

Saudi Arabia's Vision to Attract Foreign Investment: Investment Opportunities

Masuod Alamshhadani

College of Business Administration, Prince Sattam bin Abdulaziz University,

Almashhadani.Masuod@yahoo.com

Abstract

This research aimed to reveal on the investment opportunities that the Kingdom of Saudi Arabia offer to achieve its investment vision. To answer the research questions, the descriptive and analytical approaches were used to identify the opportunities provided by the Kingdom of Saudi Arabia to promote investment in line with the Kingdom's Vision 2030. The research found that the Kingdom includes diverse investment opportunities in vital sectors that constitute priorities for its investment vision, including Energy and Heavy Industries Sector, Financial Services Sector and Tourism Sector. The results indicate that the Kingdom is making strides in developing its laws and regulations to improve its investment environment and increase the attractiveness of foreign capital. The Saudi government has brought about a qualitative shift in the investment environment through a set of legislative reforms consistent with the Kingdom's Vision 2023. The Kingdom's investment vision is considered flexible and comprehensive enough to provide a general framework within which to work, and to create diverse legislative incentives to support economic growth and development, starting with reducing bureaucracy and facilitating investments and related procedures

Keywords: *Saudi Arabia's Vision, Attract, Foreign Investment, Investment Opportunities*

1. Introduction

Investment occupies a significant position in government development policies. It is one of the basic components of aggregate demand, as it contributes to providing job opportunities and producing goods and services needed by society for final and intermediate consumption purposes, or for export.

Countries, especially developing ones, need to stimulate investment and motivate investors to increase their investments in order to achieve economic stability, which is accompanied by high rates of economic development. This is in addition to the fact that improving levels of economic activity and decreasing unemployment levels depend largely on levels of investment spending. However, these benefits depend on the suitability of the investment environment, the protection of investor rights, and the encouragement of investment in various sectors (Al-Froukh, 2019). The ability to attract these investments depends largely on a specific set of basic components in the host countries, as the country must provide a stable investment environment and clear and transparent laws, in addition to facilitating licensing procedures and encouraging innovation and technology (Al-Otaibi, 2025).

In this context, the Kingdom of Saudi Arabia is witnessing a positive transformation through a series of legislative and regulatory reforms aimed at developing the investment environment and keeping pace with international best practices in attracting foreign investment (Al-Dhaibani, 2023). These reforms are part of the Kingdom's Vision 2030, which sets out an ambitious strategy to transform the Kingdom into a global economic and investment hub that leverages its geographic location and natural resources. Among the legislative reforms that increase the Kingdom's attractiveness to foreign investment are amendments to the Foreign Investment Law, the new Companies Law, and tax laws. Therefore, and given the importance of foreign investment in supporting future economies, particularly in developing countries; the current research seeks to reveal on the investment opportunities that the Kingdom of Saudi Arabia offer to achieve its investment vision.

1.1 Research problem and questions

Foreign Direct Investment (FDI) flows to Arab countries fluctuate from year to year in terms of value, as well as their share of total global FDI flows. This is primarily due to the fact that the largest portion of FDI flows to Arab countries represents purchases by foreign investors who are non-resident investors in these countries. In addition, the investment climate in Arab countries is characterized by sensitivity in light of the surrounding local developments. Talat

(2019) added that despite the efforts made by Arab countries to improve their investment climate by issuing laws and legislation that encourage investment and providing facilities and incentives to attract foreign direct investment, they have not succeeded in becoming important attractive locations for foreign direct investment compared to other developing countries.

In the Kingdom of Saudi Arabia particularly, the strategies followed to encourage foreign investment are an integral part of the country's comprehensive development strategy, as investment, as a driving force for economic development, plays a vital role in strengthening the country's economy and developing its resources. Therefore, countries adopt various methods to stimulate foreign investment, based on legislation that attracts foreign investment. In an effort to achieve economic development and transition from an oil-based economy to a sustainable investment economy, the Kingdom has developed long-term plans aimed at diversifying its economic sources, most notably foreign investment. Based on that, the problem of the research can be summarized in the following questions:

1. What are the advantages of attracting foreign investment to the host country?
2. What investment opportunities does the Kingdom of Saudi Arabia offer to achieve its investment vision?

1.2 Research importance (significance)

Foreign investment is one of the pillars of economic development and sustainable development in both developed and developing countries, as it improves infrastructure, creates new job opportunities, increases market competitiveness, and enhances regional and global integration. The importance of foreign investment lies in its crucial role in developing the national economy through infrastructure development, job creation, and stimulating economic growth.

Given this growing importance, countries compete extensively to win a larger share of these investments, which deepens economic performance and accelerates their integration into the global market. The Kingdom of Saudi Arabia has been keen to become an attractive destination for foreign investment, and has launched a series of legislative and regulatory reforms. The Kingdom aims to establish an investment environment that meets international standards for foreign investment, through its ambitious vision. The Kingdom seeks to enhance its position as a global investment hub by making its economy more diversified and sustainable, stimulating the private sector, and achieving greater integration with the global economy.

The current research will provide important information about the challenges still facing the investment environment in the Kingdom of Saudi Arabia, bolstering the efforts of decision-makers in the Kingdom to take the necessary measures to overcome these challenges and provide more investment opportunities that attract more foreign investment to the Kingdom.

2. Research methodology

To answer the research questions, the descriptive and analytical approaches will be used to identify the opportunities provided by the Kingdom of Saudi Arabia to promote investment in line with the Kingdom's Vision 2030. The research will also address some of the local legislative reforms introduced by the Kingdom of Saudi Arabia in the field of foreign investment. The research will draw on a range of primary and secondary sources for citation in the current research.

3. Literature review

3.1 The concept of foreign investment

Foreign investment is defined as investment coming from outside a country, and it occurs through the transfer of foreign capital to contribute to the establishment of investment projects in the economy of another country (Al-Qaniya, 2021). This investment is a means of achieving global economic integration, transferring technology and knowledge, promoting international trade, improving economic performance, increasing productivity and employment, developing infrastructure, and providing other benefits to host countries (Gharbi and Gharbi, 2022).

Foreign investment takes various forms, the most prominent of which is foreign direct investment (FDI), which involves investing funds directly in companies, factories, or real estate in the host country. Foreign investment may take the form of joint ventures between foreign and local companies, the establishment of branches or subsidiaries in other countries, or investment in stocks, bonds, or securities of foreign companies (Al-Dhaibani, 2023).

Foreign investment provides numerous opportunities for foreign companies and investors to benefit from the advantages offered by the countries in which they invest, such as obtaining economic and trade licenses, lower labor and raw material costs, and increased production efficiency and profitability (Al-Jarrah, 2024). Foreign investment is considered a stimulating factor for economic development in all countries, as it enables each country to benefit from its strengths in the production of goods and services that distinguish it from other countries. This allows access to new markets and facilitates the process of transferring modern technologies in

addition to foreign capital, which in turn increases the productivity and efficiency of national economies through the establishment of new activities, or the expansion of existing activities.

3.2 The advantages of attracting foreign investment to the host country

Foreign investment offers many advantages to host countries, the most important of which are (Zrilic, 2019; Al-Dhaibani, 2023):

1. Enhancing international trade rates: whether through exporting products produced by foreign companies in the host country, or through importing raw materials, equipment, or services required by these companies from other countries. This improves the host country's balance of payments, increases its hard currency income, and enhances its ability to repay its external debt.
2. Improving the host country's economic performance: by increasing economic growth rates, productivity, efficiency, innovation, and competitiveness. This leads to raising the standard of living for the population, improving human development indicators, and reducing poverty and unemployment rates.
3. Transferring technology to the host country by introducing the latest equipment, machinery, methods, and techniques into the production process, applying best practices and standards in business management, and providing training and qualification opportunities for workers in investment-related projects. This leads to raising their skills and competencies and increasing their employability.
4. Improving the host country's infrastructure by developing projects that serve production or service purposes.

However, although attracting foreign investment brings many benefits to the host country, it faces a number of challenges, including political and security instability, which reduces investor confidence in the host country and exposes them to threats and extortion. In addition, the lack of an appropriate legislative environment poses a challenge to attracting and retaining foreign investment (Perrone, 2022). Zrilic (2019) argued that the lack of legislation, laws, and policies that encourage investment, or their lack of effective implementation, leads to the creation of a legislative environment that is unattractive to foreign investment.

It can be said that foreign investments represent a vital factor in stimulating and strengthening the national economies of the host country, and contribute effectively to achieving sustainable development. However, these investments face a set of challenges and difficulties that hinder their flow and effectiveness. For this reason, the responsibility of countries seeking to attract

more foreign capital lies in appreciating these challenges and working resolutely to address them. Hence it is important to have a robust and attractive legislative and legal framework for foreign investment, taking into account the balance of rights and obligations between the state and investors.

3.3 Investment Opportunities in the Kingdom of Saudi Arabia to Achieve the Kingdom's Investment Vision

A stimulating and stable legislative environment is considered one of the most important factors in attracting foreign investment. The more regulatory incentives the legislation includes for foreign investors, the broader the scope of incentives and investment areas covered. This creates an opportunity to attract more foreign capital. Investing in the host country is a major incentive that increases the investor's profitability and helps attract foreign capital (Al-Omari, 2020). All these aspects help create a stable and enabling legal framework for the investor's ability to predict the future investment situation in the host country, enabling investors to reduce risks and study the target market in a comprehensive manner. This makes the host country more attractive to foreign investment and provides investors with a guarantee that their investments will be protected, and that they will be able to effectively enforce their rights in the event of any dispute (Alsayed, 2021). Sornarajah (2021) emphasized that legislation should be easy, fast, and flexible in its implementation, and reduce the routine, bureaucracy, and costs in issuing licenses, approvals, certificates, or documents required to obtain the right to invest. Legislation that contains complex, delayed, or costly procedures leads to the creation of an unsatisfactory or frustrating legal environment that increases the difficulty of the investor's entry and exit from the market, and reduces the degree of His satisfaction with the host country increases his likelihood of incurring losses.

The Kingdom of Saudi Arabia seeks to become one of the best investment destinations in the world by developing a distinct and globally competitive business environment that offers multiple and attractive investment opportunities and incentives in various sectors with promising potential (Al-Dhaibani, 2023). This will achieve the goals of Vision 2030, which is based on achieving sustainable economic growth, diversifying sources of income, creating new job opportunities, enhancing innovation, and increasing the contribution of the gross domestic product. The overall development and increasing the volume of foreign investments as one of the main drivers of economic renaissance.

To achieve this vision, the Kingdom seeks to open the doors of its economic market to foreign investors, by providing several mechanisms that enable them to participate in local markets, as

qualified investors, end beneficiaries in swap agreements, foreign strategic investors, or direct investors (Al-Dhaibani, 2023). Vision 2030 is based on developing new and innovative investment channels that go beyond the current borders of the economy and target sectors. Various sectors with promising potential for growth and competitiveness, preparing them to become attractive investment opportunities that attract foreign investment (Moshashai, 2020). These sectors, in addition to underutilized sectors, include huge and ambitious national projects such as the NEOM project and the Red Sea project. The Kingdom benefits from several factors that increase its attractiveness as an investment destination in attracting foreign investment, including; its rich natural resources, its strategic location as a hub for trade routes between three continents, the speed and unity of economic and legislative reforms that stimulate investment, and the size and nature of national projects that constitute tremendous investment opportunities. The Kingdom includes broad and diverse investment opportunities in vital sectors that constitute priorities for its investment vision, including the following:

1. **Energy and Heavy Industries Sector:** This sector seeks to achieve energy and industrial transformation in the Kingdom through the use of renewable and clean energy sources and the development of advanced and globally competitive heavy industries, such as chemical, petrochemical, steel, and aluminum industries (Waheed, 2022). It also aims to create job opportunities and innovation in this sector, and increase its added value to the economy.
2. **Financial Services Sector:** This sector aims to enhance the role of the financial services sector in supporting economic growth and diversification, by improving regulation, transparency, and innovation in this sector. It also aims to attract international and regional financial institutions to invest in its financial market, which is witnessing increasing activity and promising opportunities (Moshashai, 2020).
3. **Tourism Sector:** This sector aims to transform the tourism sector into a vital sector that contributes to the economic and cultural diversification of the Kingdom by promoting the Kingdom's rich cultural and historical heritage, in addition to its unique geographical locations and important religious landmarks. It also aims to increase the number of visitors from within and outside the Kingdom by developing and improving the tourism infrastructure and providing distinguished services to visitors (Al-Dhaibani, 2023).

Based on this vision, several pieces of legislation were issued and amended to facilitate the flow of foreign investments and create a stimulating regulatory environment to attract foreign

investors as key partners in achieving economic development. The legislative approach followed by any country is considered an effective means of achieving its investment vision, attracting foreign investors, and creating new investment opportunities in all economic sectors and fields. The Saudi legislative approach is a major supporter of increasing the competitiveness of the Saudi economy by providing a stable, legally secure, and business-friendly environment, reducing bureaucracy, and facilitating the conduct of investment activities (Al-Dhaibani, 2023).

Saudi Vision 2030 relies on tax legislation as one of the fundamental pillars of attracting foreign investment. It aims to lower the income tax rate, reduce the value-added tax by 15% on most goods, and provide tax exemptions for certain sectors that align with the goals of Vision 2030. It also aims to simplify tax procedures by providing an integrated electronic system that delivers tax services efficiently and quickly (Bogari, 2020). Despite these advantages, foreign investments in the Kingdom face a number of tax challenges that negatively impact the attractiveness of the Kingdom's investment environment. Among the most prominent of these challenges is the instability or sudden change in some tax systems, which increases uncertainty and risks for investors. Investors also face difficulties in complying with and adapting to some tax systems that do not comply with international standards.

4. Research conclusion

The current research aims to clarify the investment opportunities offered by the Kingdom of Saudi Arabia to achieve its investment vision, within the framework of Saudi Vision 2030, which aims to transform the Kingdom into a global economic and investment center. The results indicate that the Kingdom is making strides in developing its laws and regulations to improve its investment environment and increase the attractiveness of foreign capital. The Saudi government has brought about a qualitative shift in the investment environment through a set of legislative reforms consistent with the Kingdom's Vision 2023.

The Kingdom includes diverse investment opportunities in vital sectors that constitute priorities for its investment vision, including Energy and Heavy Industries Sector, Financial Services Sector and Tourism Sector. The Kingdom's investment vision is considered flexible and comprehensive enough to provide a general framework within which to work, and to create diverse legislative incentives to support economic growth and development, starting with reducing bureaucracy and facilitating investments and related procedures. The Kingdom's investment vision is also based on exploiting the significant advantages of the national

technical infrastructure, represented by fast and secure electronic transactions, and employing them as a contributing factor to attracting foreign investment and creating a more attractive investment environment.

6.1 Recommendation

To enhance the investment attractiveness of tax legislation in the Kingdom and address these challenges, Saudi lawmakers must review tax regulations and make the necessary amendments to align with the ongoing economic, social, and environmental conditions and transformations. This should be done while providing commercial entities with an appropriate period of time to adapt to these changes. For example, the tax rates could be reconsidered. Added value or expansion of exemptions or discounts offered on some goods and services. Tax systems must also be unified and simplified to be consistent with international standards or prevailing practices in other countries, by avoiding duplication, contradiction or complexity in the application of tax rules. Tax rulings, interpretations, or guidelines must also be clarified in a way that facilitates understanding and avoids ambiguity, disputes, or multiple interpretations among stakeholders. This can be done by updating and publishing them regularly. For example, a comprehensive guide to taxes in the Kingdom could be issued, explaining all regulations, procedures, cases, and examples in simple and clear language.

It is also important to encourage cooperation and partnership between the local and foreign private sectors, and to support the role of non-governmental organizations and chambers of commerce in promoting investment opportunities. Among the proposed measures; facilitating procedures for establishing joint companies or solidarity agreements or alliances between local and foreign investors, engaging stakeholders, and launching media campaigns, exhibitions, or conferences to showcase available investment opportunities and projects.

References

- Al-Dhaibani, A. (2023). Modern Legislative Reforms In The Kingdom Of Saudi Arabia And Their Role In Attracting Foreign Investments "An Analytical Study". *Journal of Jurisprudential and Legal Research*, 43, 1535-1637.
- Al-Froukh, M. (2019). Developing in Investment Environment in Jordan from the Perspective of Jordan Investments Commission. *International Journal of Business and Management*, 14(10), p.116-133.
- Al-Jarrah, A. (2024). Factors Influencing the Status of Foreign Investment in Jordan - Legislation as a Model. *Al-Rai Newspaper*, Published: 18/9/2024
- Al-Omari, H. (2020). The Impact of Taxes on Foreign Direct Investment and State

Revenue in Jordan during the Period (2000-2010). *Journal of Humanities and Social Sciences*, 30.

- Al-Otaibi, Z. (2025). Foreign Investment and Economic Development: A Descriptive Study in Developing Countries. *International Evolution Journal for Science & research (IEJSR)*, Issue7, p. 8-17
- Al-Qaniya, R. (2021). Obstacles to Domestic and Foreign Investment in the Kingdom of Saudi Arabia. *Journal of Economic, Administrative and Legal Sciences*, 5 (24).
- Alsayed, M. (2021). The Impact of Tax Incentives on Foreign Direct Investment Decisions. *Legal Journal*, 16(9), 5254-5276.
- Bogari, A. (2020). The economic and social impact of the adoption of value-added tax in Saudi Arabia. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, 4(02)
- Gharbi, T. and Gharbi, H. (2022). Determinants of Foreign Direct Investment in Arab Countries. *Journal of Economic Methodology*, 5 (1).
- Moshashai, D., Leber, A. M. and Savage, J. D. (2020). Saudi Arabia plans for its economic future: Vision 2030, the National Transformation Plan and Saudi fiscal reform. *British Journal of Middle Eastern Studies*, 47(3), 381-401.
- Moshashai, D., Leber, A. M. and Savage, J. D. (2020). Saudi Arabia plans for its economic future: Vision 2030, the National Transformation Plan and Saudi fiscal reform. *British Journal of Middle Eastern Studies*, 47(3), 381-401
- Perrone, N. M. (2022). Bridging the gap between foreign investor rights and obligations: towards reimagining the international law on foreign investment. *Business and Human Rights Journal*, 7(3), 375-396.
- Sornarajah, M. (2021). The international law on foreign investment. *Cambridge university press*.
- Talat, M. (2019). The most important factors attracting foreign direct investment in Arab countries. *Egyptian Journal of Agricultural Economics*, 29 (1), 33-54.
- Waheed, R. (2022). The significance of energy factors, green economic indicators, blue economic aspects towards carbon intensity: A study of Saudi vision 2030. *Sustainability*, 14(11), 6893
- Zrilic, J. (2019). *The protection of foreign investment in times of armed conflict*. Oxford University Press