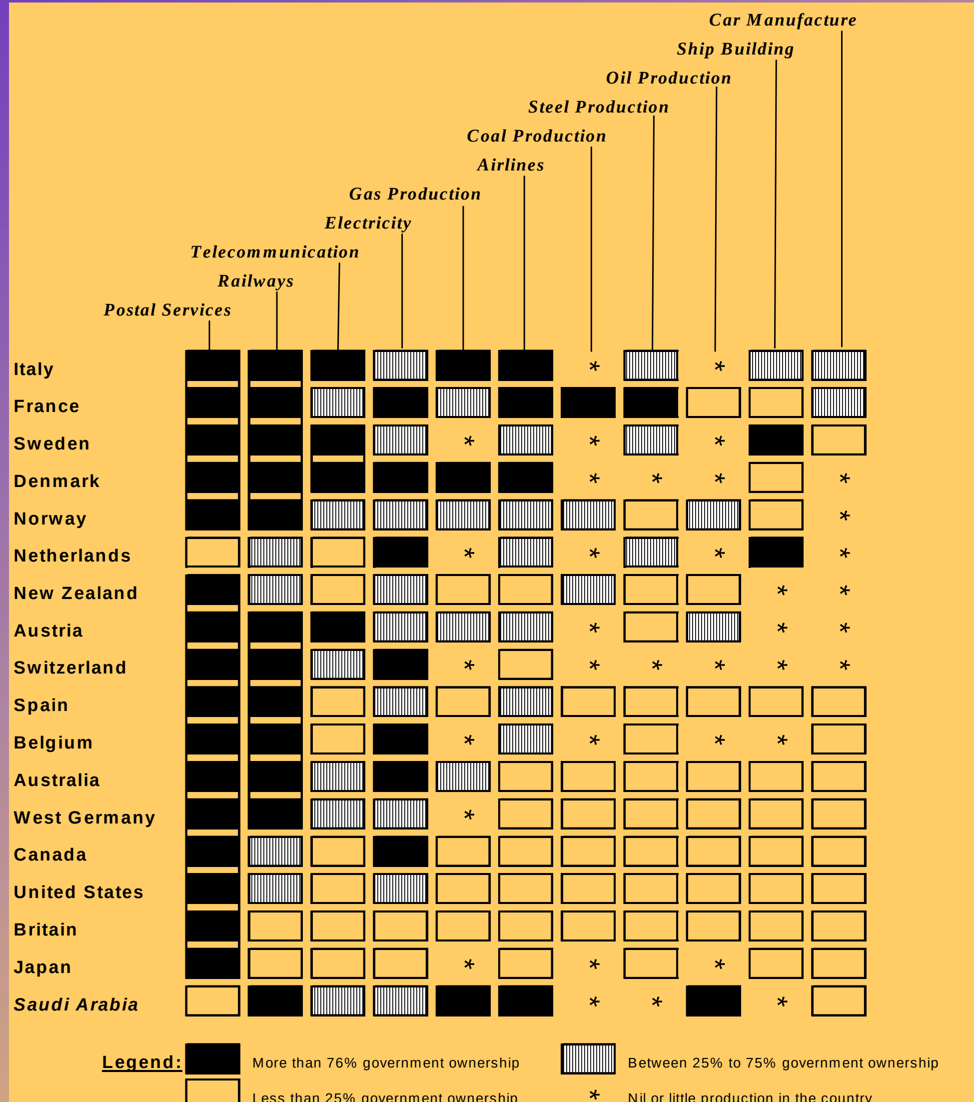
- Since then, there has been mixed results, with some part-privatization being implemented, while others not yet initiated.
- Despite such a slow pace, the Kingdom has been active in developing the *regulatory environment* under which privatized companies would operate, as this is a key measure going forward.
- FDI has been more successful over recent years after lagging behind.

Privatization: key concepts

- **Since first appearing in England in late 1970's, privatization has spread to many countries around the world, but has aroused a lot of opposition at the same time.**
- **Simply defined, privatization is an instrument of economic policy through which there is a transfer of property or control of assets from the state to the private sector.**
- **In its purest form, privatization encompasses the privatization of management *and* ownership.**
- **Different economies and countries have adopted privatization for different economic or political aims and the extent of privatization has varied.**

Figure 11.1 Privatization pattern – industry ownership in selected OECD countries and Saudi Arabia (1998)



Source: Adapted by Author from OECD Privatization Database, 2000.

Routes to privatization

- There are **many routes to privatization**, ranging from the simplest of sub-contracting of services to the private sector, to the total sale or divestiture of a government asset.
- In between, there are also schemes such as **BOO (Build-Operate-Own) and BOT (Build-Operate-Transfer).**
- Methods of divestiture also varies:
  - *Share issue privatization* – governments sell all or part of its share locally or internationally.
  - *Assets sale privatization* – governments sell the entire corporation to a strategic investor.
  - *Voucher privatization* – governments distributes the share of ownership to all citizens, usually free or at low prices.

Figure 11.2 Privatization scales

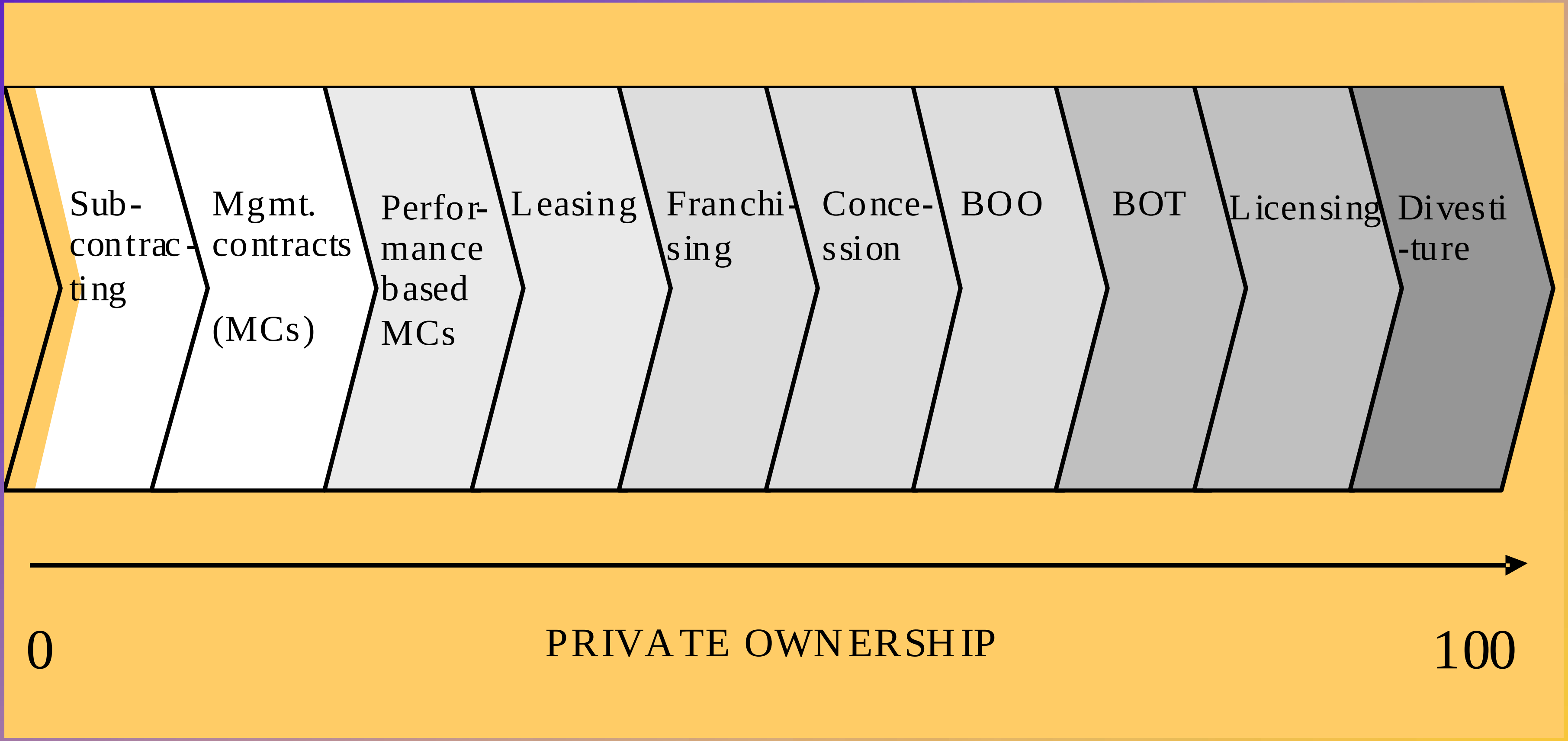


Table 11.1. Arguments for and against privatization

For	*Against*
• Private market factors can deliver goals and services more efficiently due to market competition leading to lower prices, improved quality, more choice and quicker delivery. Governments have few incentives to ensure enterprises they run are well run. Lack of benchmark comparison with state monopolies. • State run industries tend to be bureaucratic and changes only happen when it becomes politically sensitive. • Managers of privately owned companies are accountable to stakeholders and to the consumer while managers of public enterprises are accountable to political stakeholders.	• Governments are proxy owners of state enterprises and as such they are answerable to the people and will lose elections or popularity if state enterprises are not managed well. • Society should be sheltered from some elements of more "ruthless" market forces that do not take into consideration social responsible services such as health and education. • The government mission is for social support whose primary aim is delivering affordable and quality services to society. • Governments can raise funds in the financial markets more cheaply than private companies and re-lend to state owned enterprises.

(Contd….)

For	*Against*
• Investment decisions are governed by market interest rates instead of cross-subsidizing of government entities with overall credit risk of the country. • Governments may bail out poorly run state businesses often due to sensitivity of job losses when economically it may be better if such enterprises are curtailed. • Successful market led enterprises generate new jobs, stimulate R+D and create wealth for society. As such subsidies are reduced, and less taxes are raised by governments to maintain state corporations.	• Governments have chosen to keep certain sectors or companies under public ownership because of their strategic or national interest and which cannot be turned over to the private sector to manage. • Government owned companies in essential utilities such as water or electricity provide such services to all regions and would not cut off regions or households less able to pay. • Government corporations often take a long term view of their operation unlike short term conflict between profitability and service level of private companies.

Saudi Arabia's basic privatization objectives

- The Supreme Economic Council has formulated the following eight basic objectives for the program:
  1. Improving capacity of the national economy.
  2. Encouraging private sector investments and effective participation.
  3. Expanding the ownership of productive assets to Saudi citizens.
  4. Encouraging local investments of domestic and foreign capital.
  5. Increasing Saudi employment opportunities.
  6. Providing services to citizens and investors in a timely and cost efficient manner.
  7. Rationalizing government expenditures and reducing the burden of the government budget.
  8. Increasing government revenues from sale of assets.

Privatization efforts by sector: mixed results.

- **From 2006 the pace of privatization initiatives has picked up and the key initiatives undertaken or planned are as follows:**
  1. ***SABIC*: Government sold 30% of its share to the pubic in the largest non-oil hydrocarbon industry and SABIC shares are actively traded on the *Tadawul* index.**
  2. ***Saudi Electricity Company (SEC).* Saudi government retains 74.15% of SEC and rest held by the private sector. The government has established an Electricity Services Regulation Authority to assist with privatization program and is considering alternative forms of private sector participation (eg. BOO, BOT and even BOOT – Build-Own-Operate-Transfer).**

3. *Saudi Telecommunications Company (STC).* **Government raising SR 15 billion through sale of 30% to public The STC is the Saudi stock markets second largest listed company. Following WTO accession several other telecom providers have entered the Saudi market (Mobily, Zain) creating competition for STC.**
4. *Saudi Arabian Airlines (SAUDIA).* **By 2010 Saudia's non-core activities such as catering, ground services, cargo, aviation academy and real estate divisions were privatized. Core aviation services will be privatized by 2011.**
5. *General Railway Organization (GRO).* **To date the private sector has executed a number of projects and services to GRO in engineering, maintaining the railway network and electronic booking system, and operating the day docks of Dammam and Riyadh.**

6. ***Saudi Post Corporation*: One of the most advanced in terms of privatization with nearly 95% of all postal services run by the private sector.**

7. ***General Port Authority*: The private sector involvement was through 10 year leases to operate the general port services on an income-sharing basis.**

8. ***Grain Silos and Flour Mills Organization (GSFMO):* Final decision to convert the GSFMO into a fully commercial enterprise, or by separating all the silos from the mills, are still awaited.**

9. ***The Saline Water Conversion Corporation (SWCC):*** **Demand for water has grown sharply and Saudi investment in the desalination sector has been significant. Saudi Arabia has the world's largest desalination capacity and represents 41% of total GCC capacity. Privatization of SWCC is progressing with plans to establish a Holding Company but sell the desalination plants to the private sector, while keeping the transmission lines with the Holding Company.**

10. ***Saudi Arabian Mining Company (MAA'DEN):*** **In 2008, *Maa'den* offered 50% of its share to the public raising SR 10.956 billion. The company is now restructuring its operations and seeking international partners to exploit Saudi mineral resources.**

11. ***Privatization of Education Services:*** **During 2008, the Saudi Ministry of Education privatized some educational support services such as leasing of unused land recycling of paper waste, school transportation, school canteens, and allowing private sector to bid for building of new schools and maintenance of current ones.**

Besides the above, the Saudi government has signaled its willingness to enter into PUBLIC-PRIVATE-PARTNERSHIPS (PPP) with the private sector, especially for the MEGA Economic city projects now underway.

Table 11.2. Saudi economic cities: major characteristics

Characteristic	*Kind Abduflah Economic City*	*Prince Abduiaziz bin Musaed Economic City*	*Knowledge Economic City*	*Jazan Economic City*
Location	Rabigh, Red Sea Coast, North of Jeddah	Hail, Northern Saudi Arabia	Madinah	Jazan, Southern Saudi Arabia
Project size ($ Billion)	$ 80 Billion	$ 23 Billion	$ 7 Billion	$ 30 Billion
Project Area Sq. m.	168 Million	156 Million	8 Million	110 Million
Project Details	Largest Saudi private sector development	30,000 residential units	Focus on knowledge based industries	Heavy industries (aluminum, refinery, steel, power)
	260,000 apartments and 56,000 villas	180,000 residents	30,000 housing unit	Secondary industries (Fisheries, pharmaceuticals, tech parks)
	To generate 1 million new jobs	New airport	20 000 new jobs	500,000 New jobs.
	Promoting energy and transportation related industries	250,000 new Jobs	150,000 residents	
	Seaport of 13.8 million Sq. m. handling 300,000 pilgrims	Agro industry and mineral exploitation services	4000 multi purpose commercial units Hotels	
Expected completion date	2020	2018	2020	2013 Phase 1 2023 Phase 2 2037 completion

Obstacles to privatization

- While significant movement has been made in some sectors as explained earlier, there is still some debate on whether Saudi Arabia should opt for complete privatization instead of partial privatization of state assets.
- Potential obstacles are many and some relate to the possible impact on Saudi employment.

Table 11.3. Saudi privatization: possible obstacles

Obstacles	*Rationale*
1. Fair book value for public assets	• A wide gap could arise between the fair book value and the market price. There could be limited availability of information concerning government operations and future risk factors, thus affecting the valuation method.
2. Rigid pay structure	• Government employee pay scales are higher than in the private sector, and sometimes are not related to productivity. There is the problem of adjusting wages and reducing employment numbers, and of allowing the private sector to strike a balance between wages and productivity expectations.
3. Government Subsidies	• The removal of government subsidies on basic services such as utilities or healthcare could cause social problems. At the same time, artificially imposing low price levels will affect the most efficient allocation of private sector resources. Other forms of income support for those who are less well-off will have to be found.
4. Lack of Regulatory Framework	• The government needs to address this major concern to ensure consumer protection and a degree of competition after privatization. Major progress has been made as the privatization process picked pace and experience been gained.
5. Updating public sector accounting standards	• These need to be updated so as to allow prospective investors to evaluate the true worth of these privatized public corporations.
6. Financial Resources	• There is a lack of depth in current Capital Market structure that will make it more difficult to transfer public to private ownership. However, the growth in the numbers of new IPO's as well as their size indicates that this might not be such a critical impediment. • Domestic banks have an aversion to long-term risk capital and there is an uncertain commercial /legal framework.
7. Employment	• Potential unemployment becomes an issue, as the government faces pressure to reduce current unemployment levels.

Employment consequences of privatization are sometimes misplaced.

- The fear of nationals losing jobs post-privatization is often a political impediment for full privatization.
- Studies carried out on the effect of privatization on employment prior to, and after privatization from many countries in both the developed and developing countries, reveals that after 3 years there is in fact *no* material change on employment.
- The studies reveal that ,on the whole, the level of efficiency, dividends, investment, and profitability rises post-privatization for *both* developed and developing countries..

Table 11.4 Consequences of privatization

Concept	*Measure*	*Countries*		*Source*	*Median 3 Yrs. before Sale*	*Median 3 Years After Sale*
Profitability	Net Income/ Sales	(IC)	=	MNR	5.5%	8.0%
		(DC)	=	BC	4.3%	11.0%
		(IC)	=	DM	14.0%	17.0%
Efficiency	Sales/number of employees*	(IC)	=	MNR	0.96*	1.06*
		(DC)	=	BC	0.92*	1.17*
		(IC)	=	DM	1.02*	1.23*
Investment	Capital Expenditure/ Sales	(IC)	=	MNR	12.0%	17.0%
		(DC)	=	BC	11.0%	24.0%
		(IC)	=	DM	18%	17.0%
Output	Sales adjusted by CPI	(IC)	=	MNR	0.90*	1.14*
		(DC)	=	BC	0.97*	1.22*
		(IC)	=	DM	0.93*	2.70*
Employment	Number of Employees	(IC)	=	MNR	40,850	43,200
		(DC)	=	BC	10,672	10,811
		(IC)	=	DM	22,941	22,136
Leverage	Debt/assets	(IC)	=	MNR	66%	64%
		(DC)	=	BC	55%	50%
		(IC)	=	DM	29%	23%
Dividends	Dividends/sales	(IC)	=	MNR	1.3%	3.0%
		(DC)	=	BC	2.8%	5.3%
		(IC)	=	DM	1.5%	4.0%

Notes: *Ratio in year of sale set to 1.00 to avoid large differences among industries

IC = Industrialized Countries, DC = Developing Countries.

MNR - Source: Megginson, Nash and Van Randerborgh (1994)

BC -- Source: Bourbaki and Cosset (1998)

DM - Source: D'Souza and Megginson (1999).

Foreign Direct Investment (FDI)

- FDI is an investment of foreign assets into domestic structures, equipment and organizations. It does *not* include investment in the stock markets.
- FDI is thought to be more useful to developing economies, due to technology and management best practices transfer and direct employment opportunities for nationals.
- FDI is a major component of today's global business environment, and a way for multinational companies to achieve strategic advantage.
- While the global financial crisis of 2008/2009 has affected the flow of FDI, net capital flows remain substantial, but with different gainers/losers amongst nation blocks.

Table 11.5. Net capital flows to emerging and developing markets 2006-2009 ($ Billions)

Region	*2006*	*2007*	*2008*	*2009*
Africa: TOTAL	**35.2**	**33.4**	**24.2**	**30.2**
- Net direct investment	23.4	32.1	32.4	27.6
- Net portfolio investment	17.6	9.9	-15.8	0.9
- Other net investments (outflows)	-5.7	8.3	7.9	1.8
Middle East: TOTAL	**-50.0**	**11.0**	**-120.9**	**-29.5**
- Net direct investment	14.9	4.0	11.4	17.6
- Net portfolio investment	-25.7	-31.0	-12.3	-14.4
- Other net investments	-39.2	38.0	-120.1	-32.7
Emerging Asia: TOTAL	**31.8**	**164.8**	**127.9**	**-46.9**
- Net direct investment	94.3	138.5	222.6	161.6
- Net portfolio investment	-107.2	11.2	-65.9	-192.1
- Other net investments	44.6	15.2	-28.7	-16.3
Commonwealth of Independent states	**55.1**	**127.2**	**-127.4**	**-119.0**
- Net direct investment	20.7	26.6	44.4	17.3
- Net portfolio investment	12.9	14.5	-36.8	1.6
- Other net investments	21.5	86.1	-135.1	-137.9

Source: *SAMA, IMF, World Economic Outlook*

Saudi FDI- the operational framework

- **Saudi Arabia's WTO accession in 2005 helped to bring changes to the Kingdom's investment environment under the *Agreement on Trade Related Investment Measures (TRIMS)*.**
- **Even before WTO accession, the Kingdom was preparing to legislate for new investment laws. In 2000 a new law was enacted to make FDI more attractive.**
- **The 2000 Foreign Investment Law also established the Saudi Arabian General Investment Authority (SAGIA) as the responsible body to oversee FDI and interface with foreign companies.**

Table 11.6 Comparisons of main features of the new and old Saudi foreign investment laws.

Feature	*New Law*	*Previous Law*
Tax-holiday	• **No reference is made to tax holidays and dividends taxes.**	• **If the Saudi share in the company is greater or equal to 25%, foreign investors will not pay taxes during the first ten years for industrial projects, or five years for services and agricultural projects.**
Taxing Scheme	• **If the corporate profits of a company are:** • **less than SR 10,000; they are taxed at the rate of 20%; the rate rises to 30% if corporate profits are more than SR 100,000. The new law reduced the tax brackets from four to just two.**	• **If the corporate profits of a joint venture company are:** - **less than SR 100,000, the tax rate is 25%;** - **more that SR 100,000, but less than SR 500,000, the tax rate is 35%;** - **more than SR 500,000, but less than SR 1,000,000, the tax rate is 40%.;** - **more than SR 1,000,000, the tax rate is 45%.**
Financial Losses	• **There is no limitation on the number of future years that financial losses can be allocated to**	• **Financial losses can only be allocated to next year's operations.**
Loans from the Saudi Industrial Development Funds (SIDF)	• **Companies fully or partially owned by foreigners can apply for subsidized loans from SIDF and can now enjoy all of the incentives and privileges offered to local projects.**	• **For company to apply for SIDF loans, the Saudi share in equity has to be at least 25%.**
Real Estate Ownership	• **Full ownership of the project is granted to the licensed firm (including land, buildings, and housing for employees).**	• **There must be a Saudi partner/sponsor who would own the land.** • **Foreign ownership prohibited.**

Table 11.6 Contd…

Sponsorship	• No Saudi sponsor is needed for the foreign investor. The licensed company will be the sponsor for the expatriate workers.	•The Saudi partner will be the sponsor for the foreign investor and for expatriates working in the joint venture company.
Investment Guarantees	• Foreign investor has the right to transfer his share derived from selling his equity or profits out of Saudi Arabia. Not subject to expropriation (nationalization) except in public interest and in exchange for equitable compensation.	•None were specified.
Feature	New Law	Previous Law
Penalties for Violation	• A petition against any penalty may be brought by foreign investor before Board of Grievance. Possible penalties include: withholding incentives, imposing fines not exceeding SR 500,000 and cancelling a license.	•Kingdom could cancel license or deny incentive after investor received warning from Ministry of Industry and Electricity to correct violation within a certain period. Investors could appeal to Board of Grievances within 30 days.
Administration	• SAGIA Investor Services (one stop shop) was focal point for investors and comprises representatives of nine investment related ministries.	•Several ministries and government agencies.
Type of investments	• 100% foreign owned project in addition to joint ventures	•Favoured joint-ventures over 100% foreign.
Period of Approval of Licenses	• Maximum 30 days	•Not specified
Investment Fields open to Investors	• All fields open for investments except those on “negative list”	•To be approved under national development plan.
Possibility of more than one license	• More than one license allowed in different fields	•Restricted and had to be in the same field.

Source*: SAGIA.*

Saudi FDI- a score sheet

- **FDI, if properly targeted and encouraged, can play an important "spill-over" effect on countries. At the same time there can also be negative consequences.**
- **Such negative consequences can be "*crowding out*" domestic industries by foreign entrants, creating balance of payments problems for outward remittance of dividends and profits by foreign companies, and creating "enclave economies" with little connection to the local economy.**
- **For Saudi Arabia, the balance sheet seems to indicate a *positive* return from FDI flow.**

Table 11.7 Foreign direct investment: Saudi Arabia stock sheet

FDI Factor	*Analysis*	*Saudi Arabia Applicability*
POSITIVE FACTORS 1. *Capital Formation*	• This is more stable than other forms of investments. Essentially it is an equity investment – profits are repatriated when projects yield returns and part of the profits are reinvested in the host country. • Risks are borne by foreign shareholders. • FDI will not lead to debt crises (like bank lending) that require bailouts.	• Applicable: In Saudi Arabia investments are in either Saudi majority-owned companies, or, now, in 100% foreign-owned companies.
2. *Productivity Growth*	• A new understanding of the growth process treats technological changes as endogenous growth. This also involves the "soft" side of technological advances (organizational structure, managerial practices, etc.) that contribute to productivity growth. • Rather than re-invent technological advances, developing countries can benefit from best practices in standards, embodied technology and markets of parent company.	• Applicable: This is the main reason why SABIC established international joint venture affiliates as examples as well as entry of new telecom companies such as Mobily and Zain.
3. *Economic Linkages*	• The impact of FDI on domestic economic growth depends on spreading out best practices through backward linkages with local producers and distributors, horizontal linkages with local competitors, and linkages with local institutions such as Universities and research institutes.	• Applicable: Local sourcing is an important stimulant to domestic companies. Linkages to Universities are also important (e.g. Science park). • More is needed on backward linkages with local suppliers, but this varies with the industry.
4. *Employment and Labour Standards*	• Employment can be created via 3 areas: (a) direct employment in operations, (b) backward and forward linkages in enterprises that are suppliers, subcontractors and service providers, and (c) employment in sectors not directly related to FDI project. • Quality of labour standards is improved in the domestic economy, through good labour practices, superior working conditions and positive career prospects. • Adopting international global management-labour practices that are different from host country and ensuring that practices are of international standards	• Applicable: The quality of labour employment and the creation of best employment practice has been more important to date than the quantitative aspect of employment and Saudi companies are adapting best HR practices from leading international companies now operating in Saudi Arabia.

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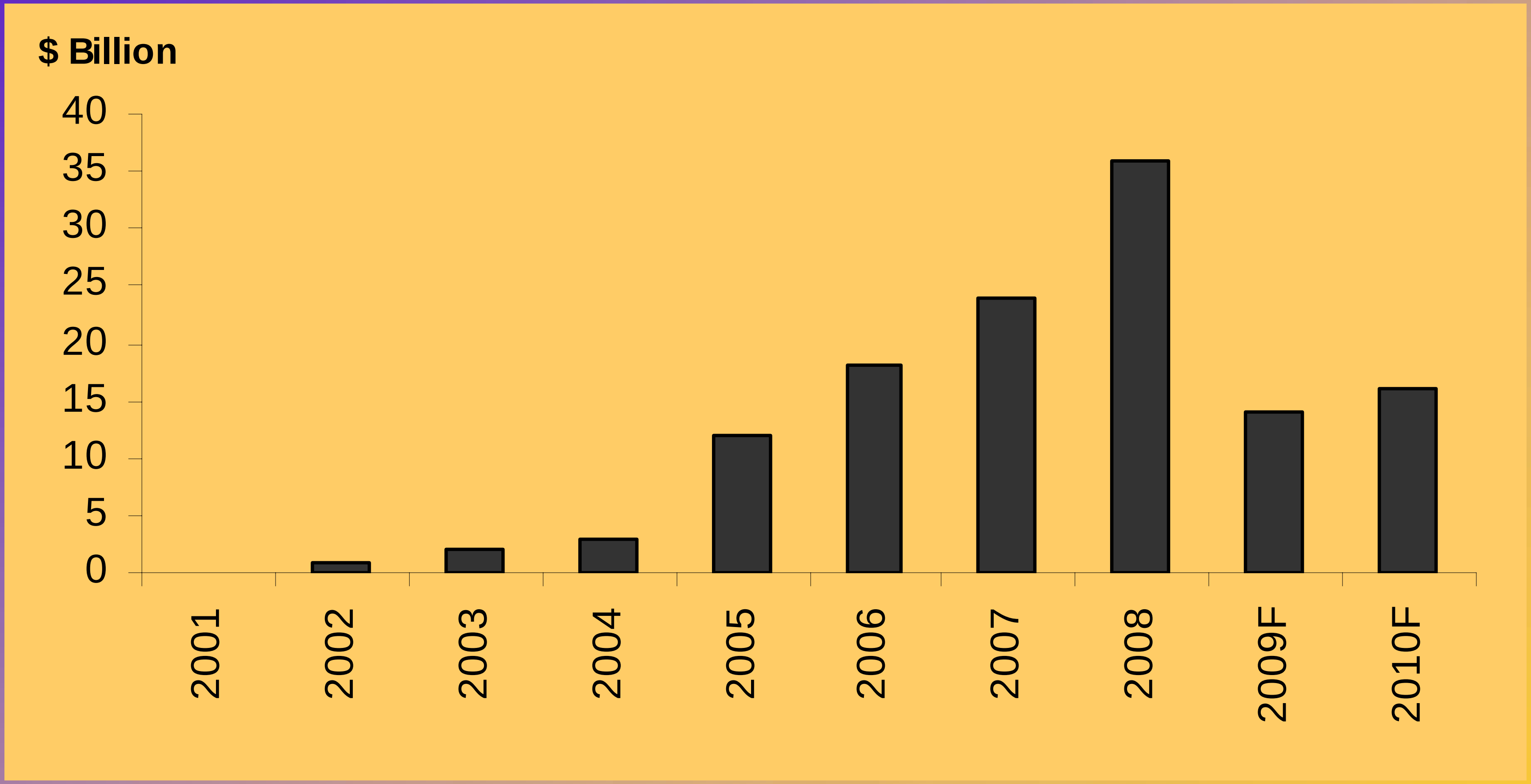
Table 11.7 Contd…..

FDI Factor	Analysis	Saudi Arabia Applicability
5. *Environmental Standards*	• FDI can lead to higher environmental controls and procedures.	• Applicable: Saudi Arabia insists on the latest environmental-friendly technology.
NEGATIVE FACTORS 1. *"Crowding Out" effect*	• FDI may remove investment opportunities of the domestic firms and drive them out of business (e.g. in financial markets). • If FDI borrows locally, interest rates could rise if there are scarce resources, making borrowing for local firms uncompetitive. • FDI could pre-empt entry into the market of some types of production, especially if the foreign company employs aggressive marketing practices.	• There is not yet any evidence of this in Saudi Arabia, as most FDI has been capital intensive and the joint venture majority is Saudi owned.
2. *Balance of Payments Problem*	• FDI profits could be repatriated, constituting financial outflows to be set against net annual FDI inflow. This is important for countries with exchange controls.	• This is not an issue for Saudi Arabia as no exchange control regime exists.
3. *"Enclave Economies"*	• FDI investments could be narrowly based with a limited overall impact on domestic economy and benefiting only a small group of population. Examples are in mining natural resource extraction or "Export Processing Zones whereas if mining is only for exports, then it will not generate secondary industry employment. Neither would repackaging of goods in a duty free "export processing zone."	• Not applicable as oil sector is in state hands and no foreign owned exclusive zones exist.

Saudi FDI flows on the rise

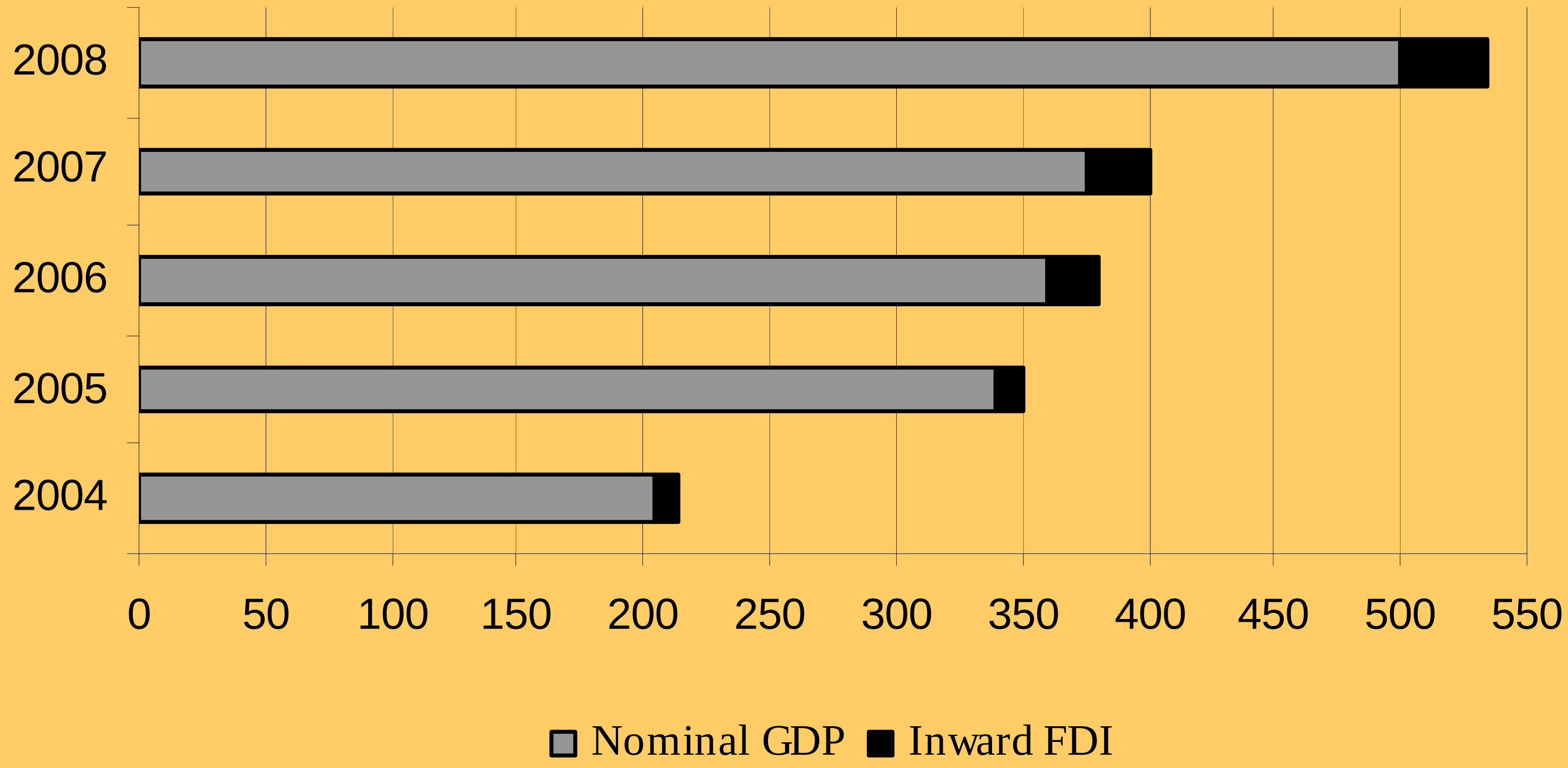
- **After many years of relatively low FDI inflows, the Kingdom is now attracting more FDI but still not on par with its economic size and potential.**
- **2008 saw a sharp rise of nearly $ 40 billion, compared with $ 245 million on average per year during the period 1990-2000.**
- **FDI is now making a larger impact on the national economy, and the relative size of FDI to GDP has also been rising despite the global financial crisis of 2008/2009.**

Figure 11.3. Saudi FDI inflows (2001-2010)



Source*: UNCTAD* ***F = Forecast***

Figure 4.4. Saudi Arabia's FDI vs. GDP (US$ bn)



Source*: SAMBA, UNCTAD, World Investment Report, 2008*

Saudi FDI is mostly developed country driven

- Analysis of FDI flows to Saudi Arabia by country of origin reveals that the top-ranked FDI countries are developed economies, but with the UAE making an inroad by 2008 due to its investment in the Saudi mega cities.
- Japan overtook the USA as the largest FDI contributor by 2005, while FDI from offshore tax havens such as the Bermuda and Cayman Islands fell due to stricter "know-your-clients" rules.

Table 11.8. Net cumulative FDI flows into Saudi Arabia – top ten countries 1999-2005

	Country	*1999 ($ Million)*		*Country*	*2005 ($ Million)*
1.	USA	2,252.5	1.	Japan	12,906
2.	Japan	576.8	2.	USA	4,979
3.	Bermuda	312.3	3.	France	4,035
4.	Netherlands Antilles	219.9	4.	UAE	3,930
5.	Jordan	214.7	5.	Germany	3,351
6.	France	198.3	6.	Lebanon	1,292
7.	UK	147.1	7.	Canada	1,069
8.	Panama	107.6	8.	Bermuda	1,043
9.	Italy	100.7	9.	Cayman Islands	981
10.	Switzerland	97.1	10.	UK	780

Source: *National Centre for Economic and Financial Information, 1999, SAGIA, 2006*

FDI inflows by sector and ownership

- **Analysis of FDI by investment sector reveals that the industrial and service sectors are the most favored, while agriculture receives negligible flows.**
- **By 2005, the cumulative FDI flow had reached over SR 150 billion, with joint venture investments accounting for SR 108 billion or nearly 72% , compared with 100% fully foreign owned and licensed FDI projects. From 2006, the pace of FDI inflow picked up sharply as analyzed earlier.**

Table 11.9. Total cumulative FDI finance by ownership and project sector 2005

Investment Sector	*Fully Foreign Licensed*		*Joint Venture Licensed*	*2005*
	Number	*Value (SR Billion)*	*Number*	*Value (SR Billion)*
• Industrial	782	21.392	464	100.057
• Services	1,271	22.19	586	7.898
• Agriculture	5	0.125	4	0.366
TOTAL	**2 ,058**	**43.707**	**1,054**	**108.321**

Source: *SAGIA*

Cross-border M+A's are also important FDI flows

- Sometimes the driving force behind FDI is not *new* projects or joint-venture projects but rather through cross-border mergers and acquisitions (M+A's) or existing companies.
- In the developed world, M+A's become primary modes of FDI entry, while in the developing world these are still small but growing.
- Cross border M+A deals in the Arab world are still few due to closed family structures and fear of economic/political uncertainties.
- Even then, some of the Arab world's M+A activity has been driven by foreign companies.

Table 11.10. The ten largest cross-border M&A deals in the League of Arab States, 1987-2010

Acquired Company	*Target Country*	*Acquiring Company*	*Acquiring Country*	*Year*	*Value in Million Dollars*
Zain	Kuwait	Bharti	India	2010	10,700.0
Telecommunication Corporation of Jordan	Jordan	Investor Group	France	2000	508.0
Assiut Cement	Egypt	Cemex	Mexico	1999	373.0
Societe Marocaine de L'Industrie	Morocco	Corral Petroleum Holding AB	Sweden	1997	372.5
Societe des Cimens de Gabes	Tunisia	Secil (Semapa – Sociedade)	Portugal	2000	251.0
Al Ameriya Cement Corporation	Egypt	Lafrage Titan	France	2000	249.0
Societes des Ciments de Jbel	Tunisia	Cimpor – Cimentos de Portugal EP	Portugal	1998	229.9
Alexandria Portland Cement (EG)	Egypt	Blue Circle Industries PLC	United Kingdom	2000	196.0
Al-Sharif Group	Egypt	Investor Group	Saudi Arabia	1993	177.3
Societes des Ciments d'Enfidha	Tunisia	Uniland Cementera SA	Spain	1998	169.1
Credit Libanais (Lebanon)	Lebanon	Investor	Saudi Arabia	1997	163.0

Source: *UNCTAD, Cross-border M&A Database*, 2002.

Higher oil prices and revenue flows helped some GCC countries in the M+A sector

- **High oil prices and government revenue flows during the period 2006-2008 have helped some GCC countries, such as the UAE and Saudi Arabia, to enter into more active M+A deals.**
- **The UAE was the most prominent for net purchases compared with Saudi Arabia. Both are still well below Turkey and are insignificant players compared with *global* M+A deals (less than 1% of global net purchases for 2008).**

Table 11.11. Cross Cross-border merger and acquisition overview, 1990-2008, (Million of dollars)

Region/ economy	Sales (net) 1990-2000 (Annual average)	Sales (net) 2006	Sales (net) 2007	Sales (net) 2008	Purchases (net) *1990-2000 (Annual average)*	Purchases (net) 2006	Purchases (net) 2007	Purchases (net) 2008
Saudi Arabia	***15***	***21***	***125***	***102***	***536***	***5,398***	***12,730***	***1, 450***
Memorandum								
Turkey	78	15,340	16,415	11,628	42	356	767	1,313
United Arab Emirates	12	53	1,230	1,225	111	23,117	15,611	4,384
Asia and Oceania	8,970	65,130	68,538	64,730	10,488	70,714	91,250	89,006
Developing economies	25,860	89,028	96,998	100,862	13,900	114,119	139,677	99,805
World	**257,070**	**635,940**	**1,031,100**	**873,214**	**257,070**	**635,940**	**1,031,100**	**673,214**

Source: *UNCTAD, World Investment Report, 2009*

Conclusion

- The Kingdom has been commended for its adoption of the new Foreign Investment Law which liberalized the investment environment.
- The pace of privatization has been somewhat slower, but the ground work has been placed in term of regulatory authorities and advanced studies to implement privatization plans.
- Saudi Arabia is now a more attractive FDI target country that adds value to long term, value-added projects.