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# Electronic and Biometric Security Equipment and Services in Saudi Arabia: A Strategic Reference, 2006



Edited by

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# 1 INTRODUCTION & METHODOLOGY

## 1.1 WHAT DOES THIS REPORT COVER?

The primary audience for this report is managers involved with the highest levels of the strategic planning process and consultants who help their clients with this task. The user will not only benefit from the hundreds of hours that went into the methodology and its application, but also from its alternative perspective on strategic planning relating to electronic and biometric security equipment and services in Saudi Arabia.

As the editor of this report, I am drawing on a methodology developed at INSEAD, an international business school ([www.insead.edu](http://www.insead.edu)). For any given industry or sector, including electronic and biometric security equipment and services, the methodology decomposes a country's strategic potential along four key dimensions: (1) latent demand, (2) micro-accessibility, (3) proxy operating pro-forma financials, and (4) macro-accessibility. A country may have very high latent demand, yet have low accessibility, making it a less attractive market than many smaller potential countries having higher levels of accessibility.

With this perspective, this report provides both a micro and a macro strategic profile of electronic and biometric security equipment and services in Saudi Arabia. It does so by compiling published information that directly relates to latent demand and accessibility, either at the micro or macro level. The reader new to Saudi Arabia can quickly understand where Saudi Arabia fits into a firm's strategic perspective. In Chapter 2, the report investigates latent demand and micro-accessibility for electronic and biometric security equipment and services in Saudi Arabia. In Chapters 3 and 4, the report covers proxy operating pro-forma financials and macro-accessibility in Saudi Arabia. Macro-accessibility is a general evaluation of investment and business conditions in Saudi Arabia.

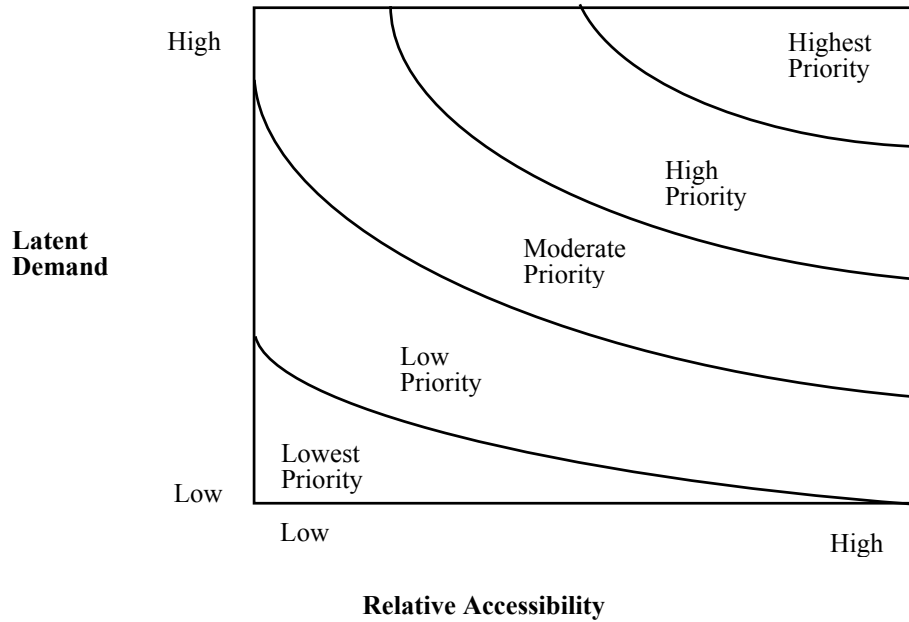
## 1.2 HOW TO STRATEGICALLY EVALUATE SAUDI ARABIA

Perhaps the most efficient way of evaluating Saudi Arabia is to consider key dimensions which themselves are composites of multiple factors. Composite portfolio approaches have long been used by strategic planners. The biggest challenge in this approach is to choose the appropriate factors that are the most relevant to international planning. The two measures of greatest relevance to electronic and biometric security equipment and services are "latent demand" and "market accessibility". The figure below summarizes the key dimensions and recommendations of such an approach. Using these two composites, one can prioritize all countries of the world. Countries of high latent demand and high relative accessibility (e.g. easier entry for one firm compared to other firms) are given highest priority. The figure below shows two different scenarios. Accessibility is defined as a firm's ease of entering or supplying from or to a market (the "supply side"), and latent demand is an indicator of the potential in serving from or to the market (the "demand side").

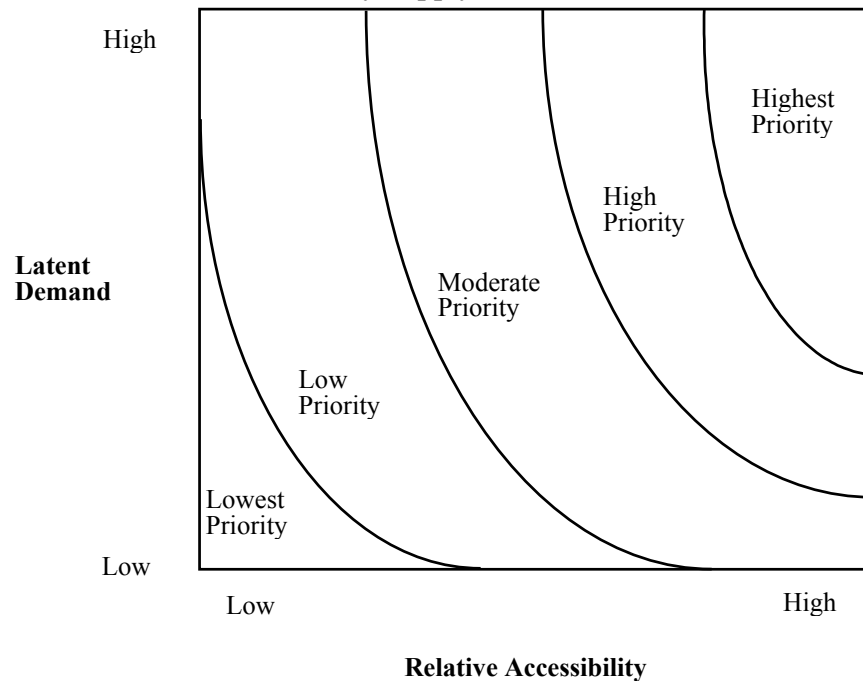


## Framework for Prioritizing Countries

### Demand/Market Potential Driven Firm



### Accessibility/Supply Averse Firm



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In the top figure, the firm is driven by market potential, whereas the bottom figure represents a firm that is driven by costs or by an aversion to difficult markets. This report treats the reader as coming from a “generic firm” approaching the global market – neither a market-driven nor a cost-driven company. Planners must therefore augment this report with their own company-specific factors that might change the priorities (e.g. a Canadian firm may have higher accessibility in Canada than a German firm).

### **1.3 LATENT DEMAND AND ACCESSIBILITY IN SAUDI ARABIA**

This report provides a detailed overview of factors driving latent demand and accessibility for electronic and biometric security equipment and services in Saudi Arabia. Latent demand is largely driven by economic fundamentals specific to electronic and biometric security equipment and services. This topic is discussed in Chapter 2 using work carried out in Saudi Arabia on behalf of American firms and authored by the United States government (typically commercial attachés or similar persons in local offices of the U.S. Department of State). I have included a number of edits to clarify the information provided. Latent demand only represents half of the picture. Chapter 2 also deals with micro-accessibility for electronic and biometric security equipment and services in Saudi Arabia. I use the term “micro” since the discussion is focused specifically on electronic and biometric security equipment and services.

Chapter 3 is also a stand-alone report that I have authored. It covers proxy pro-forma financial indicators of firms operating in Saudi Arabia. I use the word “proxy” because the provided figures only cover a “what if” scenario, based on actual operating results for firms in Saudi Arabia. The numbers are only indicative of an average firm whose primary activity is in Saudi Arabia. It covers a vertical analysis of the maximum likelihood balance sheet, income statement, and financial ratios of firms operating in Saudi Arabia. It does so for a particular Standard Industrial Classification (SIC) code. That code covers “security systems services”, as defined in Chapter 3. Again, while “security systems services” does not exactly equate to “electronic and biometric security equipment and services”, it nevertheless gives an indicator of how Saudi Arabia compares to other countries for a proxy adjacent category along various dimensions.

Chapter 4 deals with macro-accessibility and covers factors that go beyond electronic and biometric security equipment and services. A country may at first sight appear to be attractive due to a high latent demand, but it is often less attractive when one considers at the macro level how easy it might be to serve that entire potential and/or general business risks. While accessibility will always vary from one company to another for a given country, the following domains are typically considered when evaluating macro-accessibility in Saudi Arabia:

- Openness to Trade in Saudi Arabia
- Openness to Direct Investment in Saudi Arabia
- Local Marketing and Entry Strategy Alternatives
- Local Human Resources

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- Local Risks

Across these domains, a number of not-so-obvious factors can affect accessibility and risk. These are covered in the Chapter 4, which is a general overview of investment and business conditions in Saudi Arabia. Chapter 4 is also presented from the perspective of an American firm, though is equally applicable to most firms entering Saudi Arabia. This chapter is also authored by local offices of the U.S. government, as is Chapter 2. Likewise, I have included a number of edits to clarify the provided information as it relates to the general strategic framework mentioned earlier.

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## **2 ELECTRONIC AND BIOMETRIC SECURITY EQUIPMENT AND SERVICES IN SAUDI ARABIA**

### **2.1 LATENT DEMAND AND ACCESSIBILITY: BACKGROUND**

Saudi Arabia has become the world's fastest growing market for security equipment and technology. Safety concerns in Saudi Arabia are fueling a rapid expansion of the security market. Imports of security products for 2005 are estimated at over U.S. \$500 Million—a 40% increase from 2004.

Nearly every organization in the country is re-assessing existing security, many are upgrading, and a number of upcoming projects will motivate the market. Most government, quasi-government and major private facilities are upgrading existing security equipment with particular attention paid to ID systems and access controls. A project is formulating to provide ID cards for the approximately 3 million pilgrims that visit the country annually and a national ID card plan for Saudi Arabians is being introduced. A plan to fingerprint all visitors arriving in the country is also under consideration as border security is being implemented. The Traffic Department of the Ministry of the Interior (MOI) is planning to install a vehicle identification system with cameras, CCTV, and a central computerized database for monitoring traffic and infringements. The issuance of smart-card drivers' licenses is also being discussed.

American equipment is seen as top of the market. The U.S. holds an estimated 60% market share with Europe and Asia as the major competitors. However, security budgets are being stretched to the limit and U.S. firms can take full advantage of their competitive edge. Prime users of U.S. equipment are government and major industries.

### **2.2 LATENT DEMAND: MARKET COMPOSITION**

Safety concerns in Saudi Arabia are fueling a rapid expansion in the security market. Biometric technology, including iris scan and fingerprint recognition, is being adopted by various organizations including government and public sector companies. Demand is rapidly growing for verifying the identity of individuals as they conduct transactions and provide services. As far as the Saudi market is concerned, smart-cards are becoming more prevalent.

Total market size for the industrial and safety sector combined is estimated at more than U.S. \$500 million. Imports are likely to increase at a rate of 11 to 13% over the next two to three years.

Major oil and gas, petrochemical, and industrial projects stimulate a marked increase in the security sector and the drive to improve security at all levels is now in high gear. The quantity of security equipment imported into Saudi Arabia increased by an estimated 40% in 2005, with expectations of a similar percentage rise in 2006.

A number of projects are driving the market expansion:

- The MOI is instituting a project to provide ID Cards for the approximately 3 million pilgrims that visit the country annually.
- An MOI plan to implement fingerprinting for all visitors upon arrival in the country is under discussion.
- The Traffic Department of the MOI is studying a project to install a vehicle identification system throughout the country, with cameras, CCTV and a central computerized database for monitoring vehicle registration and traffic infringements.

- The issuance of smart-card driving licenses has been delayed to modify the program that now allows existing driving licenses to expire before a new card is issued.
- The National Information Center (NIC) of the MOI plans issuance of National ID cards for Saudi nationals.
- Border security measures have been under discussion by MOI for a number of years, but the current worry over infiltration by undesirables is helping to speed up the decision making process.
- Saudi Aramco, the national oil company, is upgrading access security at all company sites.
- As a result of the 1996 Security Directive, most major industries and utilities have security systems three to six years old. Facilities throughout the country are now reassessing existing systems and plan upgrades—particularly access control.
- Banking security: the amalgamation of several small banks into large entities is expected to result in a network of new bank branches. Each must comply with security specifications as set out by the Saudi Arabian Monetary Association (SAMA).

American firms supplying a product with capabilities for wireless, radio or microwave transmission will find it difficult to obtain a frequency allocation. To utilize any equipment requiring the use of a frequency, permission must first be obtained individually, and then collectively from the Ministry of the Interior, Ministry of Defense, and Ministry of Posts and Telecommunication's frequency allocation department. Past practices of random frequency allocation to different agencies and organizations complicate the process. American companies should be aware that, while not impossible, this is a time consuming and often frustrating exercise. If the telephone system is to be used, Saudi PTT lines have adequate voice quality, but data quality is marginal. Telephone charges are costly when compared to those in America.

## 2.3 LATENT DEMAND: STATISTICAL PROFILE

No published statistics are available on biometrics and security products imported into Saudi Arabia. The following table reflects estimates by security experts in the Saudi Arabian security market:

### Biometrics and Security Products, 2004-2006

(USD Millions)

	2004	2005	2006 (Est.)
Security Market	339.6	498.0	569.0
Exports	0.0	0.0	0.0
Total Market	341.6	501.4	572.0
Imports from USA	224.1	293.82	332.0
Local Production	0.6%	0.7%	0.6%

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## Import Market Share

USA	59%
UK	12%
Germany	10%
France	8%
China	5%
Other	6%

Exchange Rate: \$1=SR3.75 (constant from 1997 to present)

Estimated inflation rate: 2.0-2.5%

## 2.4 LATENT DEMAND: LEADING SEGMENTS

Demand is rapidly growing for verifying the identity of individuals at corporate and government sites, as well as at border points and airports, and the biometric security market is expected to grow over \$250 million by 2008.

The use of ID cards is widespread and is the most popular form of access control for employees, but card sharing is known to occur. Biometrics are used in only the most sophisticated facilities. In a recent survey 53% of Saudi companies believed that the use of biometrics in office buildings is warranted in light of the heightened security situation. Saudi Arabia is also amassing a fingerprint database of all citizens and foreigners that enter the Kingdom and hopes to eventually develop an automated Fingerprint Identification System (AFIS) at all air, sea, and land ports and other border crossings.

The Middle East has one of the highest adoption rates of biometric technology in the world, and the technology is being deployed in interesting ways, such as iris recognition that was piloted in the Kingdom to track Haj pilgrims. The Kingdom has been quick to recognize the importance of biometric identity assurance in border and transportation control. Saudi Arabia wants to introduce an e-gate that will use all three main biometric identifiers: facial, iris and finger scans.

U.S. companies interested in supplying the Saudi market should take into consideration the harsh climatic conditions. These can pose major problems for sensitive security items, particularly when used outdoors where they are exposed to extremes of heat as well as high humidity in coastal areas. Sand in particular can work its way through the minutest gaps. An additional difficulty is posed by the 70% attrition rate among Saudi employees, making the provision of trained operators hard to maintain.

## 2.5 ACCESSIBILITY: LOCAL PRODUCTION

There is little domestic production to provide the biometric solutions so local companies usually bring solutions from the west and add Arabic content to this solution.

Although estimated at less than 1% of the security market, there is an increasing amount of security equipment and devices being assembled or made in Saudi Arabia. These items include CCTV installation equipment, doors for automatic teller machines, emergency exit doors, vault and security doors, strengthened security glass, security and vault locks, gates, barriers and some perimeter fencing items.

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## 2.6 ACCESSIBILITY: U.S. PRESENCE

American companies that provide biometrics are considered top of the market in Saudi Arabia. Saudi Aramco is the largest non-military end-user of security items. 80% of security equipment used by Aramco is of U.S. origin, and the company is a market leader in the Saudi security world. Aramco's security department carefully screens and pre-qualifies vendors. Companies that are pre-qualified by Aramco have an edge over competitors when bidding on projects in the open market.

## 2.7 ACCESSIBILITY: FOREIGN ENTRANTS

The implementation of government regulations requiring considerable increases in industrial security make this a very attractive market. Foreign competitors have jumped at the possibilities. European companies in particular market their products aggressively, some supplying demonstration equipment free of charge to their agents.

Some foreign companies that provide biometric and access control systems and are already represented in Saudi Arabia are:

- American Dynamics, U.S. (CCTV).
- ASTI/Apollo, U.S.
- Cohu, U.S. (CCTV)
- Federal APD, U.S.
- Federal Signal, U.S.
- Intermec, U.S.
- Kaman, U.S.
- Quanta Security Systems, U.S. (Security Integrators).
- Radionics, U.S. (Intrusion Detection Systems).
- Sensormatic, U.S.
- Stratesec, Inc. U.S. (Security Integrators).
- Vicon, U.S. (CCTV).
- Honeywell, U.S.
- Lenel, U.S.
- GE Interlogics, U.S.
- Diebold, U.S.
- Apollo, U.S.
- Northern Computer, U.S.
- Biometric2000 Corporation, U.S.
- Hectrix, China.
- Hisec, Holland.

- IDTeck, Korea.
- Bosch, U.S./Germany.
- Kantech, Ryco, Canada.
- ASF, UK.
- Thomson, France.
- Philips, Holland.
- Siemens, Germany.
- Crawford, Italy (Gates).

## 2.8 LATENT DEMAND: TARGET BUYERS

Much of the end-user market is centered in the Eastern Province, home to Saudi Aramco (the national oil company), and 70% of the country's heavy industry. The petrochemical industry is estimated to account for approximately 75% of the non-military biometrics security market. Some major non-military end-users of biometrics products are:

- Saudi Aramco with 33 large sites having fully integrated security systems and sophisticated Access Control and ID requirements.
- Ministry of the Interior with responsibility for public, industrial and border safety.
- Saudi Arabian Basic Industries Corporation (SABIC): A quasi-government conglomerate of 16 large downstream petrochemical industrial sites located in Jubail and Yanbu.
- Saudi Consolidated Electricity Company (SCECO) responsible for the country's electricity.
- Saline Water Conversion Company (SWCC) with 30 water desalination plants and six new plants to be built over the next three years.
- Four seaports located in Jeddah, Dammam, Jubail and Yanbu, and seven smaller ports.
- Three international airports (Riyadh, Jeddah and Dammam), and approximately 20 domestic airports.
- Palaces belonging to members of the Royal Family, primarily centered in Riyadh, are large users of sophisticated security systems.
- Banks, in line with the Saudi Arabian Monetary Agency (SAMA) specifications.

Maintenance and backup services are of prime importance. Saudi companies struggling to operate sophisticated equipment without the benefit of qualified technical backup have a tendency to change to alternative equipment for which support is provided. While it is tempting to leave maintenance out of the initial equation in order to lower bid costs, any resulting malfunction of equipment may damage the reputation of the U.S. firm to the detriment of future sales.

The prevailing practice among organizations intending to install a biometric system is for the client to provide an outline of its requirements. Security is currently the high-profile sector and many local security contractors have leaped rapidly into the high-tech security age and are still developing their security expertise. These companies rely heavily on suppliers to ensure the right type of solutions and equipment is used, correctly installed, maintained, and working efficiently to its full potential. It is essential for new-to-market U.S. companies to secure technically and financially capable Saudi partners; likewise, the U.S. firm must be able to provide enough expertise to support the Saudi partner.



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Banks are guided by security specifications published by the Saudi Arabian Monetary Agency. Specifications for port security are now being written.

The Government has a Saudization program in place forcing firms to employ an increasing number of Saudi nationals. In the private sector a 70% attrition rate among Saudi employees makes the retention of trained personnel a problem. In government the attrition rate is lower, but employees change departments often and the problem with trained operators is similar. If equipment fails because of a lack of trained staff, the equipment is often blamed. U.S. firms expecting to train local engineers and technicians in America should be aware that obtaining U.S. visas for people from this region can be a long drawn out affair, and visas are not always issued.

## 2.9 IMPORT CLIMATE

Access to the Saudi Arabian market is unrestricted. There are no trade regulations or impediments to the importation of biometric or security equipment. There is no value added tax in Saudi Arabia. The tariff on software and security equipment is set at 5%, though items imported for some government projects can be exempted from customs dues.

The Saudi Arabian Standards Organization (SASO) is responsible for implementing standards for the items imported into the Kingdom. Under a program designated as the International Conformity Certification Program (ICCP), some 66 products have so far been listed as regulated products requiring a Certificate of Conformity before being allowed entry into Saudi Arabia. For further information concerning ICCP procedures and guidelines contact:

Moamar Mustafa, SASO Licensing Manager  
2307 East Aurora Road, Unit B-7  
Twinsburg, OH 44087 USA.  
Tel: 1-330-963-4990  
Fax: 1-330-405-6017  
E-mail: moamar.mustafa@intertek.com

## 2.10 ACCESSIBILITY: DISTRIBUTION STRATEGIES

Although it is no longer a requirement for foreign companies to have a Saudi sponsor or local agent/distributor to represent their business, it is advisable for companies to be represented locally. This is particularly so in the security market which is secretive, difficult to enter, and excellent contacts are a must. Foreign companies undertaking security projects must have a legal presence or foreign investment in the country to be registered with the Ministry of the Interior. Regulations require all government and quasi-government entities to give priority first to locally manufactured items, and second to items provided through a local supplier. If neither of these options is viable, then companies may look overseas. The only exception is Saudi Aramco, which is authorized to purchase through its offices in Houston, Europe and Japan, and some ministries.

U.S. manufacturers and/or suppliers can either sell through a sole agent, a regional distributor, or sub-agent. Exclusive distributors for the Kingdom are not required, and in some cases foreign companies establish separate distributors in each of the Saudi regions. The commercial agency regulations of Saudi Arabia govern agency and distribution relationships, and such agency agreements should be registered at the local Chamber of Commerce and Industry and with the Saudi Ministry of Commerce. New-to-market firms are strongly advised to visit the country, get a feel for the market, and meet with local companies and possible agents. Saudi businessmen prefer to conduct their business on a very personal level and good Saudi contacts are particularly essential in the security market. The government keeps a close hold on all matters pertaining to security. Foreigners are considered as outsiders, and Saudi contacts are of prime importance when keeping abreast of developments, directives, and upcoming projects.

U.S. security companies tying in with a Saudi company have found it beneficial to maintain a U.S. expert resident in country.

Saudi companies appreciate receiving promotional literature from overseas. Several businesspeople interviewed noted that the majority of unsolicited correspondence, product literature, and visits come from Europe, not America. Saudis feel this information keeps them abreast of the latest security developments, and would like to receive more from the USA.

## **2.11 ACCESSIBILITY: FINANCING STRATEGIES**

Payment schedules differ according to the client, but imports are primarily paid through letters of credit (LCs) which may be drawn at sight, or at 30, 60 or 90 days sight from the bill of lading. There are no trade regulations or impediments on the importation of biometrics equipment. There are virtually no exchange controls in the Kingdom. In addition, there are no restrictions on receipts for current transactions by either residents or non-residents. Financing is critical, and American exporters should consider consulting with their banker, or the Export-Import Bank of the United States (Ex-Im Bank), concerning lines of credit, loans, insurance and guarantees. Payment delays still exist but government finances are getting better and overdue payments to contractors are diminishing.

### **2.11.1 Saudi Aramco**

The largest non-military user of security equipment in Saudi Arabia is the national oil company, Saudi Aramco. The address of the Purchasing Office in Dhahran is:

Saudi Arabian Oil Company (Saudi Aramco)  
The Supervisor, Supplier Development and Registration Unit  
Supplier Support Division  
Purchasing Department  
Building 3300, North Park 1, Room C-D-104  
Dhahran 31311, Saudi Arabia  
Tel: 966/3/874-0337  
Fax: 966/3/874-0015  
Web site: [www.saudiaramco.com](http://www.saudiaramco.com)

Those approaching the company for the first time should visit the company Web site where it is possible to download a PDF file named "Aramco Purchasing Booklet". This booklet gives full information on purchasing procedures for materials supply, and how to become a registered vendor. The booklet also provides addresses for Aramco Services offices worldwide, with the address for the Headquarters in Dhahran shown previously. Contractors should register on-line.

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## 2.12 KEY CONTACTS

The following magazines are available in Saudi Arabia:

Security Management (sent to over 200 local ASIS members)

ASIS

1625 Prince St.

Alexandria, VA 22314

Tel: (703) 519-6200

Fax: (703) 519-6299.

Security Technology & Design

Tel: (847) 692-5940

Web site: **[www.simon-net.com](http://www.simon-net.com)**

Security Middle East

Channels LCC

P.O. Box 55254

Dubai, United Arab Emirates

Tel: 971/4-2824737

Fax: 971/4-2825757

E-mail: [channels@emirates.net.ae](mailto:channels@emirates.net.ae)

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## 3 FINANCIAL INDICATORS: SECURITY SYSTEMS SERVICES

### 3.1 OVERVIEW

Is Saudi Arabia competitive? With the globalization of markets, the increased mobility of corporate assets, and the need for productive human resources, this question has become all the more complex to answer. The financial indicators section was prepared to tackle this question by focusing on certain fundamentals: financial performance and labor productivity. Rather than focus on the economy as a whole, the analysis presented here considers only one sector: security systems services.

We are essentially interested in the degree to which firms operating in Saudi Arabia have fundamentally different financial structures and performance compared to firms located elsewhere. With respect to this view of competitiveness, if one were to invest or operate in Saudi Arabia, how would the firm's asset structure likely vary compared to a firm operating in some other country in The Middle East or average location in the world? In Saudi Arabia, do firms typically hold more cash and other short term assets, or do they concentrate their assets in physical plant and equipment? On the liability side, do firms operating in Saudi Arabia have a higher percent of payables compared to other firms operating in The Middle East, or do they hold a higher concentration of long term debt? The structure of the income statement is also telling. Do firms operating in Saudi Arabia have relatively higher costs of goods sold, operating costs, or income taxes compared to firms located elsewhere in the region or the world in general? Are returns on equity higher in Saudi Arabia? Are profit margins greater? Are inventories held longer? The financial indicators section was designed to answer these and similar questions that naturally affect one's decision to invest or operate in Saudi Arabia. Again, we are particularly interested in security systems services, and not the economy as a whole.

In many instances, people make all the difference. In addition to financial competitiveness, we consider the extent to which labor deployment and productivity in Saudi Arabia differs from regional and global benchmarks. In this case, we are interested in the amount of labor required to operate a typical business in Saudi Arabia and the likely returns on this human investment. What is the typical ratio of short-term and long-term assets to employee (employed in security systems services operations)? What are typical capital-labor ratios? How different are these ratios to those in The Middle East in general and the world as a whole? What are the average sales and net profits per employee in Saudi Arabia compared to regional benchmarks?

The goal of this section is to assist managers in gauging the competitive performance of Saudi Arabia at the global level for security systems services. With the globalization of markets, greater foreign competition, and the reduction of entry barriers, it becomes all the more important to benchmark Saudi Arabia against other countries on a worldwide basis. Doing so, however, is not an obvious task.

This report generates international benchmarks and measures gaps that might be revealed from such an exercise. First, data is collected from companies across all regions of the world. For each of these firms, data are standardized into comparable categories (assets, liabilities, income and ratios), by country, region and on a worldwide basis. From there, we eliminate all currency effects by standardizing within each category. Global benchmarks are then compared to those estimated for security systems services in Saudi Arabia.

Though we heavily rely on historical performance, the figures reported are not historical but are forecasts and projections for the coming fiscal year.

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### 3.1.1 Financial Returns and Gaps in Saudi Arabia

The approach used in this report to evaluate operating performance for security systems services in Saudi Arabia is called "vertical analysis." For those unfamiliar with this type of analysis, frequently taught in graduate schools of business, the reader is recommended Jae K. Shim and Joel G. Siegel's recent book titled *Financial Management*.<sup>1</sup> In their discussion of financial statement analysis and ratios, Skim and Siegel (p. 42-43), describe common-size statement (vertical analysis) as follows:

A common-size statement is one that shows each item in percentage terms. Preparation of common-size statements is known as *vertical analysis*, in which a material financial statement item is used as a base value and all other accounts on the financial statement are compared to it. In the balance sheet, for example, total assets equal 100 percent, and each individual asset is stated as a percentage of total assets. Similarly, total liabilities and stockholders' equity are assigned a value of 100 percent and each liability or equity account is then stated as a percentage of total liabilities and stockholders' equity, respectively. ... For the income statement, a value of 100 percent is assigned to net sales, and all other revenues and expense accounts are related to it. It is possible to see at a glance how each dollar of sales is distributed among various costs, expenses, and profits.

The authors suggest that vertical analyses involve industry-based comparisons. Such a comparison "allows you to answer the question, 'How does a business fare in the industry?' You must compare the company's ratios to... industry norms." (p. 43-44) This approach is extended to country competitiveness (in this case Saudi Arabia) for a particular sector (in this case security systems services). This involves calculating country, regional and global norms. This introduction will describe the seven-stage methodology used to perform this analysis. Each stage should be seen as a working assumption behind the numbers presented in later chapters.

**Stage 1. Industry Classification.** This stage begins by classifying the company into an industry. For this, we have relied on a combination of the North American Industry Classification System (NAICS pronounced "Nakes"), a relatively new system for classifying business establishments, and the older Standard Industrial Classification (SIC) system. Adopted in 1997, NAICS codes are the new industry classification codes used by statistical agencies of the United States. NAICS was developed jointly by the U.S., Canada, and Mexico to provide comparability in statistics about business activity across North America. After 60 years of service, the outdated SIC system was retired on October 1, 2000, leaving only the NAICS codes for official use. The NAICS classification system adds some 350 new industries and represents a revision to over 60% of the previous SIC industries. Despite its official retirement, the SIC system is still commonly used (and often reported in firm's financial statements).

For most companies in the world, classification within either the new NAICS or older SIC systems is a rather straight forward exercise. For some, however, it can be problematic. This is true for several reasons. The first being that the SIC or NAICS classification systems are rather broad for many product and industry categories (a firm's products or services may be only a minor aspect of the classification's definition). The second is that some firms' activities span multiple codes. Finally, it is possible that a firm is classified by one source using its SIC code, and by another using its NAICS code, and by a third using both. Furthermore, some sources do not report either code, but instead use qualitative statements of the firm's activities. Nevertheless, if one wishes to pursue a vertical analysis, some classification needs to take place which selects a peer group. In making this classification, one can rely on a number of sources. In some countries, firms must "self" classify in official periodic reports (e.g. annual reports, 10Ks, etc.) to public authorities (such as the Securities and Exchange Commission). These reports are then open for public scrutiny (e.g. EDGAR filings). In other cases, commercial data vendors or private research firms provide SIC/NAICS codes for specific companies. These include:

- Bloomberg - [www.bloomberg.com](http://www.bloomberg.com)
- Datastream (Thomson Financial) - [www.datastream.com](http://www.datastream.com)

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<sup>1</sup> Skim and Siegel (2000), *Financial Management* published by Barron's Educational Series, Inc. (BARON'S BUSINESS LIBRARY Series), ISBN: 0-7641-1402-6.

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- Dun & Bradstreet - [www.dnb.com](http://www.dnb.com)
  - Hoovers - [www.hoovers.com](http://www.hoovers.com)
  - HarrisInfoSource - [www.HarrisInfo.com](http://www.HarrisInfo.com)
  - InfoUSA - [www.infousa.com](http://www.infousa.com)
  - Investext (Thomson Financial) - [www.investext.com](http://www.investext.com)
  - Kompass International Neuenchwander SA. – [www.kompass.com](http://www.kompass.com)
  - Moody's Investors Service - [www.moody.com](http://www.moody.com)
  - Primark (Thomson Financial) - [www.primark.com](http://www.primark.com)
  - Profound (The Dialog Corporation – A Thomson Company) - [www.profound.com](http://www.profound.com)
  - Reuters - [www.reuters.com](http://www.reuters.com)
  - Standard & Poor's - [www.standardandpoors.com](http://www.standardandpoors.com)

It is interesting to note that commercial vendors often report different qualitative descriptions and industrial classifications from one to another. These descriptions and classifications may also be different from those reported by the firm itself. Anyone hoping to perform a benchmarking study, therefore, has to make a judgment call across these various sources in order to determine a reasonable classification. In this report, we have decided a meta-analytic process, by combining various sources (including linking a classification's keywords to qualitative descriptions of the firm's product line). In cases of inconsistency, the most recent or globally comparable available is chosen. Again, the overall goal is to classify firms, which either produce similar products, offer similar services, or are in the same stage of the value chain for a particular industrial classification. In the case of this report, the SIC code selected is: 7382 which is defined as "security systems services". This classification should be seen as a working assumption. In order to obtain a more detailed discussion of this classification, the reader is referred to the Web sites developed by the U.S. Census Bureau: <http://www.census.gov/epcd/www/naics.html>. Basic definitions and descriptions are provided at: <http://www.census.gov/epcd/www/drnaics.htm#q1>. A full correspondence table between SIC and NAICS codes, and detailed definitions are given at <http://www.census.gov/epcd/www/naicstab.htm>.

**Stage 2. Firm-Level Data Collection.** A global search was conducted across over 20,000 companies in over 40 major economies, including Saudi Arabia, for those that report financials (balance sheet and income statements) and that are involved in security systems services. It should be noted that the public-domain financials can be either historic or projections. It should also be noted that even historic figures can be modified in the future and often represent "estimates" of performance.

**Stage 3. Standardization.** Once collected, public domain financial figures of firms identified in Stage 2 are standardized into comparable categories (assets, liabilities, and income). Again, these are limited to firms involved in some aspect of security systems services (i.e. are members of the value chain). From there, we eliminate all currency effects by standardizing within each category (creating ratios). In order to maintain comparability over time and across countries, vertical analysis is used. In the case of a firm's assets, we treat the total assets as equaling 100, irrespective of the value of the local currency. All other assets are then calculated as a percent of total assets. In this way, the structure of the firm's assets can be easily interpreted and compared with international benchmarks. For liabilities, total liabilities and equity are indexed to equal to 100. For the income statement, total revenue is indexed to equal 100, and all other figures are calculated as a percent of these figures.

**Stage 4. Filtering.** Not all the firms selected in Stage 2 or the ratios calculated in Stage 3 are used for the country, regional or global benchmarks, as a number of companies are purposely dropped from the analysis. This is justified by the "outlier" phenomenon that plagues such analysis. The problem lies in that any given company in the benchmarking pool may be facing some exceptional event or may be organized in an exceptional way so as to make its ratios vastly different from the norm. By including such firms, the global benchmarks can be overly skewed. In many countries, firms are organized into holding groups. These groups nominally have very few employees (e.g. 4

to 25 employees), but have extremely large assets, liabilities, or revenues. As such, the inclusion or exclusion of firms having this form of management can affect the ratios and benchmarks reported. Likewise, some firms have no net sales, no assets, no liabilities, or ratios. Others have ratios that appear implausible for a normal or viable company. In order to not allow these firms to affect the global benchmarks, only those firms with reasonable financials have been chosen. Finally, in some countries, detailed financials are not available or are not comparable to either the company in question or the global norm (e.g. various forms of depreciation). In this case, only those which exist and are comparable are reported. The details, therefore, that comprise a given ratio or set of ratios may not be reported. This may lead to the addition of several ratios, not summing to the whole.

**Stage 5. Calculation of Global Norms.** Once the filtering process has eliminated outliers, a final list of companies included is compiled. Based on this list, the ratios discussed in Stage 3 are calculated for every firm, and then averaged to create country, regional and global benchmarks. The world average is calculated using each country's population as a weight.

**Stage 6. Projection of Deviations.** The goal of this report is not only to estimate raw ratios or averages, but also to present the difference between Saudi Arabia and projected global averages for that same ratio. Furthermore, it can be insightful to know the location of each ratio within the distribution of the countries represented in Stage 5. These deviations, in fact, can be seen as projections or likely scenarios for the future. This is often true for two reasons. First, while a company's financials change from year to year, its ratios are often stable. This is especially true for the country, regional and global benchmarks which represent averages across companies. From a purely Bayesian sense, the difference between the company's recent ratios and the benchmarks are a reasonable prior for future deviations. This is true, even if the entire industry is hit by an external or exogenous shock, such as an oil crisis or economic slowdown. In other words, we assume that the structure of the variance in the industry's financials remains stable. Second, many of the data are based on preliminary reports that might be changed in future filings. As forecasts, therefore, the numbers derived from these are also forecasts of past and future performance (with associated uncertainties). The calculation of the difference between a country's ratios and the global benchmarks is meant to yield roughly approximate forecasts, or "useful measures". In general, more developed countries have more reliable source data. For many, ratios are econometrically extrapolated using models that use country characteristics (e.g. income per capita) as independent variables (i.e. countries having similar economic structures are assumed to have similar operating ratios). Again, the forecasts are based on the assumption of relative stability. This assumption has proven extremely robust in previous applications of this methodology (i.e. today's weather is a good predictor of tomorrow's weather, but not the weather three years from now). The results reported should be viewed as those for a "proto-typical" firm operating in Saudi Arabia whose primary activity is security systems services.

**Stage 7. Projection of Ranks and Percentiles.** Based on the calculation of deviations, relative ranks and percentiles are calculated across the firms used in the benchmarks. The percentile estimates the percent of a representative sample of countries in the world having values of the ratio lower than Saudi Arabia. It is important to note that a percentile being high (or low) does not mean good (or bad) past, present or future financial performance. The reader must draw this conclusion on their own. The estimates provided were created to provide managerial insight, and not a recommendation with respect to particular investments within any country.

We graphically report, for each part of the financial statement, the larger structural differences between Saudi Arabia and the regional and global benchmarks, and provide a summary table of ranks and percentiles. These are estimates for firm which would be involved in security systems services. A deviation from the global norm need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or perhaps signal a country's relative strength or weakness for the coming fiscal year.

### 3.1.2 Labor Productivity Gaps in Saudi Arabia

In the case of labor productivity measures, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a "per employee basis". Ratios are projected

using raw financial statistics and, as ratios, are therefore comparable. Given a country's human resource ratios, the resulting figures are benchmarked across regional and global averages. The seven stage approach given above is used in a similar manner.

We then report, for each part of the financial statement, the larger labor productivity gaps that Saudi Arabia has vis-à-vis the worldwide average (for security systems services). Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm's relative incentive to invest locally. All figures are projections, so due caution is required.

### **3.1.3 Limitations and Extensions**

Shim and Siegal (p. 60) stress that "while ratio analysis is an effective tool for assessing a company's financial condition," operating Saudi Arabia or any other country, "its limitations must be recognized." They find that (p. 59) "no single ratio or group of ratios is adequate for assessing all aspects of a company's financial condition" operating in a particular country. The authors note the following limitations associated with ratio analyses which apply to the global benchmarking and vertical analysis presented here (p.60):

- Accounting standards or policies may limit useful comparisons across companies
- Management accounting practices across companies and countries may not be performed in the same style
- Ratios are static and do not reveal future trends
- Ratios do not indicate the quality of the components used to calculate the ratios (i.e. ratios have ambiguous interpretations)
- Reported ratios may not reflect real values
- Companies may be highly diversified, limiting the comparability of their ratios to others
- Industry averages or norms are approximate; finer industry definitions may be required for certain interpretations or comparisons
- Financial statements and resulting ratios often mean different things to different people depending on their points of view or motivations.

Again, all figures reported here are estimates, so due caution is required. The above caveats, and the fact that statements made in this report are forward-looking, requires that this point be emphasized. A number of intervening factors can have material effect on the ratios and variances forecasted. These include changes in a company's management style, exchange rate volatility, changes in accounting standards, the lack of oversight or comparability in accounting standards, changes in economic conditions, changes in competition, changes in the global economy, changes in source data quality, and similar factors.



## 3.2 FINANCIAL RETURNS IN SAUDI ARABIA: ASSET STRUCTURE RATIOS

### 3.2.1 Overview

In this chapter we consider the asset structure of companies involved in security systems services operating in Saudi Arabia benchmarked against global averages. The chapter begins by defining relevant terms. A common-size statement, or vertical analysis of assets is then presented for companies operating in Saudi Arabia and the average global benchmarks (total assets = 100 percent). For ratios where there are large deviations between Saudi Arabia and the benchmarks, graphics are provided (sometimes referred to as a financial “gap” analysis). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key vertical analysis asset ratios are highlighted across countries in the comparison group.

### 3.2.2 Assets – Definitions of Terms

The following definitions are provided for those less familiar with the asset-side of financial statement analysis. As this chapter deals with the vertical analysis and global benchmarking of assets, only definitions covering certain terms used in this chapter’s tables and graphs are provided here. The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Accumulated Depreciation - Buildings.** Accumulated depreciation is commonly understood as a contra asset account used to report the accumulation of periodic credits to reflect the use of the estimated service life of a fixed asset. Buildings are fixed assets which represent the acquisition and improvement costs of permanent structures owned or held by the company. Such structures typically include office buildings, storage quarters, or other facilities and also associated items such as loading docks, heating and air-conditioning equipment, refrigeration equipment, and all other property permanently attached to or forming an integral part of the structure. However, it generally does not include furniture, fixtures, or other equipment which are not an integral part of the building.
- **Accumulated Depreciation - Land.** Accumulated depreciation of land is commonly understood as a contra asset account used to report the accumulation of periodic credits to reflect the use of the estimated service life of land as a fixed asset. If land is purchased, its capitalized value typically includes the purchase price plus costs such as legal fees, filling and excavation costs which are incurred to put the land in condition for its intended use. If land is acquired by gift, its capitalized value typically reflects its appraised value at time of acquisition. Land does not typically include depletable resources.
- **Accumulated Depreciation - Transportation Equipment.** Accumulated depreciation of transportation equipment is commonly understood to be contra asset account used to report the accumulation of periodic credits to reflect the use of the estimated service life of transportation equipment.
- **Accumulated Depreciation -Machinery & Equipment.** Accumulated depreciation of machinery and equipment is commonly understood to be contra asset account used to report the accumulation of periodic credits to reflect the use of the estimated service life of machinery and equipment.
- **Buildings.** Buildings are defined as fixed assets which represent the acquisition and improvement costs of permanent structures owned or held by the company. Such structures include office buildings, storage quarters, or other facilities and also associated items such as loading docks, heating and air-conditioning

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equipment, refrigeration equipment, and all other property permanently attached to or forming an integral part of the structure. However, it does not include furniture, fixtures, or other equipment which are not an integral part of the building.

- **Cash.** Cash is typically defined as money on hand, on deposit with chartered bank, or held in the form of eligible securities.
- **Current Assets.** Current assets are generally defined to be resources which are available, or can readily be made available, to meet the cost of operations or to pay current liabilities.
- **Intangible Other Assets.** Intangible assets are generally understood to be nonphysical assets such as legal rights (patents and trademarks) recorded at their historical cost then reduced by systematic amortization.
- **Investments in Unconsolidated Subsidiaries.** Investments in unconsolidated subsidiaries are typically defined as investments for the purpose of generating revenue in subsidiaries whose financial statements are not combined with the company's.
- **land.** Land is generally considered to be a fixed asset. If land is purchased, its capitalized value typically includes the purchase price plus costs such as legal fees, filling and excavation costs which are incurred to put the land in condition for its intended use. If land is acquired by gift, its capitalized value typically reflects its appraised value at the time of acquisition. Land typically does not include depletable resources.
- **long Term Receivables.** Long-term receivables are commonly defined as amounts due within a period exceeding one year from private persons, businesses, agencies, funds, or governmental units which are expected to be collected in the form of moneys, goods, and/or services.
- **Machinery & Equipment.** Machinery and equipment is commonly defined as a fixed asset classification which typically includes tangible property (other than land, buildings, and improvements other than buildings) with a life of more than one year. Such assets typically include office equipment, furniture, machine tools, and motor vehicles. Equipment may be attached to a structure for purposes of securing the item, but unless it is permanently attached to an integral part of the building or structure, it will generally be classified as equipment and not buildings. Equipment is generally defined as tangible property other than land, buildings, or improvements other than buildings, which is used in operations. Examples include machinery, tools, trucks, cars, furniture, and furnishings.
- **Prepaid Expenses.** Prepaid expenses are typically defined as those supplies and/or services (not inventory) acquired or purchased but not consumed or used at the end of the accounting period.
- **Property Plant and Equipment - Gross.** Gross property, plant and equipment generally consists of the gross book value (rather than the more commonly-used measures of fixed capital stocks in current or real value), of all commercial buildings, associated land and equipment used therein that are owned by the company and that are either used or operated by the company or leased or rented to others.
- **Property Plant and Equipment - Net.** Net PP&E equals the original cost of property, plant, and equipment (PP&E), less accumulated depreciation, depletion and amortization (DD&A).
- **Receivables (Net).** Net receivables are defined as the net amount due to the company from private persons, businesses, agencies, funds, or governmental units which is expected to be collected in the form of moneys, goods, and/or services.
- **Short Term Investments.** Short-term investments are investments which can be typically liquidated in less than one year.

- **Total Assets.** Total assets are defined as the financial representation of economic resources, the beneficial interest in which is legally or equitably secured to a particular organization as a result of a past transaction or event.
- **Total Inventories.** Total inventories are defined as the total amount of goods on hand.
- **Transportation Equipment.** Transportation equipment is equipment used for the transportation of goods for sale.

### 3.2.3 Asset Structure: Outlook

Using the methodology described in the introduction, the following table summarizes asset structure benchmarks for firms involved in security systems services in Saudi Arabia. To allow comparable benchmarking, a common index of Total Assets = 100 is used. All figures are current-year projections for companies operating in Saudi Arabia based on latest financial results available.

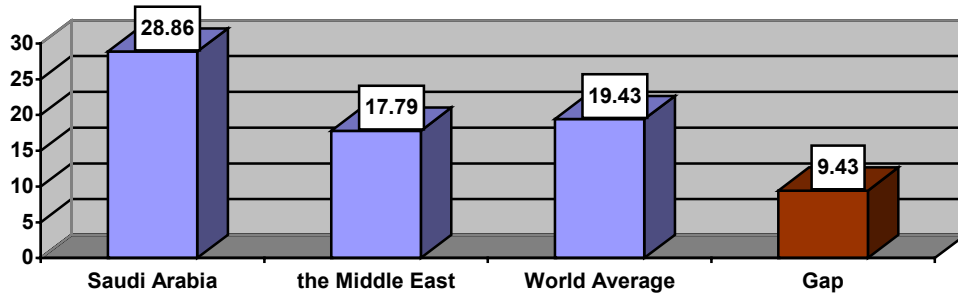
Asset Structure	Saudi Arabia	the Middle East	World Avg.
Cash & Short Term Investments	28.86	17.79	19.43
Cash	23.67	8.15	9.28
Receivables (Net)	16.45	23.80	24.30
Total Inventories	1.01	8.13	6.66
Prepaid Expenses	1.53	0.84	1.28
Other Current Assets	0.35	4.14	3.28
<b>Current Assets - Total</b>	<b>47.43</b>	<b>56.51</b>	<b>54.42</b>
Long Term Receivables	2.37	1.27	1.18
Investments in Unconsolidated Subsidiaries	4.20	5.33	4.34
Property Plant and Equipment - Net	43.09	22.63	20.33
Property Plant and Equipment - Gross	74.35	45.51	36.43
Land	2.62	2.05	1.69
Buildings	53.67	10.17	6.92
Machinery & Equipment	8.54	27.86	14.77
Transportation Equipment	2.86	3.66	1.58
Other Property Plant & Equipment	6.66	8.06	10.71
Accumulated Depreciation - Total	30.87	19.47	15.09
Accumulated Depreciation - Land	0.12	0.05	0.01
Accumulated Depreciation - Buildings	19.69	3.16	1.16
Accumulated Depreciation -Machinery & Equipment	7.13	6.88	4.85
Accumulated Depreciation - Transportation Equipment	1.53	0.78	0.39
Accumulated Depreciation - Other Prop & Equip	2.40	4.47	4.74
Other Assets	2.77	8.74	10.81
Intangible Other Assets	1.43	5.35	7.06
<b>Total Assets</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

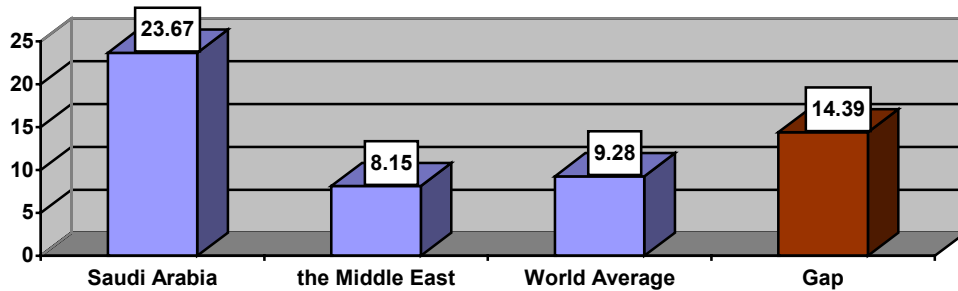
### 3.2.4 Large Variances: Assets

The following graphics summarize for security systems services the large asset structure gaps between firms operating in Saudi Arabia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

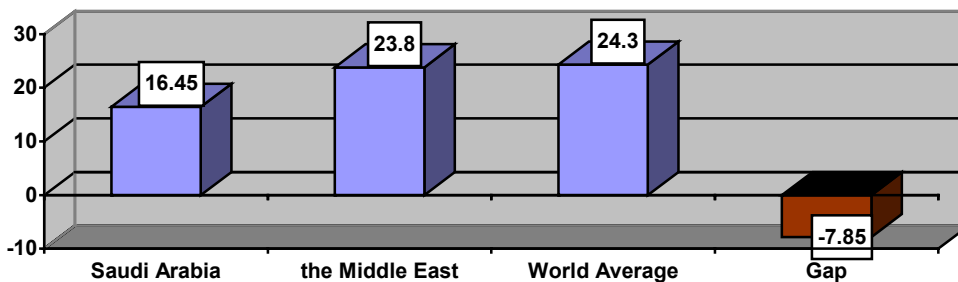
**Gap: Cash & Short Term Investments**



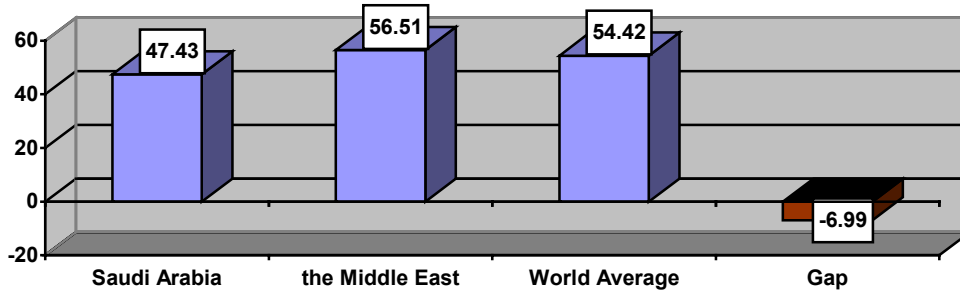
**Gap: Cash**



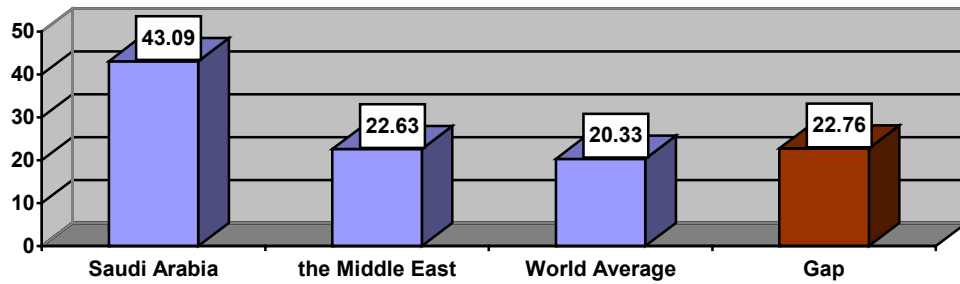
**Gap: Receivables (Net)**



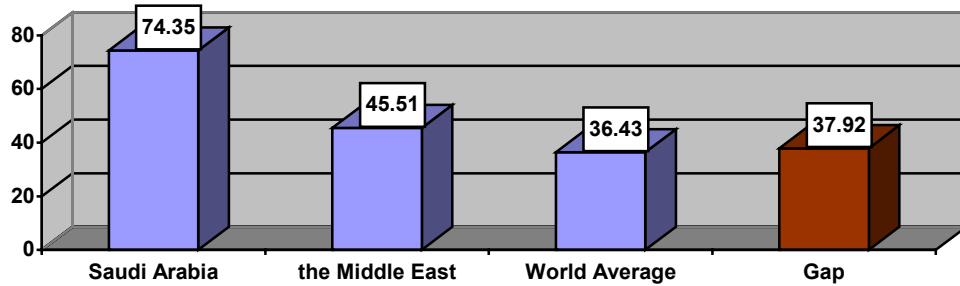
**Gap: Current Assets - Total**



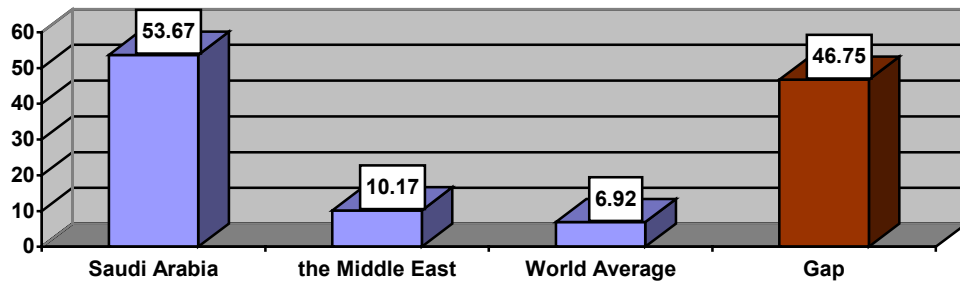
**Gap: Property Plant and Equipment - Net**



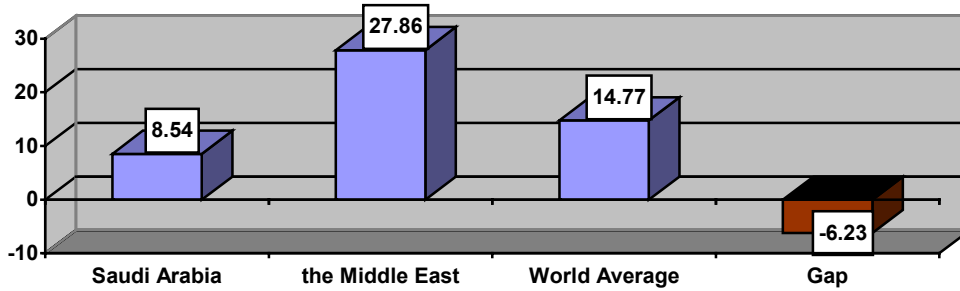
**Gap: Property Plant and Equipment - Gross**



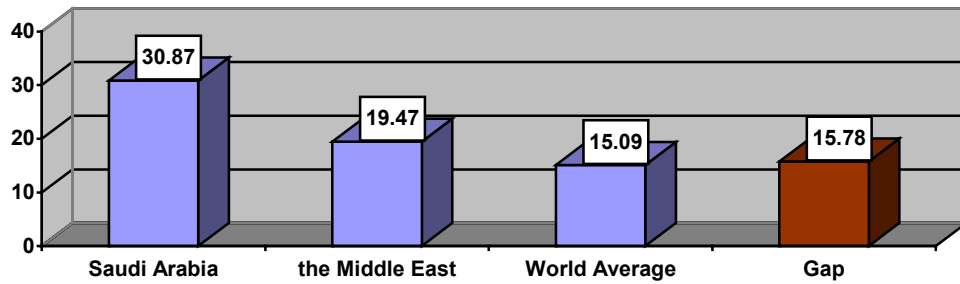
**Gap: Buildings**



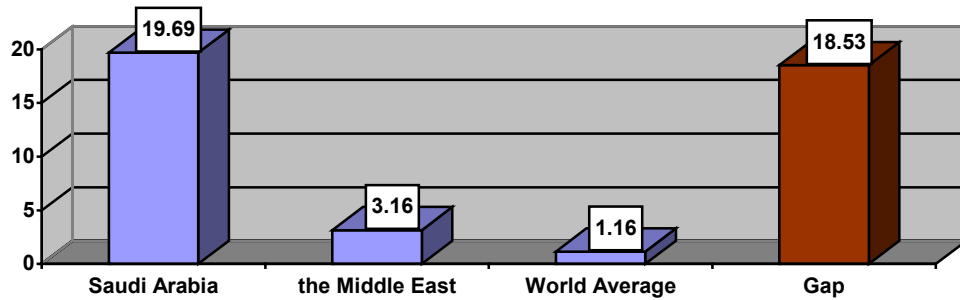
**Gap: Machinery & Equipment**



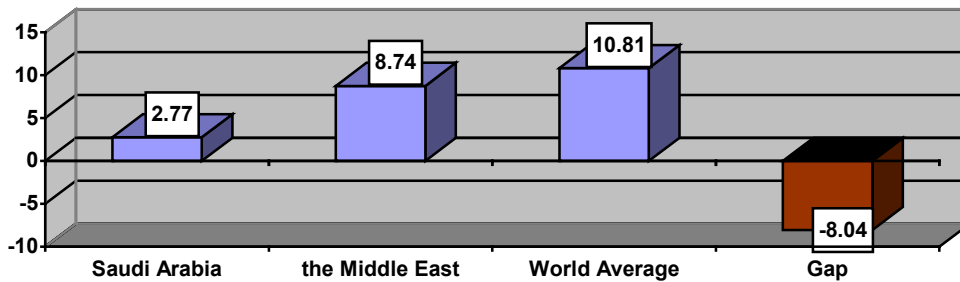
**Gap: Accumulated Depreciation - Total**



**Gap: Accumulated Depreciation - Buildings**



**Gap: Other Assets**



### 3.2.5 Key Percentiles and Rankings

We now consider the distribution of asset ratios for security systems services using ranks and percentiles. What percent of countries have a value lower or higher than Saudi Arabia (what is the ratio's rank or percentile)? The table below answers this question with respect to the vertical analysis of asset structure. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key vertical asset ratios are highlighted in additional tables.

Asset Structure	Saudi Arabia	Rank of Total	Percentile
Cash & Short Term Investments	28.86	9 of 54	83.33
Cash	23.67	4 of 51	92.16
Receivables (Net)	16.45	48 of 54	11.11
Total Inventories	1.01	45 of 50	10.00
Prepaid Expenses	1.53	11 of 40	72.50
Other Current Assets	0.35	45 of 48	6.25
<b>Current Assets - Total</b>	<b>47.43</b>	<b>47 of 53</b>	<b>11.32</b>
Long Term Receivables	2.37	9 of 42	78.57
Investments in Unconsolidated Subsidiaries	4.20	13 of 44	70.45
Property Plant and Equipment - Net	43.09	5 of 54	90.74
Property Plant and Equipment - Gross	74.35	6 of 51	88.24
Land	2.62	14 of 31	54.84
Buildings	53.67	2 of 48	95.83
Machinery & Equipment	8.54	35 of 46	23.91
Transportation Equipment	2.86	12 of 42	71.43
Other Property Plant & Equipment	6.66	30 of 51	41.18
Accumulated Depreciation - Total	30.87	9 of 49	81.63
Accumulated Depreciation - Land	0.12	4 of 9	55.56
Accumulated Depreciation - Buildings	19.69	2 of 41	95.12
Accumulated Depreciation -Machinery & Equipment	7.13	22 of 40	45.00
Accumulated Depreciation - Transportation Equipment	1.53	7 of 36	80.56
Accumulated Depreciation - Other Prop & Equip	2.40	33 of 45	26.67
Other Assets	2.77	49 of 54	9.26
Intangible Other Assets	1.43	39 of 45	13.33
<b>Total Assets</b>	<b>100.00</b>		

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



### Cash & Short Term Investments

Countries	Value (total assets = 100)	Rank	Percentile	Region
New Zealand	49.18	1	98.11	Oceania
Israel	35.01	2	96.23	the Middle East
Denmark	32.34	3	94.34	Europe
Sweden	31.75	4	92.45	Europe
Czech Republic	29.89	5	90.57	Europe
Hong Kong	29.77	6	88.68	Asia
Japan	29.66	7	86.79	Asia
Brazil	29.43	8	84.91	Latin America
Germany	28.70	9	83.02	Europe
Canada	28.40	10	81.13	North America
Singapore	28.31	11	79.25	Asia
Chile	28.00	12	77.36	Latin America
USA	27.75	13	75.47	North America
China	26.29	14	73.58	Asia
Norway	25.43	15	71.70	Europe
South Korea	25.24	16	69.81	Asia
Poland	24.20	17	67.92	Europe
Indonesia	24.12	18	66.04	Asia
Russia	22.75	20	62.26	Europe
Greece	21.40	22	58.49	Europe
Finland	21.08	23	56.60	Europe
Australia	20.49	24	54.72	Oceania
Italy	19.51	25	52.83	Europe
Malaysia	19.26	26	50.94	Asia
India	19.18	27	49.06	Asia
Netherlands	18.42	28	47.17	Europe
the United Kingdom	18.07	29	45.28	Europe
South Africa	17.94	30	43.40	Africa
Thailand	16.95	32	39.62	Asia
France	16.68	33	37.74	Europe
Switzerland	16.33	34	35.85	Europe
Ireland	15.89	35	33.96	Europe
Belgium	14.56	36	32.08	Europe
Philippines	12.92	39	26.42	Asia
Luxembourg	12.51	40	24.53	Europe
Hungary	12.42	41	22.64	Europe
Austria	12.28	42	20.75	Europe
Portugal	6.96	44	16.98	Europe
Turkey	6.86	45	15.09	the Middle East
Mexico	6.84	46	13.21	Latin America
Spain	4.84	48	9.43	Europe
Peru	4.73	49	7.55	Latin America
Pakistan	3.86	50	5.66	the Middle East
Taiwan	3.75	51	3.77	Asia
Argentina	1.02	53	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Cash & Short Term Investments  
(Security Systems Services)**

Countries in the Middle East	Value (total assets = 100)	Rank	Percentile
Israel	35.01	1	95.83
<b>Saudi Arabia</b>	<b>28.86</b>	<b>2</b>	<b>91.67</b>
Kuwait	28.13	3	87.50
Tajikistan	26.73	4	83.33
Oman	25.34	5	79.17
Syrian Arab Republic	25.26	6	75.00
Iraq	25.24	7	70.83
Iran	23.35	8	66.67
Lebanon	23.14	9	62.50
Azerbaijan	21.05	10	58.33
Gaza Strip	20.92	11	54.17
Qatar	20.49	12	50.00
Bahrain	20.36	13	45.83
Uzbekistan	16.97	14	41.67
Jordan	14.18	15	37.50
Yemen	12.42	16	33.33
United Arab Emirates	12.08	17	29.17
Afghanistan	10.40	18	25.00
Armenia	10.29	19	20.83
Turkey	6.86	20	16.67
Turkmenistan	6.42	21	12.50
Kyrgyzstan	5.76	22	8.33
West Bank	3.96	23	4.17
Pakistan	3.86	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Receivables (Net)

Countries	Value (total assets = 100)	Rank	Percentile	Region
Austria	51.67	1	98.11	Europe
Netherlands	45.98	2	96.23	Europe
Portugal	45.01	3	94.34	Europe
Spain	44.19	4	92.45	Europe
France	43.58	5	90.57	Europe
Hungary	43.49	6	88.68	Europe
Ireland	42.95	7	86.79	Europe
Taiwan	40.69	8	84.91	Asia
Greece	39.67	9	83.02	Europe
Belgium	39.52	10	81.13	Europe
Argentina	38.11	11	79.25	Latin America
Italy	36.90	12	77.36	Europe
South Africa	36.78	13	75.47	Africa
Poland	35.54	14	73.58	Europe
Norway	34.44	15	71.70	Europe
Singapore	33.63	16	69.81	Asia
Hong Kong	32.75	17	67.92	Asia
the United Kingdom	31.84	18	66.04	Europe
Thailand	31.78	19	64.15	Asia
India	31.14	20	62.26	Asia
Finland	30.90	21	60.38	Europe
Malaysia	30.43	22	58.49	Asia
Sweden	29.19	23	56.60	Europe
Australia	28.59	24	54.72	Oceania
Denmark	28.48	25	52.83	Europe
Germany	28.15	26	50.94	Europe
Turkey	27.94	27	49.06	the Middle East
Mexico	27.87	28	47.17	Latin America
Canada	27.49	29	45.28	North America
Luxembourg	26.64	30	43.40	Europe
Japan	26.02	32	39.62	Asia
USA	25.47	34	35.85	North America
Switzerland	25.23	35	33.96	Europe
South Korea	23.84	37	30.19	Asia
China	21.93	38	28.30	Asia
Russia	21.49	40	24.53	Europe
Indonesia	21.28	41	22.64	Asia
Philippines	19.22	43	18.87	Asia
Brazil	18.71	44	16.98	Latin America
Israel	18.48	45	15.09	the Middle East
Chile	17.81	46	13.21	Latin America
Czech Republic	17.03	47	11.32	Europe
New Zealand	15.91	49	7.55	Oceania
Peru	13.33	51	3.77	Latin America
Pakistan	4.97	53	0.00	the Middle East

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Receivables (Net)**  
**(Security Systems Services)**

Countries in the Middle East	Value (total assets = 100)	Rank	Percentile
United Arab Emirates	50.82	1	95.83
Bahrain	37.74	2	91.67
Armenia	36.03	3	87.50
Uzbekistan	34.79	4	83.33
Kuwait	33.42	5	79.17
Azerbaijan	30.91	6	75.00
Qatar	28.59	7	70.83
Turkey	27.94	8	66.67
Jordan	26.60	9	62.50
Turkmenistan	26.15	10	58.33
Oman	23.93	11	54.17
Kyrgyzstan	23.46	12	50.00
Iran	22.05	13	45.83
Israel	18.48	14	41.67
Yemen	18.48	15	37.50
Gaza Strip	18.46	16	33.33
Tajikistan	17.00	17	29.17
Afghanistan	16.88	18	25.00
<b>Saudi Arabia</b>	<b>16.45</b>	<b>19</b>	<b>20.83</b>
Syrian Arab Republic	16.06	20	16.67
Iraq	16.05	21	12.50
Lebanon	14.71	22	8.33
West Bank	11.17	23	4.17
Pakistan	4.97	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Total Inventories

Countries	Value (total assets = 100)	Rank	Percentile	Region
Peru	34.66	1	97.96	Latin America
Brazil	24.37	3	93.88	Latin America
Chile	23.19	4	91.84	Latin America
South Africa	12.21	5	89.80	Africa
China	10.75	6	87.76	Asia
Hungary	9.59	7	85.71	Europe
Philippines	9.55	8	83.67	Asia
Switzerland	9.42	9	81.63	Europe
Indonesia	8.92	10	79.59	Asia
Norway	8.29	12	75.51	Europe
Greece	7.77	14	71.43	Europe
Spain	7.51	15	69.39	Europe
South Korea	7.38	16	67.35	Asia
Thailand	6.76	18	63.27	Asia
Russia	6.65	19	61.22	Europe
Taiwan	6.59	20	59.18	Asia
Singapore	6.53	21	57.14	Asia
Netherlands	6.27	23	53.06	Europe
Hong Kong	5.84	24	51.02	Asia
Germany	5.74	25	48.98	Europe
Denmark	5.50	27	44.90	Europe
France	5.24	28	42.86	Europe
Malaysia	5.13	30	38.78	Asia
Portugal	5.12	31	36.73	Europe
Sweden	5.10	32	34.69	Europe
Japan	5.05	33	32.65	Asia
Austria	4.75	34	30.61	Europe
Canada	4.68	35	28.57	North America
Belgium	4.67	36	26.53	Europe
Italy	4.49	37	24.49	Europe
the United Kingdom	4.10	38	22.45	Europe
Poland	3.97	39	20.41	Europe
USA	3.40	40	18.37	North America
Argentina	2.89	41	16.33	Latin America
Australia	2.46	42	14.29	Oceania
India	1.09	43	12.24	Asia
Czech Republic	1.04	44	10.20	Europe
Finland	0.79	45	8.16	Europe
Luxembourg	0.54	46	6.12	Europe
Israel	0.43	47	4.08	the Middle East
Pakistan	0.16	48	2.04	the Middle East
Ireland	0.12	49	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Total Inventories  
(Security Systems Services)**

Countries in the Middle East	Value (total assets = 100)	Rank	Percentile
West Bank	29.04	1	95.24
Tajikistan	22.14	2	90.48
Syrian Arab Republic	20.92	3	85.71
Iraq	20.90	4	80.95
Lebanon	19.16	5	76.19
Uzbekistan	11.55	6	71.43
Yemen	9.19	7	66.67
Armenia	7.95	8	61.90
Gaza Strip	7.74	9	57.14
Oman	7.41	10	52.38
Bahrain	7.39	11	47.62
Iran	6.83	12	42.86
Kuwait	6.49	13	38.10
Jordan	5.66	14	33.33
United Arab Emirates	4.67	15	28.57
Azerbaijan	3.45	16	23.81
Qatar	2.46	17	19.05
<b>Saudi Arabia</b>	<b>1.01</b>	<b>18</b>	<b>14.29</b>
Afghanistan	0.59	19	9.52
Israel	0.43	20	4.76
Pakistan	0.16	21	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Current Assets - Total

Countries	Value (total assets = 100)	Rank	Percentile	Region
Greece	79.78	1	98.08	Europe
Norway	75.99	2	96.15	Europe
Austria	73.83	3	94.23	Europe
Brazil	73.48	4	92.31	Latin America
Denmark	73.46	5	90.38	Europe
Hungary	73.17	6	88.46	Europe
Netherlands	73.13	7	86.54	Europe
Hong Kong	72.48	8	84.62	Asia
Singapore	71.98	9	82.69	Asia
Sweden	70.56	10	80.77	Europe
Chile	69.91	11	78.85	Latin America
France	68.27	12	76.92	Europe
Germany	67.66	13	75.00	Europe
Finland	67.63	14	73.08	Europe
Japan	67.57	15	71.15	Asia
South Africa	67.21	16	69.23	Africa
Thailand	66.37	17	67.31	Asia
Poland	66.26	18	65.38	Europe
Italy	66.13	19	63.46	Europe
New Zealand	65.09	20	61.54	Oceania
Canada	62.87	21	59.62	North America
USA	62.42	22	57.69	North America
Switzerland	61.66	23	55.77	Europe
South Korea	61.54	24	53.85	Asia
Taiwan	60.74	25	51.92	Asia
the United Kingdom	60.57	26	50.00	Europe
China	60.27	27	48.08	Asia
Portugal	60.22	28	46.15	Europe
Belgium	59.55	29	44.23	Europe
Malaysia	58.74	30	42.31	Asia
India	58.16	31	40.38	Asia
Spain	57.59	32	38.46	Europe
Indonesia	56.54	33	36.54	Asia
Ireland	55.54	35	32.69	Europe
Russia	55.46	37	28.85	Europe
Israel	54.42	38	26.92	the Middle East
Australia	54.30	39	25.00	Oceania
Turkey	53.58	40	23.08	the Middle East
Mexico	53.44	41	21.15	Latin America
Peru	53.34	42	19.23	Latin America
Czech Republic	49.12	46	11.54	Europe
Philippines	44.65	47	9.62	Asia
Argentina	42.45	48	7.69	Latin America
Luxembourg	42.37	49	5.77	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Current Assets - Total  
(Security Systems Services)**

Countries in the Middle East	Value (total assets = 100)	Rank	Percentile
Bahrain	75.88	1	95.65
United Arab Emirates	72.62	2	91.30
Kuwait	71.55	3	86.96
Tajikistan	66.73	4	82.61
Uzbekistan	63.58	5	78.26
Syrian Arab Republic	63.06	6	73.91
Iraq	63.01	7	69.57
Oman	61.77	8	65.22
Armenia	60.63	9	60.87
Lebanon	57.77	10	56.52
Azerbaijan	57.63	11	52.17
Iran	56.92	12	47.83
Jordan	55.54	13	43.48
Israel	54.42	14	39.13
Qatar	54.30	15	34.78
Turkey	53.58	16	30.43
Turkmenistan	50.15	17	26.09
Gaza Strip	49.06	18	21.74
<b>Saudi Arabia</b>	<b>47.43</b>	<b>19</b>	<b>17.39</b>
Kyrgyzstan	44.98	20	13.04
West Bank	44.70	21	8.70
Yemen	42.93	22	4.35
Afghanistan	31.52	23	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



### Property Plant and Equipment - Net

Countries	Value (total assets = 100)	Rank	Percentile	Region
Pakistan	45.92	1	98.11	the Middle East
Turkey	45.73	2	96.23	the Middle East
Mexico	45.60	3	94.34	Latin America
Czech Republic	44.62	4	92.45	Europe
Argentina	35.48	6	88.68	Latin America
Peru	35.35	7	86.79	Latin America
Indonesia	31.26	8	84.91	Asia
Thailand	31.12	9	83.02	Asia
Philippines	29.84	10	81.13	Asia
Malaysia	28.00	12	77.36	Asia
Taiwan	26.77	13	75.47	Asia
Luxembourg	25.19	17	67.92	Europe
Switzerland	24.97	18	66.04	Europe
Greece	23.49	20	62.26	Europe
Singapore	20.94	22	58.49	Asia
Italy	20.85	23	56.60	Europe
India	20.39	24	54.72	Asia
New Zealand	19.89	25	52.83	Oceania
the United Kingdom	19.79	26	50.94	Europe
Hong Kong	19.65	27	49.06	Asia
Japan	18.69	28	47.17	Asia
Hungary	18.26	29	45.28	Europe
Brazil	18.20	30	43.40	Latin America
Australia	17.67	31	41.51	Oceania
Chile	17.31	32	39.62	Latin America
China	16.50	33	37.74	Asia
Norway	15.70	34	35.85	Europe
USA	14.61	35	33.96	North America
Poland	14.04	36	32.08	Europe
South Africa	14.01	37	30.19	Africa
South Korea	13.97	38	28.30	Asia
Spain	13.93	39	26.42	Europe
Canada	13.86	40	24.53	North America
Finland	13.50	41	22.64	Europe
Germany	12.75	43	18.87	Europe
Russia	12.59	44	16.98	Europe
Netherlands	11.74	45	15.09	Europe
Belgium	11.10	46	13.21	Europe
Denmark	9.73	47	11.32	Europe
France	8.92	48	9.43	Europe
Ireland	7.79	49	7.55	Europe
Austria	7.49	50	5.66	Europe
Sweden	7.39	51	3.77	Europe
Israel	6.99	52	1.89	the Middle East
Portugal	6.34	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Property Plant and Equipment - Net  
(Security Systems Services)**

Countries in the Middle East	Value (total assets = 100)	Rank	Percentile
Pakistan	45.92	1	95.83
Turkey	45.73	2	91.67
<b>Saudi Arabia</b>	<b>43.09</b>	<b>3</b>	<b>87.50</b>
Turkmenistan	42.80	4	83.33
Kyrgyzstan	38.39	5	79.17
West Bank	29.62	6	75.00
Yemen	28.70	7	70.83
Gaza Strip	27.12	8	66.67
Jordan	26.05	9	62.50
Bahrain	22.34	10	58.33
Kuwait	20.81	11	54.17
Qatar	17.67	12	50.00
Tajikistan	16.53	13	45.83
Syrian Arab Republic	15.62	14	41.67
Iraq	15.60	15	37.50
Armenia	15.13	16	33.33
Lebanon	14.31	17	29.17
Oman	14.03	18	25.00
Uzbekistan	13.26	19	20.83
Iran	12.92	20	16.67
Azerbaijan	12.21	21	12.50
Afghanistan	11.05	22	8.33
United Arab Emirates	7.37	23	4.17
Israel	6.99	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Accumulated Depreciation - Total

Countries	Value (total assets = 100)	Rank	Percentile	Region
Pakistan	58.56	1	97.92	the Middle East
Turkey	36.04	2	95.83	the Middle East
Indonesia	36.01	3	93.75	Asia
Mexico	35.94	4	91.67	Latin America
Switzerland	34.84	5	89.58	Europe
Czech Republic	31.96	8	83.33	Europe
Philippines	24.64	10	79.17	Asia
Peru	21.21	11	77.08	Latin America
Malaysia	19.88	13	72.92	Asia
Thailand	18.74	14	70.83	Asia
Greece	18.07	15	68.75	Europe
Brazil	17.83	16	66.67	Latin America
the United Kingdom	17.28	17	64.58	Europe
Japan	17.05	18	62.50	Asia
Chile	16.96	19	60.42	Latin America
Netherlands	16.95	20	58.33	Europe
USA	16.09	21	56.25	North America
India	14.89	24	50.00	Asia
Spain	14.50	26	45.83	Europe
Australia	13.83	27	43.75	Oceania
Singapore	13.43	28	41.67	Asia
France	12.56	29	39.58	Europe
Belgium	12.17	30	37.50	Europe
Finland	12.08	31	35.42	Europe
Denmark	11.86	32	33.33	Europe
Canada	11.79	33	31.25	North America
Germany	11.77	34	29.17	Europe
Italy	11.14	35	27.08	Europe
South Korea	10.45	36	25.00	Asia
Norway	10.00	37	22.92	Europe
Hong Kong	9.95	38	20.83	Asia
Russia	9.41	40	16.67	Europe
Sweden	9.31	41	14.58	Europe
New Zealand	9.18	42	12.50	Oceania
Poland	7.73	43	10.42	Europe
South Africa	6.94	44	8.33	Africa
Portugal	6.39	45	6.25	Europe
China	5.66	46	4.17	Asia
Ireland	3.84	47	2.08	Europe
Israel	3.82	48	0.00	the Middle East

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Accumulated Depreciation - Total  
(Security Systems Services)**

Countries in the Middle East	Value (total assets = 100)	Rank	Percentile
Pakistan	58.56	1	95.45
Turkey	36.04	2	90.91
Turkmenistan	33.73	3	86.36
Gaza Strip	31.24	4	81.82
<b>Saudi Arabia</b>	<b>30.87</b>	<b>5</b>	<b>77.27</b>
Kyrgyzstan	30.26	6	72.73
Yemen	23.69	7	68.18
West Bank	17.77	8	63.64
Bahrain	17.19	9	59.09
Tajikistan	16.19	10	54.55
Jordan	15.68	11	50.00
Syrian Arab Republic	15.30	12	45.45
Iraq	15.29	13	40.91
Lebanon	14.02	14	36.36
Qatar	13.83	15	31.82
Kuwait	13.35	16	27.27
Oman	10.48	17	22.73
Iran	9.66	18	18.18
Afghanistan	8.07	19	13.64
Azerbaijan	6.73	20	9.09
Uzbekistan	6.57	21	4.55
Israel	3.82	22	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Intangible Other Assets

Countries	Value (total assets = 100)	Rank	Percentile	Region
Luxembourg	30.98	1	97.73	Europe
Belgium	25.20	2	95.45	Europe
Ireland	24.49	3	93.18	Europe
Australia	23.73	4	90.91	Oceania
Canada	21.29	5	88.64	North America
Israel	20.92	6	86.36	the Middle East
Spain	20.61	7	84.09	Europe
Sweden	20.13	8	81.82	Europe
USA	19.88	9	79.55	North America
Philippines	18.85	10	77.27	Asia
France	18.53	11	75.00	Europe
the United Kingdom	18.50	12	72.73	Europe
Germany	18.37	13	70.45	Europe
Argentina	18.14	14	68.18	Latin America
Austria	17.80	15	65.91	Europe
Finland	17.66	16	63.64	Europe
Norway	14.59	18	59.09	Europe
Netherlands	13.40	19	56.82	Europe
Denmark	13.09	20	54.55	Europe
Italy	11.10	21	52.27	Europe
Switzerland	9.62	22	50.00	Europe
India	9.19	23	47.73	Asia
Portugal	9.12	24	45.45	Europe
Hungary	8.45	25	43.18	Europe
South Africa	8.24	26	40.91	Africa
Poland	7.32	27	38.64	Europe
South Korea	6.47	28	36.36	Asia
Malaysia	5.91	30	31.82	Asia
Russia	5.83	31	29.55	Europe
China	5.19	32	27.27	Asia
Hong Kong	5.08	33	25.00	Asia
Singapore	4.35	34	22.73	Asia
Japan	3.76	35	20.45	Asia
Greece	3.25	36	18.18	Europe
New Zealand	3.05	37	15.91	Oceania
Czech Republic	1.48	38	13.64	Europe
Thailand	0.62	39	11.36	Asia
Turkey	0.03	42	4.55	the Middle East
Mexico	0.03	43	2.27	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Intangible Other Assets  
(Security Systems Services)**

Countries in the Middle East	Value (total assets = 100)	Rank	Percentile
Qatar	23.73	1	94.12
Israel	20.92	2	88.24
Yemen	18.13	3	82.35
United Arab Emirates	17.51	4	76.47
Uzbekistan	7.80	5	70.59
Armenia	7.00	6	64.71
Oman	6.50	7	58.82
Azerbaijan	6.37	8	52.94
Iran	5.99	9	47.06
Afghanistan	4.98	10	41.18
Kuwait	4.33	11	35.29
Bahrain	3.09	12	29.41
<b>Saudi Arabia</b>	<b>1.43</b>	<b>13</b>	<b>23.53</b>
Jordan	0.52	14	17.65
Turkey	0.03	15	11.76
Turkmenistan	0.03	16	5.88
Kyrgyzstan	0.02	17	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

## 3.3 FINANCIAL RETURNS IN SAUDI ARABIA: LIABILITY STRUCTURE RATIOS

### 3.3.1 Overview

In this chapter we consider the liability structure of firms operating in Saudi Arabia benchmarked against global averages. The chapter begins by defining relevant terms. A common-size statement, or vertical analysis of liabilities and shareholder equity is then presented for the proto-typical firm operating in Saudi Arabia and the average global benchmarks (sometimes referred to as a financial “gap” analysis). The figure reflect firms involved in security systems services in Saudi Arabia. For ratios where there are large deviations between Saudi Arabia and the benchmarks, graphics are provided (total liabilities and equity = 100 percent). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key vertical analysis liability ratios are highlighted.

### 3.3.2 Liabilities and Equity – Definitions of Terms

The following definitions are provided for those less familiar with the liability-side of financial statement analysis. As this chapter deals with the vertical analysis and global benchmarking of liabilities and equity, only definitions covering certain terms used in this chapter’s tables and graphs are provided here . The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Common Equity.** Common equity is defined to equal the company's net worth. It typically comprises capital stock, capital surplus, retained earnings, and, in some cases, net worth reserves. Common equity is the portion of total net worth belonging to the common stockholders. Synonyms which are often used for common equity are “common stock” and “net worth”.
- **Common Stock.** Common stock is defined as the securities which represent the company's ownership interest. Common stockholders typically assume greater risk than preferred stockholders; although common stockholders maintain greater control and generally greater dividends and capital appreciation. Common stock can be used interchangeably with the term capital stock when the company has no preferred stock.
- **Current Liabilities - Total.** Total current liabilities are defined as the total amount of obligations which would require the use of current assets or other current liabilities to pay.
- **Current Portion of Long Term Debt.** The current portion of long term debt is typically defined as debt which is payable in more than one year.
- **Deferred Income.** Deferred income is commonly defined as the amount for services rendered that has not yet been received.
- **Retained Earnings.** Retained earnings is an equity account reflecting the accumulated earnings of proprietary funds.
- **Shareholders Equity.** Shareholders equity is commonly defined to be the amount of total equity reserved for common and preferred shareholders.
- **Short Term Debt.** Short term debt is generally defined as debt payable within one year.

- **Total Liabilities.** Total liabilities are generally defined to include all the claims against a corporation. Liabilities include accounts and wages and salaries payable, dividends declared payable, accrued taxes payable, fixed or long-term liabilities such as mortgage bonds, debentures, and bank loans.



### 3.3.3 Liability Structure: Outlook

Using the methodology described in the introduction, the following table summarizes liability and equity structure benchmarks for firms involved in security systems services in Saudi Arabia. To allow comparable benchmarking, a common index of Total Liabilities & Shareholders Equity = 100 is used. All figures are current-year projections for companies operating in Saudi Arabia based on latest financial results available.

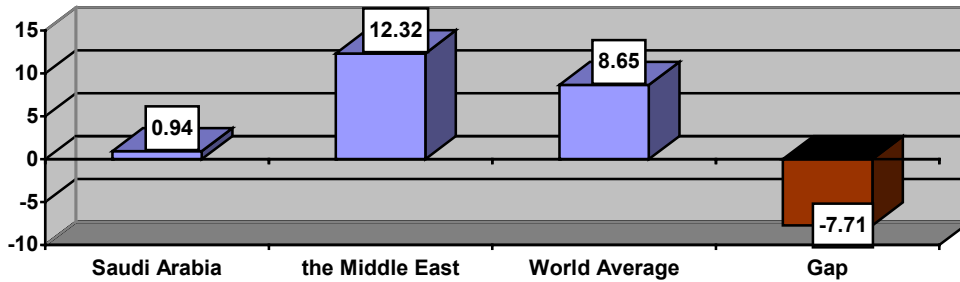
Liability Structure	Saudi Arabia	the Middle East	World Avg.
Short Term Debt & Current Portion of Long Term Debt	0.94	12.32	8.65
Other Current Liabilities	31.01	13.87	9.50
<b>Current Liabilities - Total</b>	<b>23.93</b>	<b>33.94</b>	<b>26.76</b>
Provision For Risks and Charges	7.39	1.25	0.97
Deferred Income	2.71	0.38	0.21
Other Liabilities	0.22	2.75	1.60
<b>Total Liabilities</b>	<b>29.20</b>	<b>44.80</b>	<b>34.81</b>
Common Equity	67.38	44.63	56.89
Common Stock	15.15	20.00	20.59
Other Appropriated Reserves	15.28	5.09	3.58
Unappropriated Reserves	31.80	7.81	11.10
Retained Earnings	14.12	7.86	10.82
Treasury Stock	0.35	0.92	1.00
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

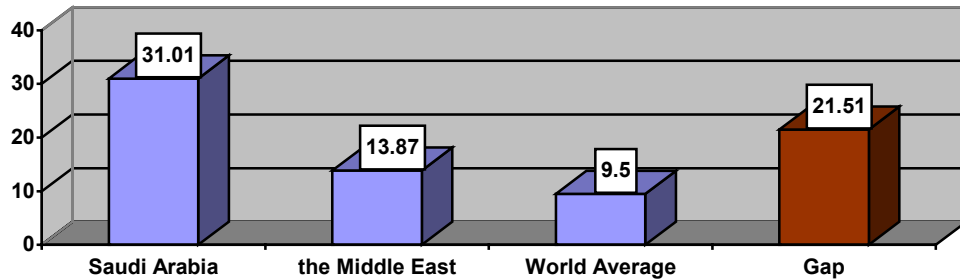
### 3.3.4 Large Variances: Liabilities

The following graphics summarize for security systems services the large liability structure gaps between firms operating in Saudi Arabia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

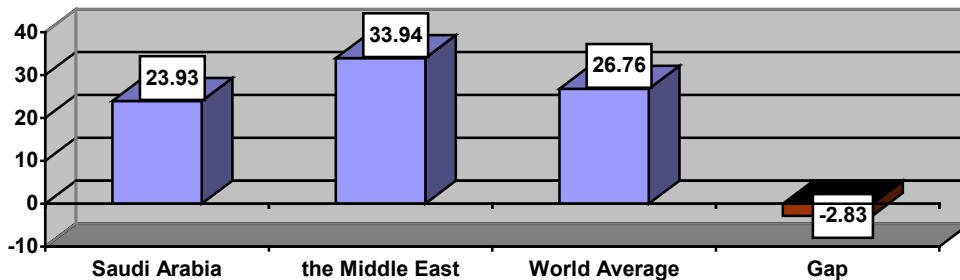
**Gap: Short Term Debt & Current Portion of Long Term Debt**



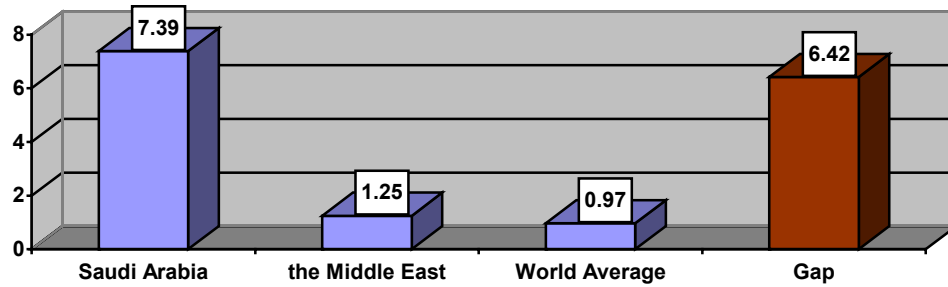
**Gap: Other Current Liabilities**



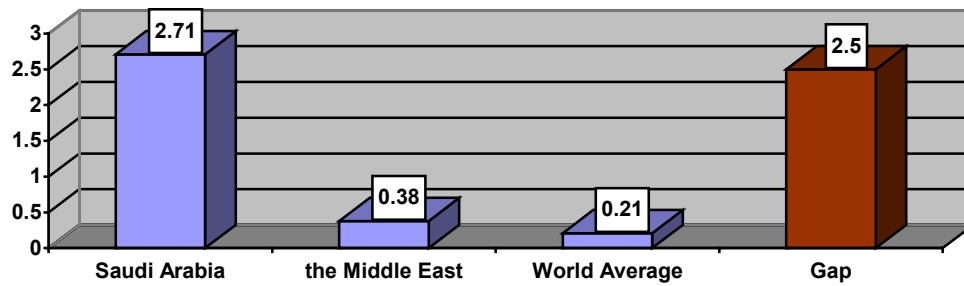
**Gap: Current Liabilities - Total**



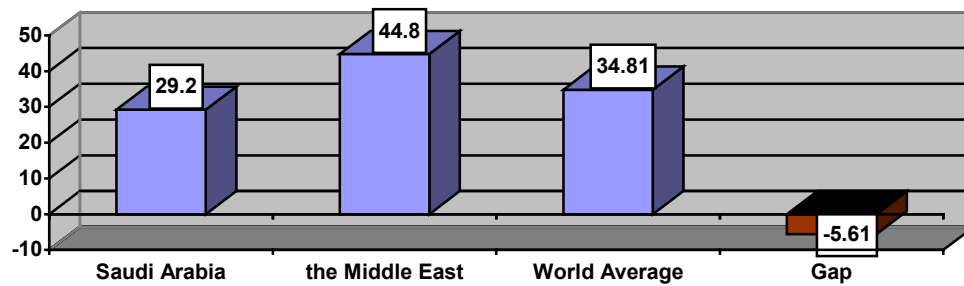
**Gap: Provision For Risks and Charges**



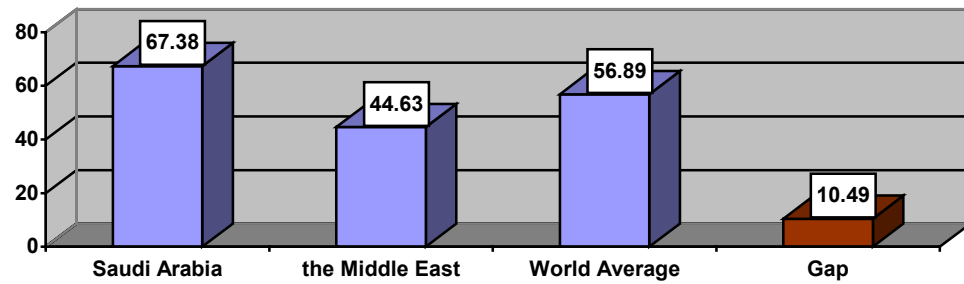
**Gap: Deferred Income**



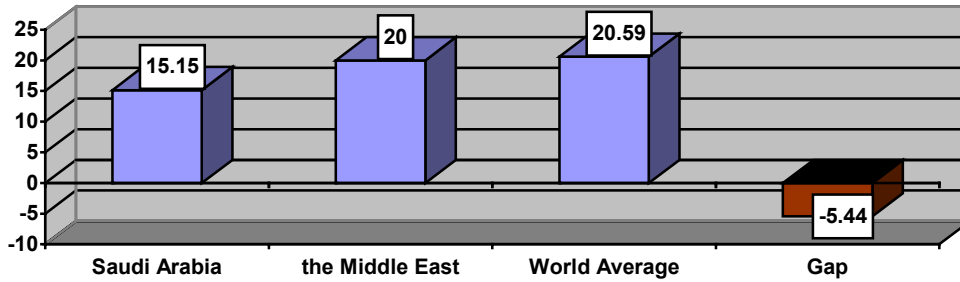
**Gap: Total Liabilities**



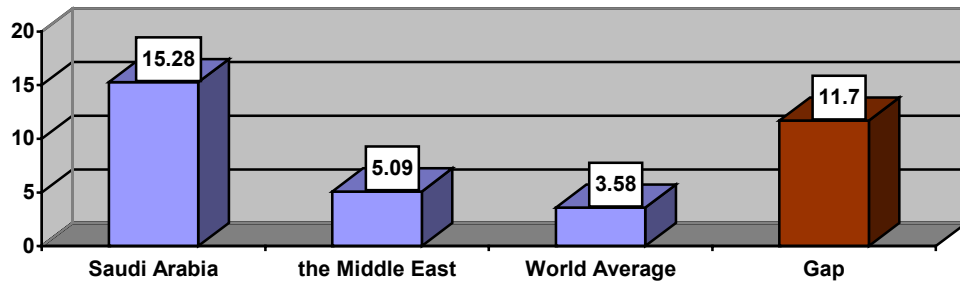
**Gap: Common Equity**



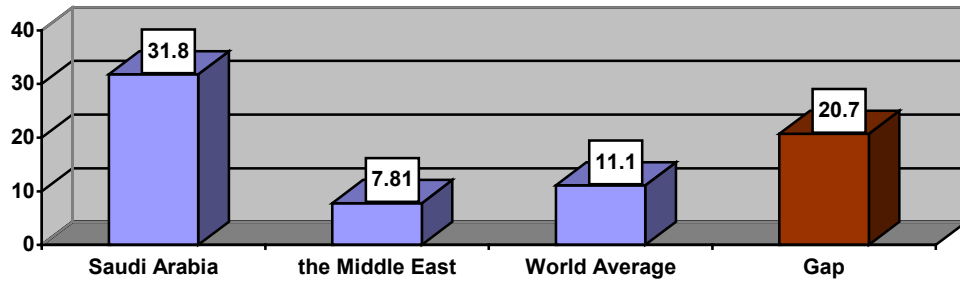
**Gap: Common Stock**



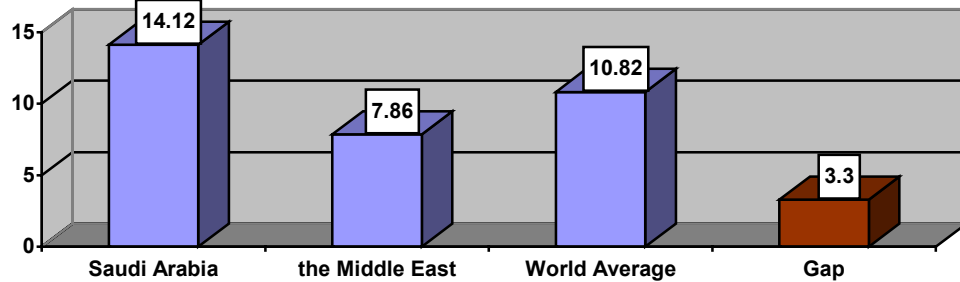
**Gap: Other Appropriated Reserves**



**Gap: Unappropriated Reserves**



**Gap: Retained Earnings**



### 3.3.5 Key Percentiles and Rankings

We now consider the distribution of liability ratios for security systems services using ranks and percentiles. What percent of countries have a value lower or higher than Saudi Arabia (what is the ratio's rank or percentile)? The table below answers this question with respect to the vertical analysis of liability structure. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key vertical liability ratios are highlighted in additional tables.

Liability Structure	Saudi Arabia	Rank of Total	Percentile
Short Term Debt & Current Portion of Long Term Debt	0.94	51 of 53	3.77
Other Current Liabilities	31.01	5 of 53	90.57
<b>Current Liabilities - Total</b>	<b>23.93</b>	<b>47 of 53</b>	<b>11.32</b>
Provision For Risks and Charges	7.39	2 of 34	94.12
Deferred Income	2.71	4 of 22	81.82
Other Liabilities	0.22	46 of 49	6.12
<b>Total Liabilities</b>	<b>29.20</b>	<b>49 of 54</b>	<b>9.26</b>
Common Equity	67.38	7 of 54	87.04
Common Stock	15.15	28 of 51	45.10
Other Appropriated Reserves	15.28	6 of 51	88.24
Unappropriated Reserves	31.80	3 of 34	91.18
Retained Earnings	14.12	19 of 52	63.46
Treasury Stock	0.35	16 of 23	30.43
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>100.00</b>		

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Current Liabilities - Total

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
Austria	57.84	1	98.08	Europe
Brazil	52.26	2	96.15	Latin America
Chile	49.72	3	94.23	Latin America
South Africa	48.30	4	92.31	Africa
France	47.94	5	90.38	Europe
Greece	47.58	6	88.46	Europe
Spain	47.44	7	86.54	Europe
Taiwan	47.30	8	84.62	Asia
Portugal	47.00	9	82.69	Europe
Thailand	44.19	10	80.77	Asia
Norway	41.60	11	78.85	Europe
Peru	40.74	12	76.92	Latin America
Netherlands	40.51	13	75.00	Europe
the United Kingdom	40.28	14	73.08	Europe
Belgium	39.42	15	71.15	Europe
Hungary	38.42	16	69.23	Europe
Argentina	37.57	17	67.31	Latin America
Turkey	36.72	19	63.46	the Middle East
Mexico	36.62	20	61.54	Latin America
Sweden	35.86	21	59.62	Europe
Switzerland	34.55	22	57.69	Europe
Poland	34.10	24	53.85	Europe
Denmark	33.72	26	50.00	Europe
Singapore	33.70	27	48.08	Asia
Italy	33.37	28	46.15	Europe
Japan	33.04	29	44.23	Asia
Luxembourg	31.91	30	42.31	Europe
Hong Kong	31.27	31	40.38	Asia
Australia	31.26	32	38.46	Oceana
South Korea	30.01	34	34.62	Asia
Finland	29.94	35	32.69	Europe
Ireland	29.63	36	30.77	Europe
Philippines	29.09	37	28.85	Asia
China	29.00	38	26.92	Asia
Germany	27.98	39	25.00	Europe
Russia	27.05	41	21.15	Europe
USA	27.01	42	19.23	North America
Czech Republic	24.77	43	17.31	Europe
Canada	24.70	44	15.38	North America
Malaysia	24.34	46	11.54	Asia
India	20.78	47	9.62	Asia
Israel	18.33	48	7.69	the Middle East
Indonesia	18.28	49	5.77	Asia
New Zealand	6.28	52	0.00	Oceana

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Current Liabilities - Total  
(Security Systems Services)**

Countries in the Middle East	Value (total liabilities & equity = 100)	Rank	Percentile
United Arab Emirates	56.89	1	95.65
Tajikistan	47.46	2	91.30
Uzbekistan	45.68	3	86.96
Bahrain	45.26	4	82.61
Syrian Arab Republic	44.85	5	78.26
Iraq	44.81	6	73.91
Lebanon	41.09	7	69.57
Jordan	36.98	8	65.22
Turkey	36.72	9	60.87
Turkmenistan	34.36	10	56.52
West Bank	34.14	11	52.17
Kuwait	33.50	12	47.83
Armenia	31.84	13	43.48
Qatar	31.26	14	39.13
Kyrgyzstan	30.82	15	34.78
Oman	30.13	16	30.43
Azerbaijan	29.66	17	26.09
Yemen	27.98	18	21.74
Iran	27.76	19	17.39
<b>Saudi Arabia</b>	<b>23.93</b>	<b>20</b>	<b>13.04</b>
Israel	18.33	21	8.70
Gaza Strip	15.86	22	4.35
Afghanistan	11.27	23	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Total Liabilities

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
Portugal	72.50	1	98.11	Europe
Peru	68.91	2	96.23	Latin America
Spain	66.89	3	94.34	Europe
Brazil	66.88	4	92.45	Latin America
Austria	64.50	5	90.57	Europe
Chile	63.63	6	88.68	Latin America
France	61.75	7	86.79	Europe
Turkey	60.52	8	84.91	the Middle East
Mexico	60.36	9	83.02	Latin America
South Africa	56.68	10	81.13	Africa
Pakistan	54.77	12	77.36	the Middle East
Taiwan	52.25	13	75.47	Asia
Belgium	51.97	14	73.58	Europe
the United Kingdom	51.96	15	71.70	Europe
Argentina	51.61	16	69.81	Latin America
Italy	51.48	17	67.92	Europe
Poland	51.34	18	66.04	Europe
Thailand	50.71	20	62.26	Asia
Netherlands	50.57	21	60.38	Europe
Greece	49.27	22	58.49	Europe
Luxembourg	48.76	23	56.60	Europe
Denmark	47.65	24	54.72	Europe
Norway	47.29	25	52.83	Europe
Ireland	47.06	26	50.94	Europe
Switzerland	46.11	27	49.06	Europe
Philippines	45.47	28	47.17	Asia
Sweden	44.68	29	45.28	Europe
Japan	44.41	30	43.40	Asia
Australia	41.24	32	39.62	Oceania
Hungary	39.10	34	35.85	Europe
Germany	38.64	35	33.96	Europe
USA	38.44	37	30.19	North America
Finland	38.11	38	28.30	Europe
Singapore	37.41	39	26.42	Asia
South Korea	37.03	40	24.53	Asia
Hong Kong	34.52	41	22.64	Asia
Canada	34.13	42	20.75	North America
Russia	33.37	44	16.98	Europe
China	30.54	45	15.09	Asia
Indonesia	30.43	46	13.21	Asia
Czech Republic	30.23	47	11.32	Europe
Malaysia	30.05	48	9.43	Asia
Israel	22.30	50	5.66	the Middle East
India	21.58	52	1.89	Asia
New Zealand	17.22	53	0.00	Oceania

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



**Total Liabilities  
(Security Systems Services)**

Countries in the Middle East	Value (total liabilities & equity = 100)	Rank	Percentile
United Arab Emirates	63.44	1	95.83
Tajikistan	60.74	2	91.67
Turkey	60.52	3	87.50
West Bank	57.74	4	83.33
Syrian Arab Republic	57.39	5	79.17
Iraq	57.34	6	75.00
Turkmenistan	56.65	7	70.83
Pakistan	54.77	8	66.67
Uzbekistan	53.61	9	62.50
Lebanon	52.58	10	58.33
Kyrgyzstan	50.81	11	54.17
Bahrain	46.87	12	50.00
Azerbaijan	44.65	13	45.83
Yemen	43.72	14	41.67
Jordan	42.44	15	37.50
Qatar	41.24	16	33.33
Kuwait	37.18	17	29.17
Oman	37.17	18	25.00
Iran	34.25	19	20.83
Armenia	32.40	20	16.67
<b>Saudi Arabia</b>	<b>29.20</b>	<b>21</b>	<b>12.50</b>
Gaza Strip	26.40	22	8.33
Israel	22.30	23	4.17
Afghanistan	11.70	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Common Equity

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
New Zealand	83.03	1	98.11	Oceania
India	77.88	2	96.23	Asia
Israel	73.83	3	94.34	the Middle East
Czech Republic	69.77	4	92.45	Europe
Indonesia	69.50	5	90.57	Asia
Malaysia	69.41	6	88.68	Asia
Canada	65.87	7	86.79	North America
Hong Kong	64.55	9	83.02	Asia
China	64.05	10	81.13	Asia
USA	60.95	11	79.25	North America
Germany	60.81	12	77.36	Europe
South Korea	60.73	13	75.47	Asia
Singapore	60.67	14	73.58	Asia
Hungary	59.69	15	71.70	Europe
Finland	59.57	16	69.81	Europe
Australia	57.92	17	67.92	Oceania
Sweden	55.20	19	64.15	Europe
Japan	54.99	20	62.26	Asia
Russia	54.72	21	60.38	Europe
Philippines	54.46	22	58.49	Asia
Ireland	52.84	23	56.60	Europe
Denmark	51.95	24	54.72	Europe
Norway	51.95	25	52.83	Europe
Switzerland	51.04	26	50.94	Europe
Luxembourg	51.00	27	49.06	Europe
Netherlands	48.65	29	45.28	Europe
the United Kingdom	47.84	30	43.40	Europe
Thailand	47.83	31	41.51	Asia
Belgium	47.68	32	39.62	Europe
Greece	46.41	33	37.74	Europe
Taiwan	46.22	35	33.96	Asia
Italy	45.26	36	32.08	Europe
Pakistan	45.23	37	30.19	the Middle East
Poland	45.08	38	28.30	Europe
South Africa	40.74	39	26.42	Africa
Turkey	39.48	41	22.64	the Middle East
Mexico	39.37	42	20.75	Latin America
France	37.40	43	18.87	Europe
Argentina	36.63	45	15.09	Latin America
Austria	35.50	47	11.32	Europe
Brazil	33.01	48	9.43	Latin America
Spain	31.72	49	7.55	Europe
Chile	31.40	50	5.66	Latin America
Peru	31.09	51	3.77	Latin America
Portugal	26.19	52	1.89	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Common Equity  
(Security Systems Services)**

Countries in the Middle East	Value (total liabilities & equity = 100)	Rank	Percentile
Israel	73.83	1	95.83
<b>Saudi Arabia</b>	<b>67.38</b>	<b>2</b>	<b>91.67</b>
Oman	60.96	3	87.50
Gaza Strip	60.30	4	83.33
Kuwait	60.30	5	79.17
Qatar	57.92	6	75.00
Iran	56.16	7	70.83
Yemen	52.37	8	66.67
Armenia	49.46	9	62.50
Pakistan	45.23	10	58.33
Bahrain	44.14	11	54.17
Afghanistan	42.21	12	50.00
Jordan	40.03	13	45.83
Turkey	39.48	14	41.67
Azerbaijan	39.21	15	37.50
Uzbekistan	38.53	16	33.33
Turkmenistan	36.95	17	29.17
United Arab Emirates	34.92	18	25.00
Kyrgyzstan	33.14	19	20.83
Tajikistan	29.98	20	16.67
Syrian Arab Republic	28.33	21	12.50
Iraq	28.30	22	8.33
West Bank	26.06	23	4.17
Lebanon	25.95	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Retained Earnings

Countries	Value (total liabilities & equity = 100)	Rank	Percentile	Region
Israel	29.85	1	98.04	the Middle East
Norway	28.00	2	96.08	Europe
Hong Kong	27.50	3	94.12	Asia
USA	22.90	4	92.16	North America
Japan	22.66	5	90.20	Asia
India	22.48	6	88.24	Asia
Canada	20.43	7	86.27	North America
South Africa	19.99	8	84.31	Africa
the United Kingdom	19.71	9	82.35	Europe
Denmark	18.98	10	80.39	Europe
Switzerland	18.96	11	78.43	Europe
Singapore	18.33	12	76.47	Asia
Finland	17.75	13	74.51	Europe
New Zealand	17.55	14	72.55	Oceania
Malaysia	15.35	15	70.59	Asia
Ireland	15.17	16	68.63	Europe
Czech Republic	14.62	17	66.67	Europe
Netherlands	14.40	18	64.71	Europe
Australia	13.44	19	62.75	Oceania
Indonesia	13.04	20	60.78	Asia
Germany	12.17	22	56.86	Europe
Spain	11.24	23	54.90	Europe
Belgium	11.17	24	52.94	Europe
Turkey	9.39	25	50.98	the Middle East
Mexico	9.36	27	47.06	Latin America
South Korea	8.61	29	43.14	Asia
Austria	8.48	30	41.18	Europe
Sweden	8.26	31	39.22	Europe
Taiwan	8.20	32	37.25	Asia
Russia	7.76	34	33.33	Europe
Philippines	7.32	35	31.37	Asia
Luxembourg	6.61	36	29.41	Europe
France	6.05	38	25.49	Europe
Argentina	5.62	39	23.53	Latin America
Poland	5.61	40	21.57	Europe
Thailand	5.23	41	19.61	Asia
Italy	4.84	42	17.65	Europe
Portugal	4.04	45	11.76	Europe
China	2.66	46	9.80	Asia
Hungary	1.95	47	7.84	Europe
Greece	1.54	48	5.88	Europe
Peru	0.27	49	3.92	Latin America
Pakistan	0.00	51	0.00	the Middle East

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Retained Earnings  
(Security Systems Services)**

<b>Countries in the Middle East</b>	<b>Value (total liabilities &amp; equity = 100)</b>	<b>Rank</b>	<b>Percentile</b>
Israel	29.85	1	95.00
Uzbekistan	18.91	2	90.00
Kuwait	18.22	3	85.00
<b>Saudi Arabia</b>	<b>14.12</b>	<b>4</b>	<b>80.00</b>
Qatar	13.44	5	75.00
Afghanistan	12.18	6	70.00
Gaza Strip	11.31	7	65.00
Turkey	9.39	8	60.00
Turkmenistan	8.79	9	55.00
Oman	8.64	10	50.00
United Arab Emirates	8.34	11	45.00
Iran	7.96	12	40.00
Kyrgyzstan	7.88	13	35.00
Yemen	7.04	14	30.00
Azerbaijan	4.88	15	25.00
Jordan	4.37	16	20.00
Armenia	1.62	17	15.00
Bahrain	1.46	18	10.00
West Bank	0.23	19	5.00
Pakistan	0.00	20	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

## 3.4 FINANCIAL RETURNS IN SAUDI ARABIA: INCOME STRUCTURE RATIOS

### 3.4.1 Overview

In this chapter we consider the income structure of companies operating in Saudi Arabia benchmarked against global averages. The chapter begins by defining relevant terms. A common-size statement, or vertical analysis of income is then presented for the proto-typical firm involved in security systems services operating in Saudi Arabia and the average global benchmarks (total revenue = 100 percent). For ratios where there are large deviations between Saudi Arabia and the benchmarks, graphics are provided. Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key vertical analysis income ratios are highlighted across countries in the comparison group.

### 3.4.2 Income Statements – Definitions of Terms

The following definitions are provided for those less familiar with the income-side of financial statement analysis. As this chapter deals with the vertical analysis and global benchmarking of income, only definitions covering certain terms used in this chapter's tables and graphs are provided here. The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Amortization.** Amortization generally refers to the depreciation, depletion, or charge-off to expense of intangible and tangible assets over a period of time. Amortization is commonly understood to be the taking as an expense (writing off) of the loss of value of an intangible asset such as a copyright, a patent, or a mailing list, in an accounting period.
- **Cost of Goods Sold (excluding depreciation).** For retail companies, cost of goods sold is generally defined as the equivalent of starting inventory plus purchases minus ending inventory. In manufacturing, cost of goods sold is defined to equal the starting inventory plus the cost of goods manufactured minus ending inventory. Most pure service firms do not generally have cost of goods sold.
- **Current Domestic Income Tax.** Current domestic income taxes are commonly defined as compulsory charges levied by the government where the company is located on current income.
- **Deferred Domestic Income Tax.** Deferred domestic income tax is defined as a compulsory charge from a previous accounting period which is yet unpaid to the government where the company is located on current income.
- **Depletion.** Depletion is commonly defined to be included as one of the elements of amortization, and is understood to be the portion of the carrying value (other than the portion associated with tangible assets) prorated in each accounting period for financial reporting purposes.
- **Depreciation.** Depreciation generally is defined as the expiration in the service life of fixed assets, other than depletable assets, attributable to wear and tear, deterioration, action of the physical elements, inadequacy and obsolescence. Depreciation is commonly defined as the portion of the cost of a fixed asset charged as an expense during a particular period. In accounting for depreciation, the cost of a fixed asset, less any salvage value, is prorated over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense.

- 
- **Earnings Before Interest and Taxes (EBIT).** EBIT is a financial measure defined as revenues less cost of goods sold and selling, general, and administrative expenses. In other words, operating and non-operating profit before the deduction of interest and income taxes.
  - **Gross Income.** Gross income is commonly defined as all the money, goods, and property received by the company that must be included as taxable income.
  - **Income Taxes.** Income taxes are defined to include those taxes levied by state, federal, and local governments on the company's reported accounting profit. Income taxes generally include both deferred and paid taxes. They are generally determined after the interest expense has been deducted.
  - **Interest Expense on Debt.** Interest expenses on debt are those which are spent on current debt and added to the net income so avoid underestimating interest coverage.
  - **Net Income Available to Common.** Net income available to common is defined as the net income available to common stockholders.
  - **Net Income Before Preferred Dividends.** Net income before preferred dividends is generally calculated as the difference between total revenues and total expense prior to the granting of preferred dividends.
  - **Net Sales or Revenues.** Revenues or net sales are defined as payments made to and received by an entity. May take the form of taxes, user fees, fines, fees for service, and so on.
  - **Non-Operating Interest Income.** Non-operating interest income is generally understood to be any interest received (e.g., royalty, production payment, net profits interest) that does not involve the operation of the company.
  - **Operating Expenses.** Operating expenses are generally defined as those incurred in paying for the company's day-to-day activities.
  - **Operating Income.** Operating income is generally defined to equal operating revenues less operating expenses. It typically excludes items of other revenue and expense such as equity in earnings of unconsolidated companies, dividends, interest income and expense, income taxes, extraordinary items, and cumulative effect of accounting changes.
  - **Pretax Income.** Pretax income is generally defined as income before tax deductions.

### 3.4.3 Income Structure: Outlook

Using the methodology described in the introduction, the following table summarizes income structure benchmarks for firms involved in security systems services in Saudi Arabia. To allow comparable benchmarking, a common index of Net Sales or Revenues = 100 is used. All figures are current-year projections for companies operating in Saudi Arabia based on latest financial results available.

<b>Income Structure</b>	<b>Saudi Arabia</b>	<b>the Middle East</b>	<b>World Avg.</b>
Net Sales or Revenues	100.00	100.00	100.00
Cost of Goods Sold (Excluding Depreciation)	81.48	46.07	55.68
Depreciation, Depletion & Amortization	6.65	10.89	7.59
<b>Gross Income</b>	<b>8.45</b>	<b>31.96</b>	<b>29.38</b>
Other Operating Expenses	72.02	75.13	78.97
Operating Expenses - Total	-7.25	2.30	2.66
<b>Operating Income</b>	<b>10.94</b>	<b>12.72</b>	<b>12.16</b>
Extraordinary Credit - Pretax	0.46	0.34	0.17
Extraordinary Charge - Pretax	13.39	1.13	0.47
Non-Operating Interest Income	4.41	3.72	1.79
Other Income/Expense Net	10.13	1.45	1.49
<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>16.81</b>	<b>19.16</b>	<b>16.24</b>
Interest Expense on Debt	0.95	6.61	3.42
<b>Pretax Income</b>	<b>15.87</b>	<b>12.65</b>	<b>12.89</b>
Income Taxes	7.35	4.08	2.91
Current Domestic Income Tax	14.02	3.70	1.90
Deferred Domestic Income Tax	0.73	0.13	0.00
Income Tax Credits	0.27	0.00	0.00
Net Income Before Extra Items/Prefer Dividends	8.52	8.39	9.64
Net Income Before Preferred Dividends	8.52	8.38	9.53
<b>Net Income Available to Common</b>	<b>8.52</b>	<b>8.39</b>	<b>9.63</b>

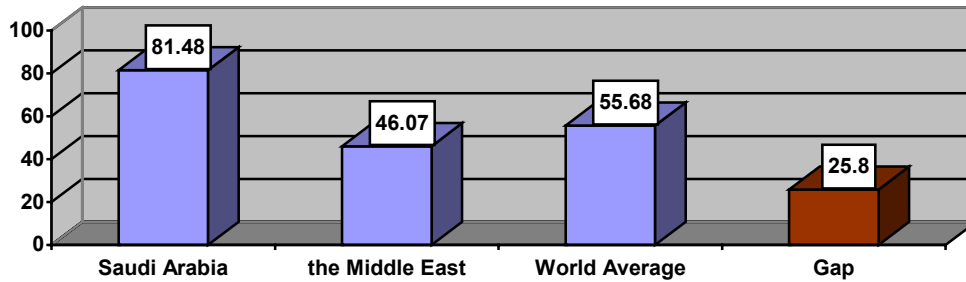
Source: Philip M. Parker, Professor, INSEAD, copyright 2007



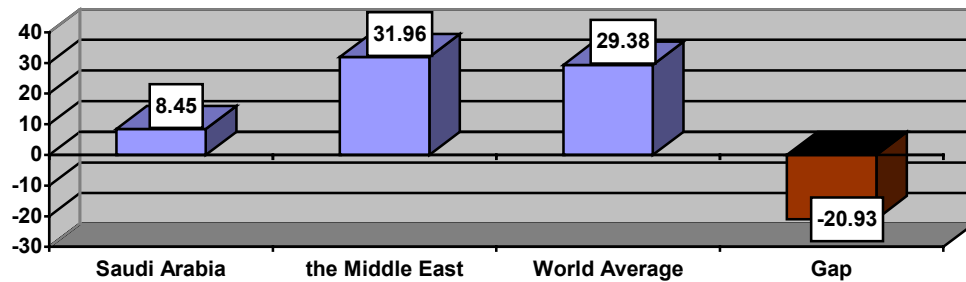
### 3.4.4 Large Variances: Income

The following graphics summarize for security systems services the large income structure gaps between firms operating in Saudi Arabia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

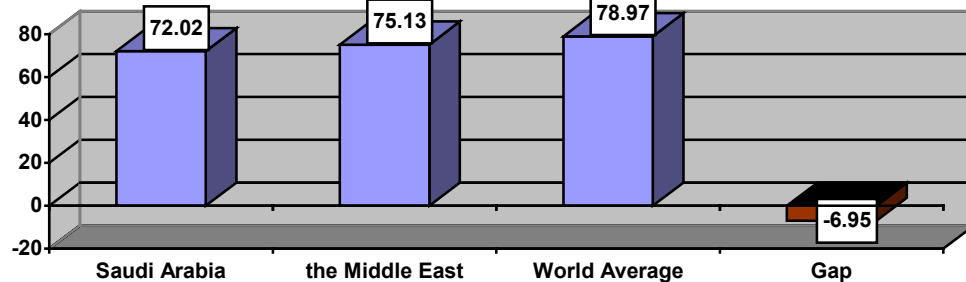
**Gap: Cost of Goods Sold (Excluding Depreciation)**

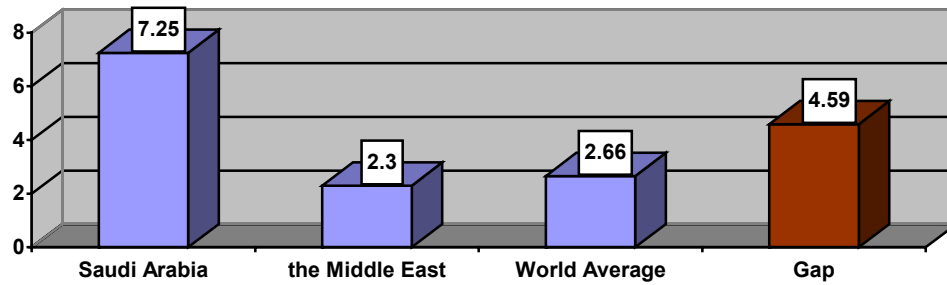
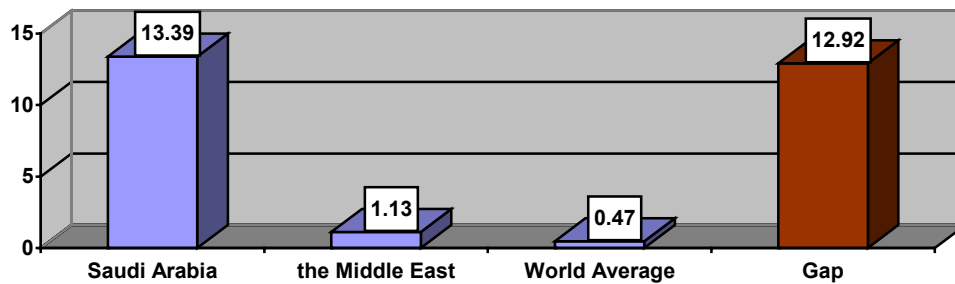
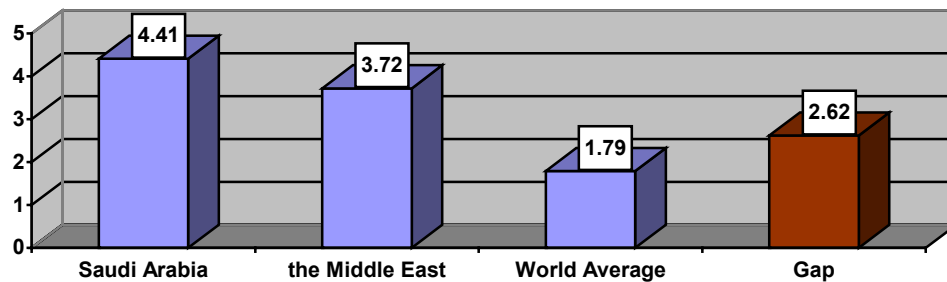
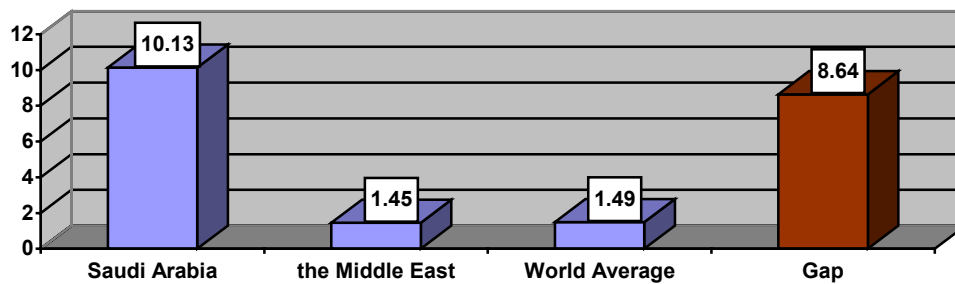


**Gap: Gross Income**

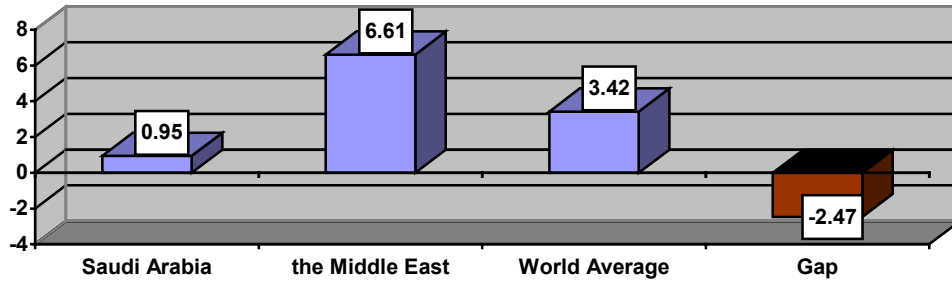


**Gap: Other Operating Expenses**

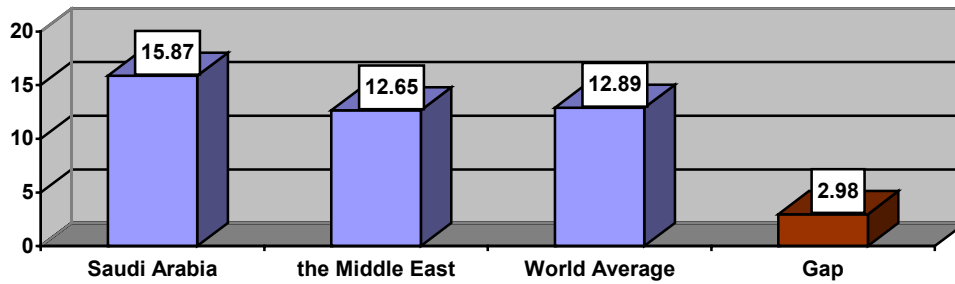


**Gap: Operating Expenses - Total****Gap: Extraordinary Charge - Pretax****Gap: Non-Operating Interest Income****Gap: Other Income/Expense Net**

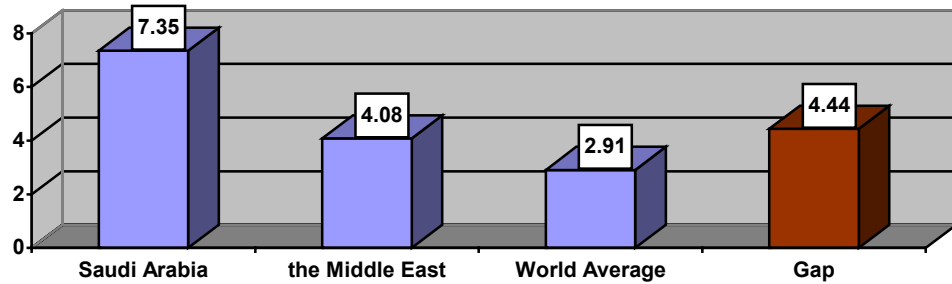
**Gap: Interest Expense on Debt**



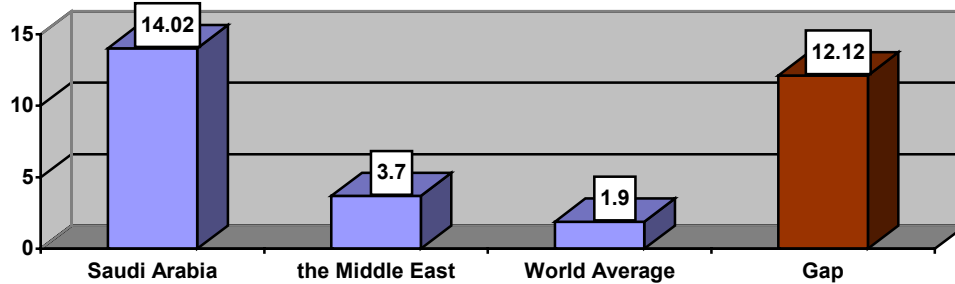
**Gap: Pretax Income**



**Gap: Income Taxes**



**Gap: Current Domestic Income Tax**



### 3.4.5 Key Percentiles and Rankings

We now consider the distribution of income ratios for security systems services using ranks and percentiles. What percent of countries have a value lower or higher than Saudi Arabia (what is the ratio's rank or percentile)? The table below answers this question with respect to the vertical analysis of income structure. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key vertical income ratios are highlighted in additional tables.

Income Structure	Saudi Arabia	Rank of Total	Percentile
Net Sales or Revenues	100.00		
Cost of Goods Sold (Excluding Depreciation)	81.48	6 of 49	87.76
Depreciation, Depletion & Amortization	6.65	21 of 54	61.11
<b>Gross Income</b>	<b>8.45</b>	<b>51 of 52</b>	<b>1.92</b>
Other Operating Expenses	72.02	43 of 51	15.69
Operating Expenses - Total	-7.25	43 of 44	2.27
<b>Operating Income</b>	<b>10.94</b>	<b>19 of 54</b>	<b>64.81</b>
Extraordinary Credit - Pretax	0.46	13 of 30	56.67
Extraordinary Charge - Pretax	13.39	2 of 33	93.94
Non-Operating Interest Income	4.41	8 of 49	83.67
<b>Other Income/Expense Net</b>	<b>10.13</b>	<b>2 of 54</b>	<b>96.30</b>
<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>16.81</b>	<b>19 of 54</b>	<b>64.81</b>
Interest Expense on Debt	0.95	42 of 54	22.22
<b>Pretax Income</b>	<b>15.87</b>	<b>13 of 54</b>	<b>75.93</b>
Income Taxes	7.35	7 of 54	87.04
Current Domestic Income Tax	14.02	2 of 42	95.24
Deferred Domestic Income Tax	0.73	7 of 38	81.58
Income Tax Credits	0.27	3 of 8	62.50
Net Income Before Extra Items/Prefer Dividends	8.52	19 of 54	64.81
Net Income Before Preferred Dividends	8.52	19 of 54	64.81
<b>Net Income Available to Common</b>	<b>8.52</b>	<b>19 of 54</b>	<b>64.81</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Cost of Goods Sold (Excluding Depreciation)

Countries	Value (total revenue = 100)	Rank	Percentile	Region
Luxembourg	89.70	1	97.92	Europe
Hungary	87.06	2	95.83	Europe
Belgium	84.48	3	93.75	Europe
Czech Republic	84.36	4	91.67	Europe
Sweden	83.71	5	89.58	Europe
France	76.96	6	87.50	Europe
South Africa	75.28	7	85.42	Africa
Brazil	72.71	8	83.33	Latin America
Spain	71.43	9	81.25	Europe
Peru	71.26	10	79.17	Latin America
India	71.23	11	77.08	Asia
Norway	70.16	12	75.00	Europe
Netherlands	69.96	13	72.92	Europe
Chile	69.18	14	70.83	Latin America
South Korea	68.01	15	68.75	Asia
China	65.99	16	66.67	Asia
Japan	65.44	17	64.58	Asia
Malaysia	64.52	18	62.50	Asia
Switzerland	63.17	19	60.42	Europe
Poland	62.65	20	58.33	Europe
Finland	62.51	21	56.25	Europe
Ireland	62.12	23	52.08	Europe
Russia	61.28	24	50.00	Europe
Denmark	58.79	25	47.92	Europe
Singapore	58.74	26	45.83	Asia
the United Kingdom	58.44	27	43.75	Europe
Philippines	57.73	28	41.67	Asia
Germany	57.24	29	39.58	Europe
Argentina	55.56	30	37.50	Latin America
Portugal	54.04	31	35.42	Europe
Thailand	52.06	33	31.25	Asia
Australia	51.51	34	29.17	Oceania
New Zealand	51.02	35	27.08	Oceania
Hong Kong	50.82	36	25.00	Asia
Canada	50.36	37	22.92	North America
Italy	49.81	38	20.83	Europe
USA	46.30	40	16.67	North America
Greece	44.50	41	14.58	Europe
Indonesia	32.98	44	8.33	Asia
Israel	19.75	47	2.08	the Middle East
Pakistan	3.27	48	0.00	the Middle East

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Cost of Goods Sold (Excluding Depreciation)  
(Security Systems Services)**

<b>Countries in the Middle East</b>	<b>Value (total revenue = 100)</b>	<b>Rank</b>	<b>Percentile</b>
<b>Saudi Arabia</b>	<b>81.48</b>	<b>1</b>	<b>95.00</b>
Armenia	72.14	2	90.00
Uzbekistan	71.21	3	85.00
Oman	68.26	4	80.00
Tajikistan	66.04	5	75.00
Iran	62.90	6	70.00
Syrian Arab Republic	62.40	7	65.00
Iraq	62.35	8	60.00
West Bank	59.72	9	55.00
Kuwait	58.38	10	50.00
Lebanon	57.16	11	45.00
Yemen	55.51	12	40.00
Azerbaijan	54.49	13	35.00
Qatar	51.51	14	30.00
Jordan	43.57	15	25.00
Bahrain	42.33	16	20.00
Afghanistan	38.61	17	15.00
Gaza Strip	28.62	18	10.00
Israel	19.75	19	5.00
Pakistan	3.27	20	0.00

**Source: Philip M. Parker, Professor, INSEAD, copyright 2007**

### Operating Expenses - Total

Countries	Value (total revenue = 100)	Rank	Percentile	Region
Finland	23.14	1	97.67	Europe
Australia	18.15	2	95.35	Oceania
Philippines	16.61	3	93.02	Asia
Netherlands	13.94	5	88.37	Europe
Germany	13.33	6	86.05	Europe
Spain	12.50	7	83.72	Europe
Switzerland	12.03	8	81.40	Europe
Ireland	11.95	9	79.07	Europe
Norway	10.21	10	76.74	Europe
Portugal	9.13	11	74.42	Europe
Singapore	7.33	12	72.09	Asia
France	7.16	13	69.77	Europe
South Africa	5.63	14	67.44	Africa
Denmark	4.89	15	65.12	Europe
the United Kingdom	4.37	16	62.79	Europe
Sweden	3.98	17	60.47	Europe
India	3.56	18	58.14	Asia
Peru	3.18	19	55.81	Latin America
Indonesia	3.11	20	53.49	Asia
Hong Kong	2.28	23	46.51	Asia
Malaysia	1.70	25	41.86	Asia
USA	1.48	26	39.53	North America
Poland	1.25	27	37.21	Europe
China	0.97	28	34.88	Asia
Italy	0.90	29	32.56	Europe
Belgium	0.76	30	30.23	Europe
South Korea	0.55	31	27.91	Asia
Luxembourg	0.53	32	25.58	Europe
Argentina	0.51	33	23.26	Latin America
Russia	0.49	35	18.60	Europe
Brazil	0.48	36	16.28	Latin America
Chile	0.46	37	13.95	Latin America
Israel	0.20	38	11.63	the Middle East
Pakistan	0.05	39	9.30	the Middle East
Japan	0.04	40	6.98	Asia
Canada	-0.14	41	4.65	North America
Greece	-0.17	42	2.33	Europe
Czech Republic	-7.51	43	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Operating Expenses - Total  
(Security Systems Services)**

Countries in the Middle East	Value (total revenue = 100)	Rank	Percentile
Qatar	18.15	1	94.44
Yemen	15.97	2	88.89
Kuwait	7.29	3	83.33
Uzbekistan	5.32	4	77.78
Gaza Strip	2.70	5	72.22
West Bank	2.66	6	66.67
Afghanistan	1.93	7	61.11
Azerbaijan	1.09	8	55.56
Oman	0.55	9	50.00
Iran	0.51	10	44.44
Tajikistan	0.44	11	38.89
Syrian Arab Republic	0.41	12	33.33
Iraq	0.41	13	27.78
Lebanon	0.38	14	22.22
Israel	0.20	15	16.67
Pakistan	0.05	16	11.11
Bahrain	-0.16	17	5.56
<b>Saudi Arabia</b>	<b>-7.25</b>	<b>18</b>	<b>0.00</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



### Operating Income

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	44.13	1	98.11	Oceania
Turkey	42.82	2	96.23	the Middle East
Mexico	42.71	3	94.34	Latin America
Philippines	22.13	5	90.57	Asia
Hong Kong	21.70	6	88.68	Asia
Israel	20.11	7	86.79	the Middle East
Greece	18.94	8	84.91	Europe
Argentina	15.51	10	81.13	Latin America
India	15.01	11	79.25	Asia
Portugal	14.89	12	77.36	Europe
Singapore	14.41	13	75.47	Asia
Australia	12.94	14	73.58	Oceania
China	12.42	15	71.70	Asia
Pakistan	11.66	16	69.81	the Middle East
Indonesia	11.46	17	67.92	Asia
Czech Republic	11.33	18	66.04	Europe
USA	10.30	20	62.26	North America
Spain	10.05	21	60.38	Europe
Japan	9.33	22	58.49	Asia
South Korea	8.23	24	54.72	Asia
Malaysia	7.67	25	52.83	Asia
the United Kingdom	7.58	26	50.94	Europe
Russia	7.42	28	47.17	Europe
Canada	7.22	29	45.28	North America
Poland	7.20	30	43.40	Europe
Brazil	7.06	31	41.51	Latin America
Denmark	6.91	32	39.62	Europe
Thailand	6.79	33	37.74	Asia
Chile	6.72	34	35.85	Latin America
France	6.71	35	33.96	Europe
South Africa	6.42	36	32.08	Africa
Netherlands	6.34	37	30.19	Europe
Germany	5.88	38	28.30	Europe
Italy	5.59	40	24.53	Europe
Peru	5.48	41	22.64	Latin America
Belgium	5.02	43	18.87	Europe
Switzerland	4.58	44	16.98	Europe
Sweden	4.55	45	15.09	Europe
Finland	3.91	47	11.32	Europe
Taiwan	3.82	48	9.43	Asia
Ireland	3.49	49	7.55	Europe
Norway	2.36	50	5.66	Europe
Luxembourg	0.12	51	3.77	Europe
Austria	-0.10	52	1.89	Europe
Hungary	-4.06	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Operating Income  
(Security Systems Services)**

Countries in the Middle East	Value (total revenue = 100)	Rank	Percentile
Turkey	42.82	1	95.83
Turkmenistan	40.08	2	91.67
Kyrgyzstan	35.95	3	87.50
Yemen	21.28	4	83.33
Israel	20.11	5	79.17
Bahrain	18.02	6	75.00
Kuwait	14.32	7	70.83
Qatar	12.94	8	66.67
Pakistan	11.66	9	62.50
<b>Saudi Arabia</b>	<b>10.94</b>	<b>10</b>	<b>58.33</b>
Gaza Strip	9.95	11	54.17
Oman	8.26	12	50.00
Afghanistan	8.13	13	45.83
Iran	7.61	14	41.67
Tajikistan	6.41	15	37.50
Azerbaijan	6.26	16	33.33
Uzbekistan	6.07	17	29.17
Syrian Arab Republic	6.06	18	25.00
Iraq	6.05	19	20.83
Jordan	5.68	20	16.67
Lebanon	5.55	21	12.50
West Bank	4.59	22	8.33
United Arab Emirates	-0.10	23	4.17
Armenia	-3.36	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Earnings Before Interest and Taxes (EBIT)

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	56.35	1	98.11	Oceania
Turkey	55.88	2	96.23	the Middle East
Mexico	55.73	3	94.34	Latin America
Pakistan	42.24	5	90.57	the Middle East
Portugal	39.12	6	88.68	Europe
Israel	26.28	7	86.79	the Middle East
Philippines	23.20	8	84.91	Asia
Hong Kong	23.02	9	83.02	Asia
Greece	22.37	10	81.13	Europe
Thailand	20.54	11	79.25	Asia
India	18.11	13	75.47	Asia
Argentina	17.90	14	73.58	Latin America
Czech Republic	17.41	15	71.70	Europe
Brazil	17.26	16	69.81	Latin America
Indonesia	17.12	18	66.04	Asia
Chile	16.42	19	64.15	Latin America
Australia	16.16	20	62.26	Oceania
Singapore	16.12	21	60.38	Asia
China	14.48	24	54.72	Asia
Ireland	11.97	26	50.94	Europe
Denmark	11.40	27	49.06	Europe
Spain	11.10	28	47.17	Europe
Germany	11.03	29	45.28	Europe
USA	10.71	30	43.40	North America
Malaysia	9.67	31	41.51	Asia
Japan	9.37	32	39.62	Asia
Poland	9.14	33	37.74	Europe
Peru	9.14	34	35.85	Latin America
South Korea	9.09	35	33.96	Asia
Italy	8.88	36	32.08	Europe
South Africa	8.30	38	28.30	Africa
Russia	8.19	39	26.42	Europe
the United Kingdom	8.15	40	24.53	Europe
Taiwan	8.15	41	22.64	Asia
France	7.93	42	20.75	Europe
Netherlands	7.53	43	18.87	Europe
Finland	7.35	44	16.98	Europe
Switzerland	6.46	46	13.21	Europe
Canada	5.67	47	11.32	North America
Sweden	5.07	48	9.43	Europe
Belgium	4.88	49	7.55	Europe
Norway	4.41	50	5.66	Europe
Hungary	1.52	51	3.77	Europe
Luxembourg	1.24	52	1.89	Europe
Austria	0.68	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Earnings Before Interest and Taxes (EBIT)  
(Security Systems Services)**

Countries in the Middle East	Value (total revenue = 100)	Rank	Percentile
Turkey	55.88	1	95.83
Turkmenistan	52.31	2	91.67
Kyrgyzstan	46.92	3	87.50
Pakistan	42.24	4	83.33
Israel	26.28	5	79.17
Yemen	22.31	6	75.00
Bahrain	21.28	7	70.83
Jordan	17.19	8	66.67
<b>Saudi Arabia</b>	<b>16.81</b>	<b>9</b>	<b>62.50</b>
Qatar	16.16	10	58.33
Kuwait	16.02	11	54.17
Tajikistan	15.68	12	50.00
Gaza Strip	14.86	13	45.83
Syrian Arab Republic	14.81	14	41.67
Iraq	14.80	15	37.50
Lebanon	13.57	16	33.33
Afghanistan	9.82	17	29.17
Oman	9.13	18	25.00
Iran	8.41	19	20.83
Azerbaijan	7.95	20	16.67
Uzbekistan	7.85	21	12.50
West Bank	7.66	22	8.33
Armenia	1.26	23	4.17
United Arab Emirates	0.67	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Pretax Income

Countries	Value (total revenue = 100)	Rank	Percentile	Region
New Zealand	55.18	1	98.11	Oceania
Turkey	34.67	2	96.23	the Middle East
Mexico	34.58	3	94.34	Latin America
Israel	25.27	5	90.57	the Middle East
Hong Kong	22.35	6	88.68	Asia
Philippines	21.85	7	86.79	Asia
Greece	20.54	8	84.91	Europe
India	17.89	10	81.13	Asia
Czech Republic	16.43	11	79.25	Europe
Portugal	16.14	12	77.36	Europe
Singapore	15.60	13	75.47	Asia
Indonesia	15.51	14	73.58	Asia
Thailand	15.02	15	71.70	Asia
Australia	14.14	17	67.92	Oceania
China	12.67	18	66.04	Asia
Argentina	12.16	20	62.26	Latin America
Pakistan	10.64	23	56.60	the Middle East
USA	9.69	24	54.72	North America
Spain	9.69	25	52.83	Europe
Germany	9.27	26	50.94	Europe
South Korea	9.21	27	49.06	Asia
Malaysia	8.79	28	47.17	Asia
Denmark	8.52	29	45.28	Europe
Japan	8.34	31	41.51	Asia
Russia	8.30	32	39.62	Europe
the United Kingdom	7.13	33	37.74	Europe
Taiwan	6.87	34	35.85	Asia
France	6.76	35	33.96	Europe
Italy	6.60	36	32.08	Europe
Poland	6.53	37	30.19	Europe
Switzerland	5.69	38	28.30	Europe
Netherlands	5.62	39	26.42	Europe
Finland	5.60	40	24.53	Europe
Brazil	5.41	41	22.64	Latin America
South Africa	5.24	42	20.75	Africa
Chile	5.15	43	18.87	Latin America
Sweden	4.51	44	16.98	Europe
Ireland	4.21	45	15.09	Europe
Canada	4.21	46	13.21	North America
Belgium	3.65	47	11.32	Europe
Norway	3.47	48	9.43	Europe
Peru	2.21	49	7.55	Latin America
Hungary	1.22	51	3.77	Europe
Luxembourg	0.54	52	1.89	Europe
Austria	0.08	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Pretax Income  
(Security Systems Services)**

Countries in the Middle East	Value (total revenue = 100)	Rank	Percentile
Turkey	34.67	1	95.83
Turkmenistan	32.45	2	91.67
Kyrgyzstan	29.11	3	87.50
Israel	25.27	4	83.33
Yemen	21.01	5	79.17
Bahrain	19.53	6	75.00
<b>Saudi Arabia</b>	<b>15.87</b>	<b>7</b>	<b>70.83</b>
Kuwait	15.50	8	66.67
Qatar	14.14	9	62.50
Gaza Strip	13.45	10	58.33
Jordan	12.57	11	54.17
Pakistan	10.64	12	50.00
Afghanistan	9.70	13	45.83
Oman	9.24	14	41.67
Iran	8.51	15	37.50
Azerbaijan	5.68	16	33.33
Uzbekistan	4.96	17	29.17
Tajikistan	4.92	18	25.00
Syrian Arab Republic	4.65	19	20.83
Iraq	4.64	20	16.67
Lebanon	4.26	21	12.50
West Bank	1.85	22	8.33
Armenia	1.01	23	4.17
United Arab Emirates	0.08	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Income Taxes

Countries	Value (total revenue = 100)	Rank	Percentile	Region
Turkey	15.37	1	98.11	the Middle East
Mexico	15.32	2	96.23	Latin America
New Zealand	14.16	4	92.45	Oceania
Greece	8.12	5	90.57	Europe
Czech Republic	7.61	6	88.68	Europe
Philippines	6.08	7	86.79	Asia
Thailand	5.71	8	84.91	Asia
Portugal	5.25	9	83.02	Europe
Japan	4.55	12	77.36	Asia
Argentina	4.13	14	73.58	Latin America
Indonesia	4.09	15	71.70	Asia
Italy	3.86	16	69.81	Europe
Israel	3.85	18	66.04	the Middle East
Australia	3.55	19	64.15	Oceania
Germany	3.55	20	62.26	Europe
USA	3.38	21	60.38	North America
Denmark	3.09	22	58.49	Europe
Singapore	2.64	24	54.72	Asia
India	2.54	25	52.83	Asia
South Africa	2.53	26	50.94	Africa
France	2.49	27	49.06	Europe
Belgium	2.45	28	47.17	Europe
Malaysia	2.35	29	45.28	Asia
the United Kingdom	2.22	30	43.40	Europe
Hong Kong	2.12	31	41.51	Asia
South Korea	2.05	32	39.62	Asia
Finland	2.03	33	37.74	Europe
Netherlands	1.99	34	35.85	Europe
Poland	1.98	35	33.96	Europe
Sweden	1.96	36	32.08	Europe
Canada	1.93	37	30.19	North America
Russia	1.85	39	26.42	Europe
Spain	1.81	40	24.53	Europe
China	1.74	41	22.64	Asia
Brazil	1.40	42	20.75	Latin America
Switzerland	1.38	43	18.87	Europe
Chile	1.33	44	16.98	Latin America
Ireland	1.22	45	15.09	Europe
Peru	0.96	46	13.21	Latin America
Taiwan	0.86	47	11.32	Asia
Norway	0.68	49	7.55	Europe
Hungary	0.57	50	5.66	Europe
Pakistan	0.30	51	3.77	the Middle East
Austria	0.17	52	1.89	Europe
Luxembourg	-0.22	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Income Taxes**  
**(Security Systems Services)**

Countries in the Middle East	Value (total revenue = 100)	Rank	Percentile
Turkey	15.37	1	95.83
Turkmenistan	14.38	2	91.67
Kyrgyzstan	12.90	3	87.50
Bahrain	7.73	4	83.33
<b>Saudi Arabia</b>	<b>7.35</b>	<b>5</b>	<b>79.17</b>
Yemen	5.85	6	75.00
Jordan	4.78	7	70.83
Israel	3.85	8	66.67
Qatar	3.55	9	62.50
Gaza Strip	3.55	10	58.33
Kuwait	2.62	11	54.17
Uzbekistan	2.39	12	50.00
Oman	2.06	13	45.83
Iran	1.89	14	41.67
Azerbaijan	1.72	15	37.50
Afghanistan	1.38	16	33.33
Tajikistan	1.27	17	29.17
Syrian Arab Republic	1.20	18	25.00
Iraq	1.20	19	20.83
Lebanon	1.10	20	16.67
West Bank	0.80	21	12.50
Armenia	0.47	22	8.33
Pakistan	0.30	23	4.17
United Arab Emirates	0.17	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



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## 3.5 FINANCIAL RETURNS IN SAUDI ARABIA: PROFITABILITY RATIOS

### 3.5.1 Overview

In this chapter we consider additional financial ratios estimated for firms involved in security systems services operating in Saudi Arabia benchmarked against global averages. The chapter begins by defining relevant terms. Estimates are then presented for the proto-typical firm operating in Saudi Arabia compared to average global benchmarks. For ratios where there are large deviations between the average firm in Saudi Arabia and the benchmarks, graphics are provided. Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key ratios are highlighted across countries in the comparison group.

### 3.5.2 Ratios – Definitions of Terms

The following definitions are provided for those less familiar with financial ratio analysis. As this chapter deals with the global benchmarking of ratios, only definitions covering certain terms used in this chapter's tables and graphs are provided here. The glossary below reflects commonly accepted definitions across various countries and official sources.

- **Accounts Receivables Days.** The number of days' receivable sales generally correlates to the amount of the accounts receivables to the average daily sales on account. Accounts receivables days is often determined by dividing the gross receivables by (net sales/365).
- **Cash Earnings Return On Equity (%).** Cash earnings return on equity generally measures the return of revenues to the shareholders. This ratio is generally calculated by dividing (net income before nonrecurring items minus preferred dividends) by the average common equity.
- **Cash Flow.** Cash flow is generally defined as being equal to the company's net income plus the charge-off amounts for depreciation, depletion, amortization, extraordinary charges to reserves. These are bookkeeping deductions which are not paid out as cash.
- **Current Ratio.** The current ratio is generally defined as a ratio of liquidity measuring the ability of a business to pay its current obligations when due. The current ratio is generally calculated by dividing total current assets by total current liabilities. Managers and lenders often want the current ratio to be 2.00 or greater. This ratio is often seen as an indication of short-term debt-paying ability. The higher the ratio, the more liquid the company.
- **Dividend Payout (% Earnings) - Total Dividends (%).** The dividend payout ratio is generally used to measure the amount of current earnings per common share which are paid out in dividends. This ratio is generally determined by dividing dividends per common share by diluted earnings per share.
- **Fixed Charge Coverage Ratio.** The fixed charge coverage ratio is generally seen as an indication of the company's ability to cover its fixed charges. This ratio is typically determined by dividing recurring earnings excluding interest expense, tax expense, equity earnings, and minority earnings plus interest from rentals by interest expense including capitalized interest and interest from rentals.

- **Gross Profit Margin (%).** The gross profit margin is typically defined to equal the difference, in percent, between net sales revenue and the cost of goods sold.
- **Inventories (# of Days) Held.** Inventory days held is generally determined by dividing the ending inventory by (the cost of goods held/365). The number of days held results in the average daily cost of goods held.
- **Inventory Turnover (%).** Inventory turnover is used as a measure of the balance of inventory. It generally compares the amount of inventory with the total sales for the year. The ratio can reflect both on the quality of the inventory and the efficiency of management. Typically, the higher the turnover rate, the greater the likelihood that profits would be larger and less working capital bound up in inventory.
- **Net Margin (%).** The net margin is the ratio of net income dollars generated by each dollar of sales.
- **Operating Profit Margin (%).** Operating profit margin percent is the ratio of operating profit to net sales. Operating profit (loss) is income or loss before taxes calculated by the difference between total revenues and total expense disregarding the effects of any extraordinary transactions.
- **Quick Ratio.** The quick ratio, also commonly known as the “acid test ratio”, is a refined current ratio and is often seen as a more conservative measure of liquidity. The quick ratio is generally determined by dividing cash and equivalents plus trade receivables by total current liabilities. The ratio shows the degree to which a company's current liabilities can be covered by the most liquid current assets. Financial management texts generally conclude that any value of less than 1 to 1 implies a reciprocal dependency on inventory or other current assets to liquidate short-term debt.
- **Reinvestment Rate - Total (%).** The reinvestment rate is typically defined as the rate at which an investor assumes interest payments made on a debt security can be reinvested over the life of that security.
- **Return on Assets (%).** Return on assets is generally used to measure a company's ability to use assets to create profit.
- **Return on Equity - Total (%).** The return on total equity ratio is often seen to reflect the profitability of the company's operations after income taxes. Return on equity is often considered to be a good measure of the company's profitability. Tax laws and tax loss carryovers can affect the net income and therefore can also affect the return on equity.
- **Return on Invested Capital (%).** The ratio of return on invested capital is typically defined as an evaluation of earnings performance without regard to the method of financing. This ratio measures the earnings on investment and is an indication of how well the company utilizes its asset base. Return on investment is a type of return on capital, therefore this ratio can be an indication of the company's ability to reward investors who provide long-term funds and to attract future investors.
- **Tax Rate (%).** The tax rate is typically defined as the average rate of domestic tax owed to government by the company.
- **Working Capital.** Net working capital equals the difference between total current assets and total current liabilities. Working capital often reflects a company's ability to expand volume and meet obligations. Since growth is usually one goal, the amount of working capital on this year's balance sheet should be greater than that of the previous year's. This is an efficiency, or turnover, ratio which benchmarks the rate at which current assets less current liabilities are used by the company in making sales. A low ratio can indicate a less profitable use of working capital in making sales. On the other hand, a very high ratio can indicate the company is wasting current assets which could be more efficiently deployed in production and in increasing

sales and profits; or that the company may be undercapitalized, and thus vulnerable to liquidity problems in a period of weak business conditions.

### 3.5.3 Ratio Structure: Outlook

Using the methodology described in the introduction, the following table summarizes ratio structure benchmarks for firms involved in security systems services in Saudi Arabia. All figures are current-year projections for companies operating in Saudi Arabia based on latest financial results available.

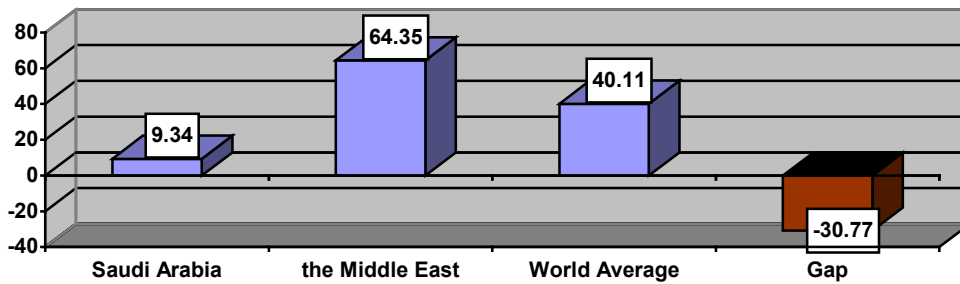
Ratios	Saudi Arabia	the Middle East	World Avg.
<b>Profitability</b>			
Return on Equity - Total (%)	8.44	17.05	17.24
Reinvestment Rate - Total (%)	3.81	13.05	14.50
Return on Assets (%)	6.01	10.26	11.56
Return on Invested Capital (%)	8.42	13.71	14.69
Cash Earnings Return On Equity (%)	9.34	64.35	40.11
Cash Flow % Sales	9.63	18.35	17.05
Cost Goods Sold / Sales (%)	81.48	46.07	55.68
Gross Profit Margin (%)	8.45	31.96	29.38
Operating Profit Margin (%)	10.94	12.72	12.16
Operating Inc / Total Capital (%)	10.62	15.10	16.09
Pretax Margin (%)	15.87	12.65	12.89
Tax Rate (%)	43.98	33.48	26.86
Net Margin (%)	8.52	8.38	9.53
Total Asset Turnover (X) th USD	0.59	0.90	0.87
<b>Asset Utilization</b>			
Inventory Turnover (%)	39.36	328.06	56.47
Net Sales % Working Capital	2.76	6.96	6.44
Capital Expenditure % Gross Fixed Assets	22.49	45.42	24.58
Capital Expenditure % Total Assets	12.24	9.02	7.10
Capital Expenditure % Total Sales	22.03	15.06	11.27
Accumulated Depreciation % Gross Fixed Assets	40.10	38.43	35.46
<b>Leverage</b>			
Total Debt % Total Capital	1.64	27.97	18.53
Equity % Total Capital	96.58	71.80	80.35
Total Capital % Assets	67.38	54.94	64.53
Fixed Charge Coverage Ratio	5.49	72.38	173.48
Dividend Payout (% Earnings) - Total Dividends	26.13	13.30	14.92
Fixed Assets % Common Equity	64.58	70.20	50.83
Working Capital % Total Capital	32.04	36.55	38.37
<b>Liquidity</b>			
Quick Ratio	2.15	1.61	2.00
Current Ratio	2.25	1.96	2.38
Cash & Equivalents % Total Current Assets	58.53	29.50	32.31
Receivables % Total Current Assets	33.71	39.88	41.44
Inventories % Total Current Assets	2.04	13.29	10.66
Accounts Receivables Days	89.80	88.08	81.98
Inventories (# of Days) Held	9.06	61.36	57.17

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

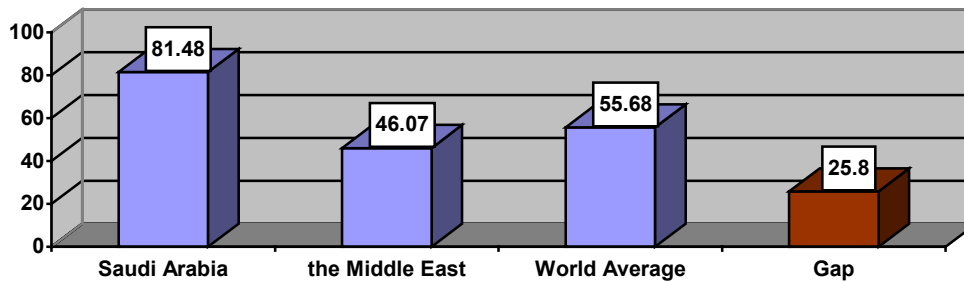
### 3.5.4 Large Variances: Ratios

The following graphics summarize for security systems services the large ratio structure gaps between firms operating in Saudi Arabia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

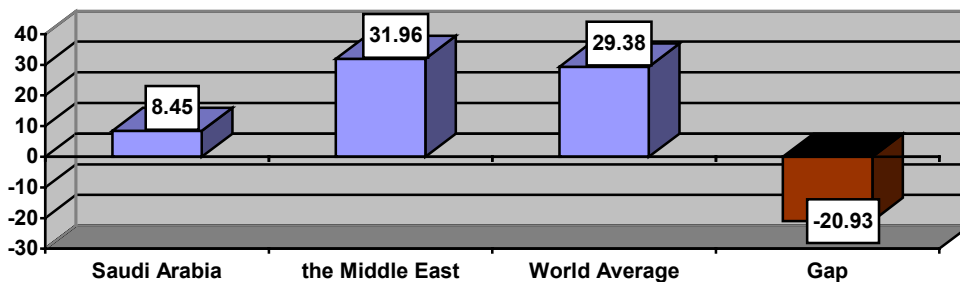
**Gap: Cash Earnings Return On Equity (%)**



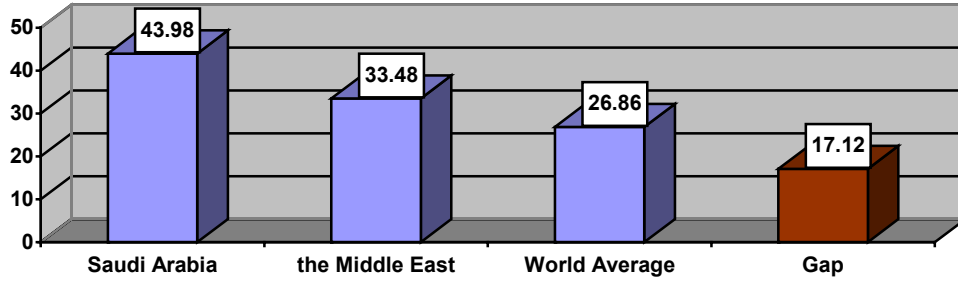
**Gap: Cost Goods Sold / Sales (%)**



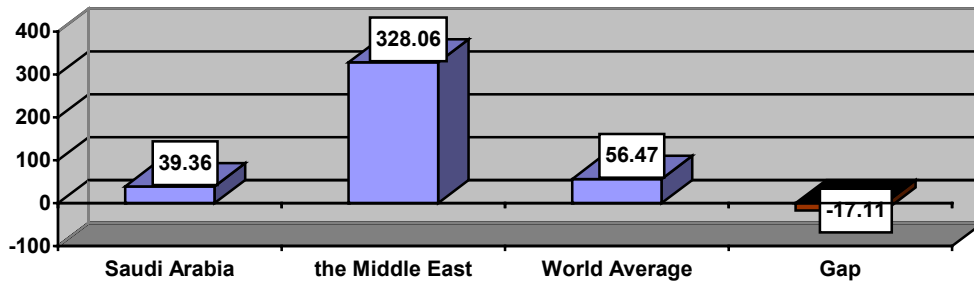
**Gap: Gross Profit Margin (%)**



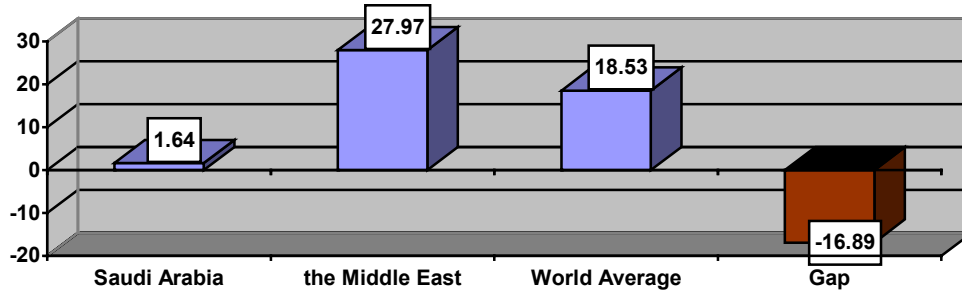
**Gap: Tax Rate (%)**



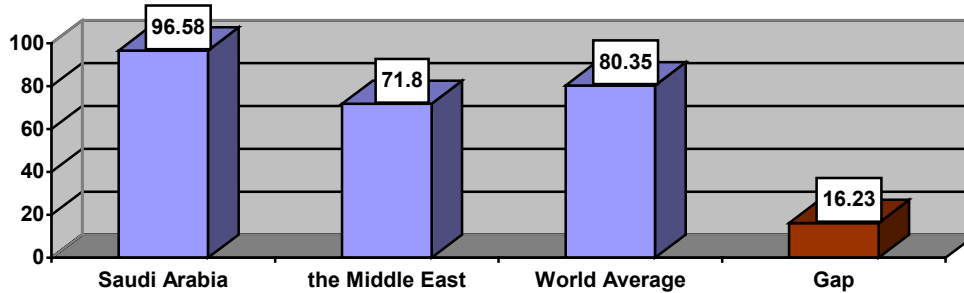
**Gap: Inventory Turnover (%)**



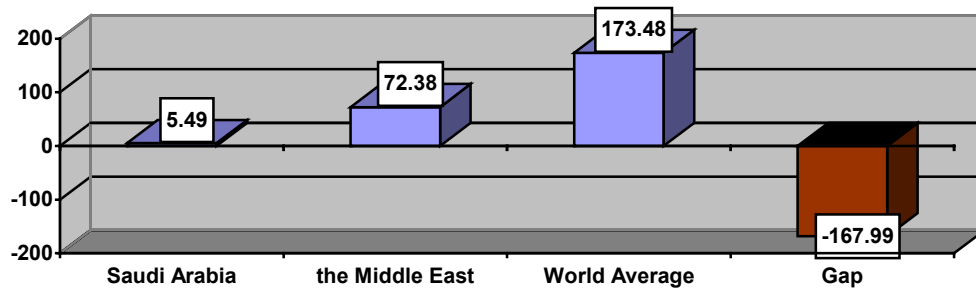
**Gap: Total Debt % Total Capital**



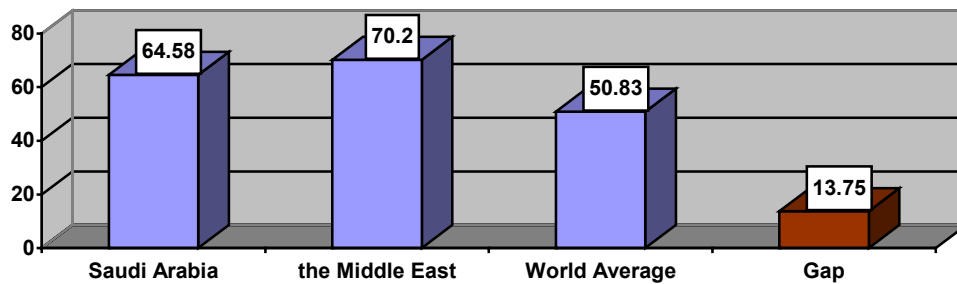
**Gap: Equity % Total Capital**



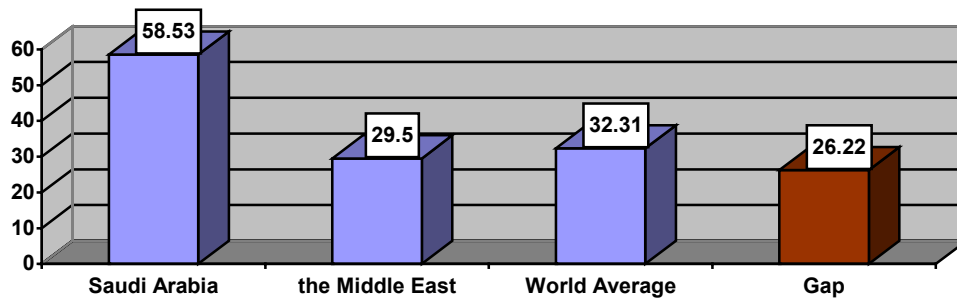
### Gap: Fixed Charge Coverage Ratio



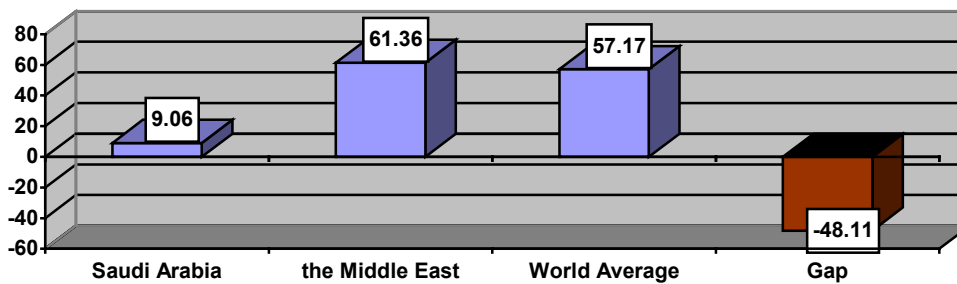
### Gap: Fixed Assets % Common Equity



### Gap: Cash & Equivalents % Total Current Assets



### Gap: Inventories (# of Days) Held



### 3.5.5 Key Percentiles and Rankings

We now consider the distribution of financial ratios for security systems services using ranks and percentiles. What percent of countries have a value lower or higher than Saudi Arabia (what is the ratio's rank or percentile)? The table below answers this question with respect to financial ratios. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance. After the summary table below, a few key financial ratios are highlighted in additional tables.

Ratios	Saudi Arabia	Rank of Total	Percentile
<b>Profitability</b>			
Return on Equity - Total (%)	8.44	42 of 54	22.22
Reinvestment Rate - Total (%)	3.81	42 of 54	22.22
Return on Assets (%)	6.01	38 of 54	29.63
Return on Invested Capital (%)	8.42	36 of 54	33.33
Cash Earnings Return On Equity (%)	9.34	52 of 54	3.70
Cash Flow % Sales	9.63	35 of 54	35.19
Cost Goods Sold / Sales (%)	81.48	6 of 49	87.76
Gross Profit Margin (%)	8.45	51 of 52	1.92
Operating Profit Margin (%)	10.94	19 of 54	64.81
Operating Inc / Total Capital (%)	10.62	36 of 54	33.33
Pretax Margin (%)	15.87	13 of 54	75.93
Tax Rate (%)	43.98	16 of 53	69.81
Net Margin (%)	8.52	19 of 54	64.81
Total Asset Turnover (X) th USD	0.59	45 of 54	16.67
<b>Asset Utilization</b>			
Inventory Turnover (%)	39.36	18 of 49	63.27
Net Sales % Working Capital	2.76	35 of 53	33.96
Capital Expenditure % Gross Fixed Assets	22.49	16 of 50	68.00
Capital Expenditure % Total Assets	12.24	6 of 54	88.89
Capital Expenditure % Total Sales	22.03	7 of 54	87.04
Accumulated Depreciation % Gross Fixed Assets	40.10	32 of 48	33.33
<b>Leverage</b>			
Total Debt % Total Capital	1.64	54 of 54	0.00
Equity % Total Capital	96.58	4 of 54	92.59
Total Capital % Assets	67.38	16 of 54	70.37
Fixed Charge Coverage Ratio	5.49	40 of 54	25.93
Dividend Payout (% Earnings) - Total Dividends	26.13	12 of 40	70.00
Fixed Assets % Common Equity	64.58	16 of 54	70.37
Working Capital % Total Capital	32.04	37 of 53	30.19
<b>Liquidity</b>			
Quick Ratio	2.15	23 of 53	56.60
Current Ratio	2.25	27 of 53	49.06
Cash & Equivalents % Total Current Assets	58.53	4 of 53	92.45
Receivables % Total Current Assets	33.71	45 of 53	15.09
Inventories % Total Current Assets	2.04	44 of 49	10.20
Accounts Receivables Days	89.80	29 of 50	42.00
Inventories (# of Days) Held	9.06	46 of 49	6.12

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



### Gross Profit Margin (%)

Countries	Value	Rank	Percentile	Region
Israel	73.96	1	98.04	the Middle East
Turkey	67.41	2	96.08	the Middle East
Mexico	67.23	3	94.12	Latin America
Indonesia	55.33	5	90.20	Asia
USA	47.75	7	86.27	North America
New Zealand	44.13	8	84.31	Oceania
Hong Kong	43.53	9	82.35	Asia
Canada	43.50	10	80.39	North America
Italy	42.71	11	78.43	Europe
Portugal	42.59	12	76.47	Europe
Australia	41.33	13	74.51	Oceania
Germany	37.36	15	70.59	Europe
the United Kingdom	36.34	16	68.63	Europe
Singapore	36.02	17	66.67	Asia
Ireland	35.68	18	64.71	Europe
Philippines	35.35	19	62.75	Asia
Greece	34.98	20	60.78	Europe
Thailand	34.56	21	58.82	Asia
Poland	32.92	22	56.86	Europe
Switzerland	32.55	23	54.90	Europe
Denmark	32.32	24	52.94	Europe
Japan	30.70	25	50.98	Asia
China	30.63	26	49.02	Asia
Argentina	29.99	28	45.10	Latin America
Finland	28.69	30	41.18	Europe
Malaysia	27.90	31	39.22	Asia
Pakistan	27.00	32	37.25	the Middle East
Netherlands	26.15	34	33.33	Europe
South Korea	25.91	35	31.37	Asia
Norway	24.65	36	29.41	Europe
India	24.00	37	27.45	Asia
Russia	23.35	39	23.53	Europe
Peru	23.10	40	21.57	Latin America
Brazil	23.00	41	19.61	Latin America
Spain	22.55	42	17.65	Europe
Chile	21.88	43	15.69	Latin America
South Africa	21.76	44	13.73	Africa
France	17.53	45	11.76	Europe
Sweden	10.62	47	7.84	Europe
Belgium	10.35	48	5.88	Europe
Czech Republic	8.75	49	3.92	Europe
Hungary	8.74	50	1.96	Europe
Luxembourg	7.79	51	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Gross Profit Margin (%)**  
**(Security Systems Services)**

Countries in the Middle East	Value	Rank	Percentile
Israel	73.96	1	95.65
Turkey	67.41	2	91.30
Turkmenistan	63.10	3	86.96
Kyrgyzstan	56.59	4	82.61
Gaza Strip	48.01	5	78.26
Qatar	41.33	6	73.91
Kuwait	35.81	7	69.57
Yemen	33.99	8	65.22
Bahrain	33.27	9	60.87
Jordan	28.93	10	56.52
Azerbaijan	28.63	11	52.17
Pakistan	27.00	12	47.83
Oman	26.01	13	43.48
Iran	23.97	14	39.13
Tajikistan	20.89	15	34.78
Uzbekistan	20.58	16	30.43
Syrian Arab Republic	19.74	17	26.09
Iraq	19.72	18	21.74
West Bank	19.36	19	17.39
Lebanon	18.08	20	13.04
Afghanistan	13.01	21	8.70
<b>Saudi Arabia</b>	<b>8.45</b>	<b>22</b>	<b>4.35</b>
Armenia	7.24	23	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Pretax Margin (%)

Countries	Value	Rank	Percentile	Region
New Zealand	55.18	1	98.11	Oceania
Turkey	34.67	2	96.23	the Middle East
Mexico	34.58	3	94.34	Latin America
Israel	25.27	5	90.57	the Middle East
Hong Kong	22.35	6	88.68	Asia
Philippines	21.85	7	86.79	Asia
Greece	20.54	8	84.91	Europe
India	17.89	10	81.13	Asia
Czech Republic	16.43	11	79.25	Europe
Portugal	16.14	12	77.36	Europe
Singapore	15.60	13	75.47	Asia
Indonesia	15.51	14	73.58	Asia
Thailand	15.02	15	71.70	Asia
Australia	14.14	17	67.92	Oceania
China	12.67	18	66.04	Asia
Argentina	12.16	20	62.26	Latin America
Pakistan	10.64	23	56.60	the Middle East
USA	9.69	24	54.72	North America
Spain	9.69	25	52.83	Europe
Germany	9.27	26	50.94	Europe
South Korea	9.21	27	49.06	Asia
Malaysia	8.79	28	47.17	Asia
Denmark	8.52	29	45.28	Europe
Japan	8.34	31	41.51	Asia
Russia	8.30	32	39.62	Europe
the United Kingdom	7.13	33	37.74	Europe
Taiwan	6.87	34	35.85	Asia
France	6.76	35	33.96	Europe
Italy	6.60	36	32.08	Europe
Poland	6.53	37	30.19	Europe
Switzerland	5.69	38	28.30	Europe
Netherlands	5.62	39	26.42	Europe
Finland	5.60	40	24.53	Europe
Brazil	5.41	41	22.64	Latin America
South Africa	5.24	42	20.75	Africa
Chile	5.15	43	18.87	Latin America
Sweden	4.51	44	16.98	Europe
Ireland	4.21	45	15.09	Europe
Canada	4.21	46	13.21	North America
Belgium	3.65	47	11.32	Europe
Norway	3.47	48	9.43	Europe
Peru	2.21	49	7.55	Latin America
Hungary	1.22	51	3.77	Europe
Luxembourg	0.54	52	1.89	Europe
Austria	0.08	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Pretax Margin (%)**  
**(Security Systems Services)**

Countries in the Middle East	Value	Rank	Percentile
Turkey	34.67	1	95.83
Turkmenistan	32.45	2	91.67
Kyrgyzstan	29.11	3	87.50
Israel	25.27	4	83.33
Yemen	21.01	5	79.17
Bahrain	19.53	6	75.00
<b>Saudi Arabia</b>	<b>15.87</b>	<b>7</b>	<b>70.83</b>
Kuwait	15.50	8	66.67
Qatar	14.14	9	62.50
Gaza Strip	13.45	10	58.33
Jordan	12.57	11	54.17
Pakistan	10.64	12	50.00
Afghanistan	9.70	13	45.83
Oman	9.24	14	41.67
Iran	8.51	15	37.50
Azerbaijan	5.68	16	33.33
Uzbekistan	4.96	17	29.17
Tajikistan	4.92	18	25.00
Syrian Arab Republic	4.65	19	20.83
Iraq	4.64	20	16.67
Lebanon	4.26	21	12.50
West Bank	1.85	22	8.33
Armenia	1.01	23	4.17
United Arab Emirates	0.08	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Quick Ratio

Countries	Value	Rank	Percentile	Region
New Zealand	10.37	1	98.08	Oceania
Denmark	4.86	2	96.15	Europe
Germany	4.34	3	94.23	Europe
Israel	4.17	4	92.31	the Middle East
Hong Kong	3.39	5	90.38	Asia
Ireland	3.22	6	88.46	Europe
Japan	3.10	7	86.54	Asia
Indonesia	3.07	8	84.62	Asia
Canada	2.99	9	82.69	North America
Malaysia	2.99	10	80.77	Asia
South Korea	2.86	12	76.92	Asia
USA	2.76	13	75.00	North America
Singapore	2.72	14	73.08	Asia
India	2.64	15	71.15	Asia
Philippines	2.61	17	67.31	Asia
Russia	2.57	18	65.38	Europe
Italy	2.34	19	63.46	Europe
Czech Republic	2.23	20	61.54	Europe
Netherlands	2.09	23	55.77	Europe
China	1.92	24	53.85	Asia
Sweden	1.92	25	51.92	Europe
Poland	1.87	26	50.00	Europe
Norway	1.81	27	48.08	Europe
Greece	1.81	28	46.15	Europe
Australia	1.77	29	44.23	Oceania
Thailand	1.60	30	42.31	Asia
Finland	1.59	31	40.38	Europe
the United Kingdom	1.57	32	38.46	Europe
Belgium	1.47	33	36.54	Europe
Switzerland	1.47	34	34.62	Europe
Hungary	1.45	35	32.69	Europe
France	1.44	36	30.77	Europe
Portugal	1.29	38	26.92	Europe
Luxembourg	1.26	39	25.00	Europe
South Africa	1.25	40	23.08	Africa
Austria	1.11	42	19.23	Europe
Spain	1.04	43	17.31	Europe
Argentina	1.04	44	15.38	Latin America
Taiwan	0.94	45	13.46	Asia
Brazil	0.92	46	11.54	Latin America
Turkey	0.91	47	9.62	the Middle East
Mexico	0.91	48	7.69	Latin America
Chile	0.88	49	5.77	Latin America
Peru	0.44	51	1.92	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Quick Ratio  
(Security Systems Services)**

Countries in the Middle East	Value	Rank	Percentile
Israel	4.17	1	95.65
Oman	2.87	2	91.30
Kuwait	2.70	3	86.96
Gaza Strip	2.67	4	82.61
Iran	2.64	5	78.26
Yemen	2.51	6	73.91
<b>Saudi Arabia</b>	<b>2.15</b>	<b>7</b>	<b>69.57</b>
Qatar	1.77	8	65.22
Bahrain	1.72	9	60.87
Azerbaijan	1.63	10	56.52
Afghanistan	1.43	11	52.17
Jordan	1.34	12	47.83
Armenia	1.21	13	43.48
Uzbekistan	1.18	14	39.13
United Arab Emirates	1.09	15	34.78
Turkey	0.91	16	30.43
Turkmenistan	0.85	17	26.09
Tajikistan	0.84	18	21.74
Syrian Arab Republic	0.79	19	17.39
Iraq	0.79	20	13.04
Kyrgyzstan	0.76	21	8.70
Lebanon	0.72	22	4.35
West Bank	0.37	23	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Current Ratio

Countries	Value	Rank	Percentile	Region
New Zealand	10.37	1	98.08	Oceania
Denmark	5.08	2	96.15	Europe
Germany	4.92	3	94.23	Europe
Israel	4.22	4	92.31	the Middle East
Hong Kong	3.65	5	90.38	Asia
Indonesia	3.58	6	88.46	Asia
Ireland	3.51	7	86.54	Europe
South Korea	3.47	8	84.62	Asia
Japan	3.41	9	82.69	Asia
Malaysia	3.40	10	80.77	Asia
Canada	3.38	11	78.85	North America
Switzerland	3.19	13	75.00	Europe
Russia	3.13	15	71.15	Europe
USA	3.08	16	69.23	North America
India	2.99	17	67.31	Asia
Philippines	2.98	18	65.38	Asia
Singapore	2.96	19	63.46	Asia
Finland	2.54	21	59.62	Europe
Italy	2.41	23	55.77	Europe
China	2.41	24	53.85	Asia
Netherlands	2.33	25	51.92	Europe
Czech Republic	2.33	26	50.00	Europe
Sweden	2.15	27	48.08	Europe
Poland	2.08	28	46.15	Europe
Norway	2.00	29	44.23	Europe
Greece	1.99	30	42.31	Europe
Australia	1.96	31	40.38	Oceania
Hungary	1.90	32	38.46	Europe
Thailand	1.85	33	36.54	Asia
the United Kingdom	1.83	34	34.62	Europe
Belgium	1.64	35	32.69	Europe
France	1.61	36	30.77	Europe
South Africa	1.51	38	26.92	Africa
Portugal	1.47	39	25.00	Europe
Turkey	1.46	40	23.08	the Middle East
Mexico	1.46	41	21.15	Latin America
Brazil	1.41	43	17.31	Latin America
Luxembourg	1.37	44	15.38	Europe
Chile	1.34	46	11.54	Latin America
Peru	1.31	47	9.62	Latin America
Taiwan	1.28	48	7.69	Asia
Austria	1.28	49	5.77	Europe
Spain	1.22	50	3.85	Europe
Argentina	1.13	51	1.92	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Current Ratio  
(Security Systems Services)**

Countries in the Middle East	Value	Rank	Percentile
Israel	4.22	1	95.65
Oman	3.49	2	91.30
Iran	3.21	3	86.96
Gaza Strip	3.11	4	82.61
Kuwait	2.94	5	78.26
Yemen	2.87	6	73.91
<b>Saudi Arabia</b>	<b>2.25</b>	<b>7</b>	<b>69.57</b>
Qatar	1.96	8	65.22
Bahrain	1.89	9	60.87
Azerbaijan	1.81	10	56.52
Afghanistan	1.62	11	52.17
Armenia	1.58	12	47.83
Jordan	1.55	13	43.48
Turkey	1.46	14	39.13
Uzbekistan	1.43	15	34.78
Turkmenistan	1.37	16	30.43
Tajikistan	1.28	17	26.09
United Arab Emirates	1.26	18	21.74
Kyrgyzstan	1.23	19	17.39
Syrian Arab Republic	1.21	20	13.04
Iraq	1.21	21	8.70
Lebanon	1.11	22	4.35
West Bank	1.10	23	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



### Inventories % Total Current Assets

Countries	Value	Rank	Percentile	Region
Peru	64.97	1	97.92	Latin America
Brazil	33.17	3	93.75	Latin America
Chile	31.56	4	91.67	Latin America
Philippines	19.77	5	89.58	Asia
Switzerland	16.33	7	85.42	Europe
South Africa	16.11	8	83.33	Africa
Indonesia	16.09	9	81.25	Asia
Thailand	16.07	10	79.17	Asia
China	15.98	11	77.08	Asia
South Korea	13.24	14	70.83	Asia
Hungary	13.11	15	68.75	Europe
Spain	12.64	16	66.67	Europe
Russia	11.93	19	60.42	Europe
Norway	10.99	21	56.25	Europe
Taiwan	10.85	22	54.17	Asia
Singapore	10.58	23	52.08	Asia
Greece	9.68	24	50.00	Europe
Hong Kong	9.09	25	47.92	Asia
Malaysia	9.05	26	45.83	Asia
Belgium	8.99	27	43.75	Europe
Germany	8.85	28	41.67	Europe
Netherlands	8.35	29	39.58	Europe
Portugal	8.00	30	37.50	Europe
Denmark	7.97	31	35.42	Europe
Japan	7.92	32	33.33	Asia
France	7.68	33	31.25	Europe
Canada	7.52	34	29.17	North America
the United Kingdom	7.48	35	27.08	Europe
Argentina	6.82	36	25.00	Latin America
Italy	6.74	37	22.92	Europe
Sweden	6.68	38	20.83	Europe
Poland	6.37	39	18.75	Europe
Austria	6.26	40	16.67	Europe
USA	5.35	41	14.58	North America
Australia	4.93	42	12.50	Oceania
Czech Republic	2.11	43	10.42	Europe
India	1.47	44	8.33	Asia
Luxembourg	1.36	45	6.25	Europe
Israel	0.81	46	4.17	the Middle East
Finland	0.61	47	2.08	Europe
Ireland	0.05	48	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Inventories % Total Current Assets  
(Security Systems Services)**

Countries in the Middle East	Value	Rank	Percentile
West Bank	54.45	1	95.00
Tajikistan	30.13	2	90.00
Syrian Arab Republic	28.47	3	85.00
Iraq	28.44	4	80.00
Lebanon	26.08	5	75.00
Yemen	19.01	6	70.00
Uzbekistan	15.24	7	65.00
Gaza Strip	13.96	8	60.00
Jordan	13.45	9	55.00
Oman	13.29	10	50.00
Iran	12.25	11	45.00
Armenia	10.87	12	40.00
Kuwait	10.52	13	35.00
Bahrain	9.21	14	30.00
United Arab Emirates	6.16	15	25.00
Azerbaijan	5.54	16	20.00
Qatar	4.93	17	15.00
<b>Saudi Arabia</b>	<b>2.04</b>	<b>18</b>	<b>10.00</b>
Israel	0.81	19	5.00
Afghanistan	0.80	20	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Accounts Receivables Days

Countries	Value	Rank	Percentile	Region
Thailand	238.82	1	97.96	Asia
Finland	197.13	3	93.88	Europe
Portugal	196.64	4	91.84	Europe
Italy	183.90	6	87.76	Europe
Greece	169.78	7	85.71	Europe
Spain	163.41	8	83.67	Europe
Malaysia	154.47	9	81.63	Asia
Poland	142.01	10	79.59	Europe
Israel	129.47	11	77.55	the Middle East
Argentina	125.41	12	75.51	Latin America
Hong Kong	123.21	13	73.47	Asia
Singapore	119.38	14	71.43	Asia
France	118.07	15	69.39	Europe
New Zealand	111.65	16	67.35	Oceania
Hungary	110.76	17	65.31	Europe
Norway	106.09	18	63.27	Europe
Germany	105.62	19	61.22	Europe
South Korea	104.49	20	59.18	Asia
Belgium	103.53	21	57.14	Europe
Netherlands	96.44	22	55.10	Europe
India	95.72	24	51.02	Asia
Russia	94.16	25	48.98	Europe
Czech Republic	92.99	26	46.94	Europe
Ireland	91.93	27	44.90	Europe
Austria	90.81	28	42.86	Europe
China	89.52	29	40.82	Asia
the United Kingdom	85.71	30	38.78	Europe
Philippines	83.73	31	36.73	Asia
Canada	80.73	32	34.69	North America
Taiwan	79.71	33	32.65	Asia
Denmark	78.40	34	30.61	Europe
USA	78.39	35	28.57	North America
Sweden	77.55	36	26.53	Europe
Indonesia	76.03	37	24.49	Asia
Australia	74.92	38	22.45	Oceania
South Africa	73.32	39	20.41	Africa
Japan	71.30	41	16.33	Asia
Switzerland	69.17	43	12.24	Europe
Peru	63.57	44	10.20	Latin America
Luxembourg	58.41	45	8.16	Europe
Brazil	47.02	48	2.04	Latin America
Chile	44.74	49	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Accounts Receivables Days  
(Security Systems Services)**

Countries in the Middle East	Value	Rank	Percentile
Jordan	199.88	1	95.00
Bahrain	161.50	2	90.00
Israel	129.47	3	85.00
Azerbaijan	123.52	4	80.00
Kuwait	118.66	5	75.00
Oman	104.89	6	70.00
Iran	96.64	7	65.00
Armenia	91.78	8	60.00
<b>Saudi Arabia</b>	<b>89.80</b>	<b>9</b>	<b>55.00</b>
United Arab Emirates	89.32	10	50.00
Yemen	80.51	11	45.00
Qatar	74.92	12	40.00
Uzbekistan	69.35	13	35.00
Gaza Strip	65.97	14	30.00
West Bank	53.27	15	25.00
Afghanistan	51.88	16	20.00
Tajikistan	42.71	17	15.00
Syrian Arab Republic	40.35	18	10.00
Iraq	40.32	19	5.00
Lebanon	36.97	20	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Inventories (# of Days) Held

Countries	Value	Rank	Percentile	Region
Indonesia	302.82	1	97.92	Asia
Peru	226.31	3	93.75	Latin America
Philippines	108.44	6	87.50	Asia
Hong Kong	98.85	7	85.42	Asia
Canada	80.05	9	81.25	North America
China	76.67	10	79.17	Asia
Brazil	75.75	11	77.08	Latin America
Chile	72.08	12	75.00	Latin America
Malaysia	68.93	13	72.92	Asia
South Korea	57.06	14	70.83	Asia
Russia	51.42	16	66.67	Europe
USA	47.13	17	64.58	North America
Greece	45.88	18	62.50	Europe
Singapore	44.69	19	60.42	Asia
Spain	43.99	20	58.33	Europe
Thailand	40.94	21	56.25	Asia
Italy	39.08	22	54.17	Europe
Netherlands	38.63	23	52.08	Europe
South Africa	38.10	24	50.00	Africa
Israel	36.28	25	47.92	the Middle East
Germany	35.26	26	45.83	Europe
the United Kingdom	34.17	28	41.67	Europe
Switzerland	33.57	29	39.58	Europe
Hungary	30.88	31	35.42	Europe
Australia	29.55	32	33.33	Oceania
Poland	28.73	33	31.25	Europe
Japan	27.98	34	29.17	Asia
Sweden	26.26	35	27.08	Europe
Taiwan	24.23	36	25.00	Asia
Argentina	22.59	37	22.92	Latin America
Portugal	21.44	38	20.83	Europe
Belgium	20.91	39	18.75	Europe
France	19.83	40	16.67	Europe
Norway	18.54	41	14.58	Europe
Denmark	15.73	42	12.50	Europe
India	13.01	43	10.42	Asia
Austria	11.50	44	8.33	Europe
Czech Republic	9.38	45	6.25	Europe
Finland	5.42	46	4.17	Europe
Luxembourg	2.19	47	2.08	Europe
Ireland	0.47	48	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Inventories (# of Days) Held  
(Security Systems Services)**

Countries in the Middle East	Value	Rank	Percentile
Gaza Strip	262.74	1	95.00
West Bank	189.65	2	90.00
Yemen	104.28	3	85.00
Tajikistan	68.80	4	80.00
Syrian Arab Republic	65.01	5	75.00
Iraq	64.95	6	70.00
Lebanon	59.56	7	65.00
Oman	57.28	8	60.00
Iran	52.77	9	55.00
Kuwait	44.42	10	50.00
Bahrain	43.64	11	45.00
Israel	36.28	12	40.00
Uzbekistan	36.03	13	35.00
Jordan	34.26	14	30.00
Qatar	29.55	15	25.00
Armenia	25.59	16	20.00
Azerbaijan	24.99	17	15.00
United Arab Emirates	11.31	18	10.00
<b>Saudi Arabia</b>	<b>9.06</b>	<b>19</b>	<b>5.00</b>
Afghanistan	7.05	20	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

## **3.6 PRODUCTIVITY IN SAUDI ARABIA: ASSET-LABOR RATIOS**

### **3.6.1 Overview**

In this chapter, we consider numerous asset-labor ratios for security systems services in Saudi Arabia benchmarked against global averages. Productivity and utilization ratios are presented for companies operating in Saudi Arabia and the average global benchmarks for security systems services. For ratios where there are large deviations between Saudi Arabia and the benchmarks, graphics are provided (sometimes referred to as a “gap” analysis). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain asset-labor ratios are highlighted across countries in the comparison group.

In the case of asset-labor ratios, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a “per employee basis”. Ratios are projected using raw financial statistics and, as ratios, are therefore comparable. Given a country’s human resource ratios, the resulting figures are benchmarked across regional and global averages.

We then report the larger asset-labor ratio gaps for security systems services that Saudi Arabia has vis-à-vis the worldwide average. Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm’s relative incentive to invest locally. All figures are projections, so due caution is required.

### 3.6.2 Asset to Labor: Outlook

The following tables and graphs are prepared using the methodology described at the beginning of this section. All units are in thousands of US dollars per employee. All figures are current-year projections for security systems services in Saudi Arabia based on latest financial results available.

<b>Labor-asset Ratios (\$k/employee)</b>	<b>Saudi Arabia</b>	<b>the Middle East</b>	<b>World Avg.</b>
Cash & Short Term Investments	24.36	54.36	43.32
Cash	31.97	38.67	20.78
Receivables (Net)	16.79	61.83	50.67
Total Inventories	0.80	12.50	14.02
Prepaid Expenses	2.07	1.15	1.39
Other Current Assets	0.18	26.31	13.57
<b>Current Assets - Total</b>	<b>43.15</b>	<b>141.17</b>	<b>107.54</b>
Long Term Receivables	3.20	3.37	2.60
Investments in Unconsolidated Subsidiaries	5.67	37.26	24.03
Property Plant and Equipment - Net	39.85	226.35	118.23
Property Plant and Equipment - Gross	100.39	538.83	235.10
Land	3.53	3.93	2.43
Buildings	72.47	30.13	17.43
Machinery & Equipment	11.53	491.47	143.89
Transportation Equipment	3.86	65.94	17.20
Other Property Plant & Equipment	8.99	26.01	14.59
Accumulated Depreciation - Total	41.68	228.67	99.39
Accumulated Depreciation - Land	0.16	0.06	0.01
Accumulated Depreciation - Buildings	26.59	3.52	1.93
Accumulated Depreciation -Machinery & Equipment	9.63	7.93	4.73
Accumulated Depreciation - Transportation Equipment	2.06	1.40	0.66
Accumulated Depreciation - Other Prop & Equip	3.24	5.06	3.95
Other Assets	1.51	18.81	29.10
Intangible Other Assets	0.85	10.93	13.99
<b>Total Assets</b>	<b>88.95</b>	<b>439.31</b>	<b>302.73</b>

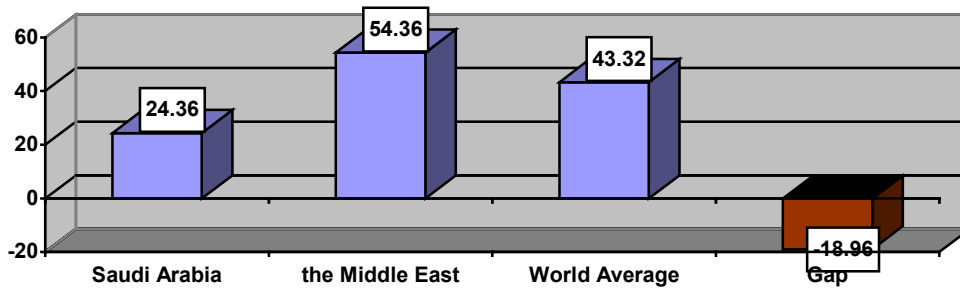
Source: Philip M. Parker, Professor, INSEAD, copyright 2007



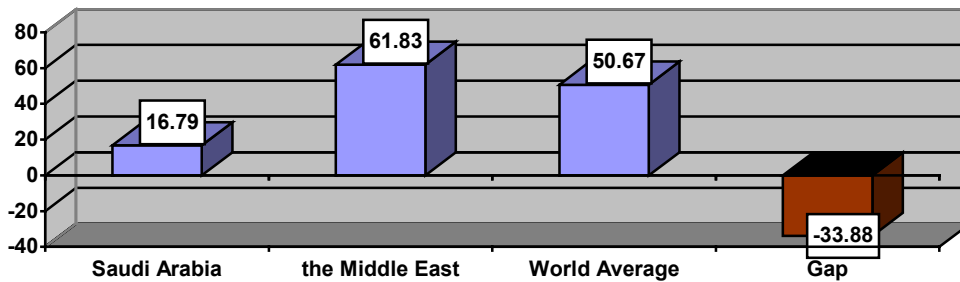
### 3.6.3 Asset to Labor: International Gaps

The following graphics summarize for security systems services the large labor-asset gaps between firms operating in Saudi Arabia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

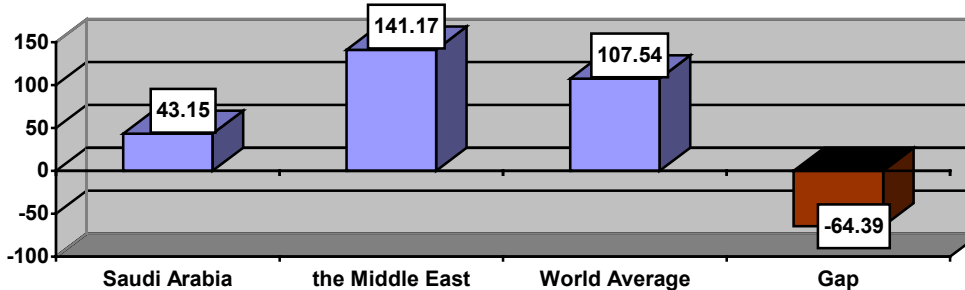
**Gap: Cash & Short Term Investments (\$k/employee)**



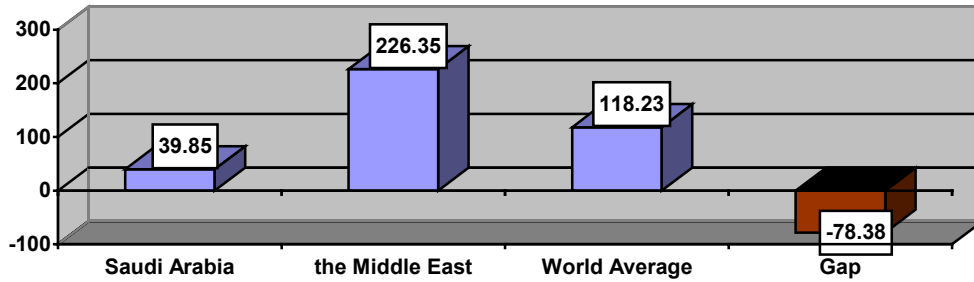
**Gap: Receivables (Net) (\$k/employee)**



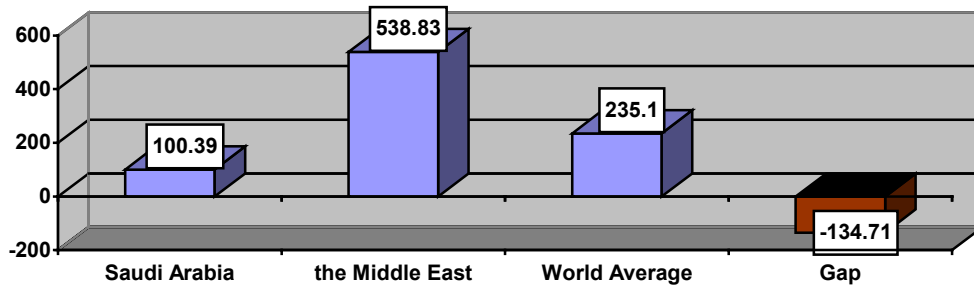
**Gap: Current Assets - Total (\$k/employee)**



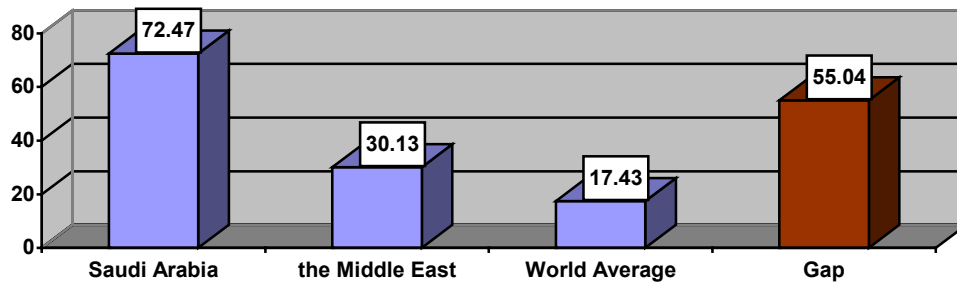
**Gap: Property Plant and Equipment - Net (\$k/employee)**



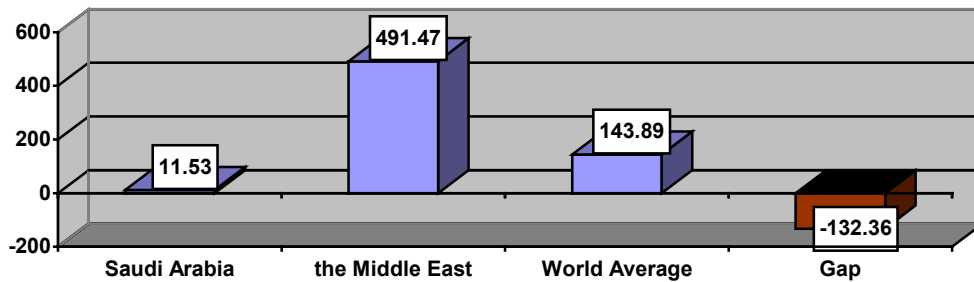
**Gap: Property Plant and Equipment - Gross (\$k/employee)**



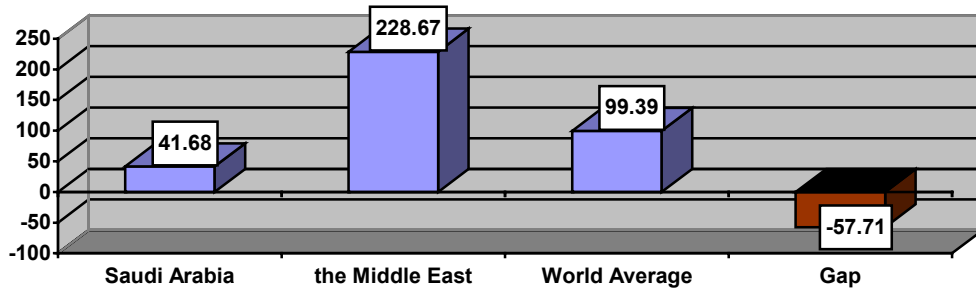
**Gap: Buildings (\$k/employee)**



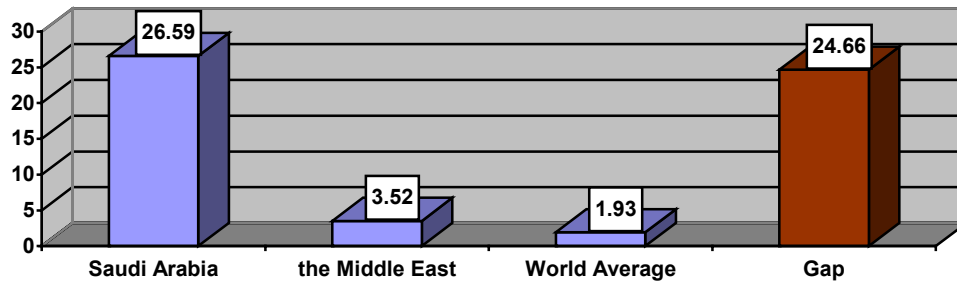
**Gap: Machinery & Equipment (\$k/employee)**



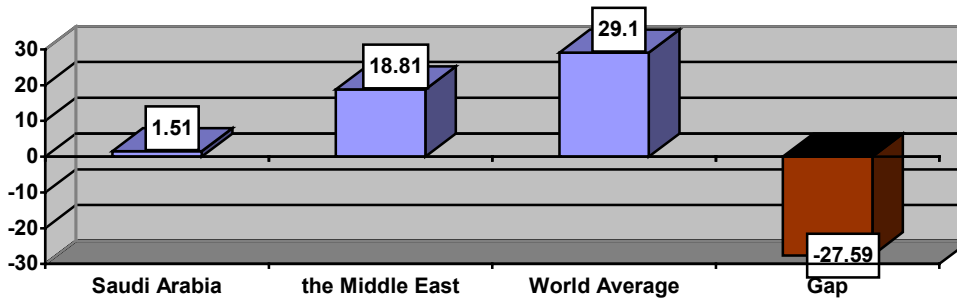
**Gap: Accumulated Depreciation - Total (\$k/employee)**



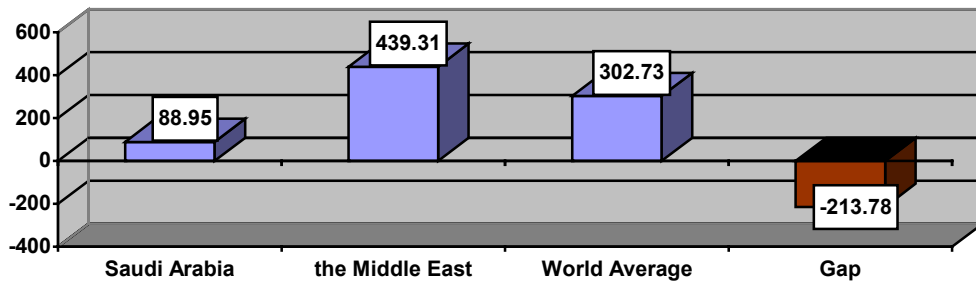
**Gap: Accumulated Depreciation - Buildings (\$k/employee)**



**Gap: Other Assets (\$k/employee)**



**Gap: Total Assets (\$k/employee)**



### 3.6.4 Key Percentiles and Rankings

We now consider the distribution of asset-labor ratios using ranks and percentiles across . What percent of countries have a productivity indicator lower or higher than Saudi Arabia (what is the indicator's rank or percentile)? The table below answers this question with respect to asset-labor structure. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance or productivity. After the summary table below, a few key asset-labor ratios are highlighted in additional tables.

Asset Structure (\$k/employee)	Saudi Arabia	Rank of Total	Percentile
Cash & Short Term Investments	24.36	26 of 54	51.85
Cash	31.97	18 of 51	64.71
Receivables (Net)	16.79	46 of 54	14.81
Total Inventories	0.80	48 of 50	4.00
Prepaid Expenses	2.07	14 of 40	65.00
Other Current Assets	0.18	46 of 48	4.17
<b>Current Assets - Total</b>	<b>43.15</b>	<b>45 of 53</b>	<b>15.09</b>
Long Term Receivables	3.20	18 of 42	57.14
Investments in Unconsolidated Subsidiaries	5.67	19 of 44	56.82
Property Plant and Equipment - Net	39.85	27 of 54	50.00
Property Plant and Equipment - Gross	100.39	18 of 51	64.71
Land	3.53	15 of 31	51.61
Buildings	72.47	5 of 48	89.58
Machinery & Equipment	11.53	32 of 46	30.43
Transportation Equipment	3.86	14 of 42	66.67
Other Property Plant & Equipment	8.99	31 of 51	39.22
Accumulated Depreciation - Total	41.68	14 of 49	71.43
Accumulated Depreciation - Land	0.16	4 of 9	55.56
Accumulated Depreciation - Buildings	26.59	2 of 41	95.12
Accumulated Depreciation -Machinery & Equipment	9.63	21 of 40	47.50
Accumulated Depreciation - Transportation Equipment	2.06	9 of 36	75.00
Accumulated Depreciation - Other Prop & Equip	3.24	31 of 45	31.11
Other Assets	1.51	51 of 54	5.56
Intangible Other Assets	0.85	40 of 45	11.11
<b>Total Assets</b>	<b>88.95</b>	<b>45 of 54</b>	<b>16.67</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Cash & Short Term Investments

Countries	Value (\$K/employee)	Rank	Percentile	Region
Israel	237.80	1	98.11	the Middle East
Denmark	192.95	2	96.23	Europe
South Korea	167.17	3	94.34	Asia
Russia	150.64	5	90.57	Europe
Turkey	146.05	6	88.68	the Middle East
Mexico	145.65	7	86.79	Latin America
Hong Kong	132.33	9	83.02	Asia
Japan	121.10	10	81.13	Asia
Italy	104.43	11	79.25	Europe
New Zealand	88.19	12	77.36	Oceania
USA	83.57	13	75.47	North America
Canada	83.47	14	73.58	North America
France	75.89	15	71.70	Europe
Germany	67.28	16	69.81	Europe
Greece	62.64	17	67.92	Europe
China	62.51	18	66.04	Asia
Sweden	51.20	19	64.15	Europe
Singapore	39.57	20	62.26	Asia
the United Kingdom	37.67	21	60.38	Europe
Norway	32.95	22	58.49	Europe
Australia	29.94	23	56.60	Oceania
Switzerland	28.43	24	54.72	Europe
Czech Republic	25.22	25	52.83	Europe
Thailand	24.24	26	50.94	Asia
Belgium	23.05	27	49.06	Europe
Ireland	20.60	28	47.17	Europe
Pakistan	19.66	30	43.40	the Middle East
Finland	18.96	31	41.51	Europe
Malaysia	17.76	33	37.74	Asia
Poland	17.48	34	35.85	Europe
Taiwan	16.71	35	33.96	Asia
Hungary	16.18	36	32.08	Europe
Philippines	16.11	37	30.19	Asia
Brazil	15.60	38	28.30	Latin America
Chile	14.85	39	26.42	Latin America
Indonesia	13.65	41	22.64	Asia
South Africa	13.17	42	20.75	Africa
Netherlands	12.88	43	18.87	Europe
Austria	11.95	45	15.09	Europe
Portugal	9.84	46	13.21	Europe
Peru	9.33	48	9.43	Latin America
India	8.53	49	7.55	Asia
Luxembourg	8.51	50	5.66	Europe
Spain	6.85	52	1.89	Europe
Argentina	1.86	53	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Cash & Short Term Investments (Security Systems Services)

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Israel	237.80	1	95.83
Oman	167.80	2	91.67
Iran	154.61	3	87.50
Turkey	146.05	4	83.33
Turkmenistan	136.70	5	79.17
Kyrgyzstan	122.61	6	75.00
Bahrain	59.59	7	70.83
Kuwait	39.33	8	66.67
Qatar	29.94	9	62.50
<b>Saudi Arabia</b>	<b>24.36</b>	<b>10</b>	<b>58.33</b>
Jordan	20.29	11	54.17
Pakistan	19.66	12	50.00
Yemen	15.49	13	45.83
Azerbaijan	15.20	14	41.67
Tajikistan	14.17	15	37.50
Armenia	13.41	16	33.33
Syrian Arab Republic	13.39	17	29.17
Iraq	13.38	18	25.00
Uzbekistan	12.46	19	20.83
Lebanon	12.27	20	16.67
Gaza Strip	11.85	21	12.50
United Arab Emirates	11.76	22	8.33
West Bank	7.81	23	4.17
Afghanistan	4.63	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Receivables (Net)

Countries	Value (\$K/employee)	Rank	Percentile	Region
Portugal	2971.78	1	98.11	Europe
Ireland	335.59	2	96.23	Europe
Turkey	192.56	3	94.34	the Middle East
Mexico	192.03	4	92.45	Latin America
Taiwan	181.46	5	90.57	Asia
Denmark	173.99	7	86.79	Europe
Greece	161.26	8	84.91	Europe
South Korea	135.14	9	83.02	Asia
Russia	121.77	11	79.25	Europe
Italy	116.46	12	77.36	Europe
Germany	101.46	13	75.47	Europe
Finland	90.98	14	73.58	Europe
Japan	81.45	15	71.70	Asia
Pakistan	81.30	16	69.81	the Middle East
Israel	73.52	17	67.92	the Middle East
Argentina	69.32	18	66.04	Latin America
Hong Kong	68.79	19	64.15	Asia
Spain	67.26	20	62.26	Europe
Belgium	63.57	21	60.38	Europe
France	61.75	22	58.49	Europe
Hungary	56.67	23	56.60	Europe
China	53.72	24	54.72	Asia
the United Kingdom	53.20	25	52.83	Europe
Australia	50.78	26	50.94	Oceania
Thailand	50.30	27	49.06	Asia
USA	50.13	28	47.17	North America
Singapore	49.51	29	45.28	Asia
Malaysia	49.40	30	43.40	Asia
Switzerland	44.27	31	41.51	Europe
Canada	43.21	32	39.62	North America
Austria	42.07	34	35.85	Europe
Norway	41.17	35	33.96	Europe
Poland	32.64	37	30.19	Europe
Sweden	32.59	38	28.30	Europe
Netherlands	31.63	39	26.42	Europe
New Zealand	28.53	40	24.53	Oceania
Peru	26.29	41	22.64	Latin America
South Africa	23.62	42	20.75	Africa
Luxembourg	19.04	44	16.98	Europe
Czech Republic	17.38	45	15.09	Europe
India	12.71	46	13.21	Asia
Philippines	12.69	47	11.32	Asia
Brazil	9.92	49	7.55	Latin America
Chile	9.44	50	5.66	Latin America
Indonesia	9.00	51	3.77	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Receivables (Net)**  
**(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Turkey	192.56	1	95.83
Turkmenistan	180.23	2	91.67
Kyrgyzstan	161.65	3	87.50
Bahrain	153.40	4	83.33
Oman	135.64	5	79.17
Iran	124.98	6	75.00
Pakistan	81.30	7	70.83
Israel	73.52	8	66.67
Qatar	50.78	9	62.50
Kuwait	49.21	10	58.33
Armenia	46.95	11	54.17
Jordan	42.10	12	50.00
United Arab Emirates	41.37	13	45.83
Azerbaijan	28.39	14	41.67
Uzbekistan	22.35	15	37.50
West Bank	22.03	16	33.33
<b>Saudi Arabia</b>	<b>16.79</b>	<b>17</b>	<b>29.17</b>
Yemen	12.20	18	25.00
Tajikistan	9.01	19	20.83
Syrian Arab Republic	8.51	20	16.67
Iraq	8.51	21	12.50
Gaza Strip	7.81	22	8.33
Lebanon	7.80	23	4.17
Afghanistan	6.89	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



### Total Inventories

Countries	Value (\$K/employee)	Rank	Percentile	Region
Peru	68.36	1	97.96	Latin America
South Korea	52.09	2	95.92	Asia
Russia	46.94	5	89.80	Europe
Greece	32.32	6	87.76	Europe
China	32.17	7	85.71	Asia
Taiwan	29.38	8	83.67	Asia
Switzerland	16.02	9	81.63	Europe
Japan	15.13	10	79.59	Asia
Spain	12.98	11	77.55	Europe
Brazil	12.92	12	75.51	Latin America
Philippines	12.66	13	73.47	Asia
Hungary	12.50	14	71.43	Europe
Chile	12.30	15	69.39	Latin America
Canada	11.95	16	67.35	North America
Germany	11.35	17	65.31	Europe
Italy	9.93	19	61.22	Europe
Singapore	9.88	20	59.18	Asia
Norway	9.58	21	57.14	Europe
France	9.13	22	55.10	Europe
Belgium	8.11	23	53.06	Europe
Hong Kong	7.98	24	51.02	Asia
Sweden	7.93	25	48.98	Europe
South Africa	7.91	26	46.94	Africa
Portugal	6.73	27	44.90	Europe
Austria	6.09	28	42.86	Europe
USA	6.02	29	40.82	North America
Netherlands	5.94	30	38.78	Europe
the United Kingdom	5.50	31	36.73	Europe
Denmark	5.48	32	34.69	Europe
Thailand	5.36	33	32.65	Asia
Argentina	5.26	34	30.61	Latin America
Australia	4.57	35	28.57	Oceania
Indonesia	4.35	37	24.49	Asia
Malaysia	4.12	39	20.41	Asia
Poland	3.78	41	16.33	Europe
Pakistan	3.35	42	14.29	the Middle East
Finland	1.83	44	10.20	Europe
Ireland	1.51	45	8.16	Europe
Israel	1.13	46	6.12	the Middle East
Czech Republic	0.83	47	4.08	Europe
Luxembourg	0.52	48	2.04	Europe
India	0.47	49	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Total Inventories  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
West Bank	57.28	1	95.24
Oman	52.28	2	90.48
Iran	48.17	3	85.71
Bahrain	30.75	4	80.95
Yemen	12.18	5	76.19
Tajikistan	11.74	6	71.43
Syrian Arab Republic	11.09	7	66.67
Iraq	11.08	8	61.90
Armenia	10.36	9	57.14
Lebanon	10.16	10	52.38
Kuwait	9.82	11	47.62
Uzbekistan	7.48	12	42.86
United Arab Emirates	5.99	13	38.10
Qatar	4.57	14	33.33
Jordan	4.48	15	28.57
Gaza Strip	3.78	16	23.81
Pakistan	3.35	17	19.05
Azerbaijan	3.28	18	14.29
Israel	1.13	19	9.52
<b>Saudi Arabia</b>	<b>0.80</b>	<b>20</b>	<b>4.76</b>
Afghanistan	0.25	21	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Current Assets - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
South Korea	449.65	1	98.08	Asia
Russia	405.19	3	94.23	Europe
Turkey	369.25	4	92.31	the Middle East
Mexico	368.25	5	90.38	Latin America
Israel	313.31	7	86.54	the Middle East
Taiwan	270.84	8	84.62	Asia
Italy	234.10	9	82.69	Europe
Greece	233.84	10	80.77	Europe
Japan	207.13	11	78.85	Asia
Hong Kong	189.82	12	76.92	Asia
Denmark	160.04	13	75.00	Europe
China	156.38	14	73.08	Asia
USA	148.20	15	71.15	North America
France	147.59	16	69.23	Europe
Canada	143.65	17	67.31	North America
Germany	136.40	18	65.38	Europe
Switzerland	124.34	19	63.46	Europe
New Zealand	116.72	20	61.54	Oceania
Peru	105.21	21	59.62	Latin America
Finland	103.14	22	57.69	Europe
the United Kingdom	101.83	23	55.77	Europe
Singapore	100.50	24	53.85	Asia
Sweden	98.58	25	51.92	Europe
Belgium	96.82	26	50.00	Europe
Hungary	95.34	27	48.08	Europe
Australia	88.65	28	46.15	Oceania
Spain	88.64	29	44.23	Europe
Norway	88.18	30	42.31	Europe
Malaysia	85.78	31	40.38	Asia
Argentina	77.21	33	36.54	Latin America
Portugal	72.34	34	34.62	Europe
Ireland	67.42	35	32.69	Europe
Austria	66.70	36	30.77	Europe
Thailand	59.99	37	28.85	Asia
Poland	55.89	38	26.92	Europe
Netherlands	52.05	39	25.00	Europe
Philippines	45.08	42	19.23	Asia
South Africa	44.94	43	17.31	Africa
Czech Republic	44.68	44	15.38	Europe
Brazil	38.96	45	13.46	Latin America
Chile	37.07	47	9.62	Latin America
Luxembourg	29.55	48	7.69	Europe
Indonesia	27.43	49	5.77	Asia
India	24.66	51	1.92	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Current Assets - Total  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Oman	451.34	1	95.65
Iran	415.86	2	91.30
Turkey	369.25	3	86.96
Turkmenistan	345.61	4	82.61
Israel	313.31	5	78.26
Kyrgyzstan	309.99	6	73.91
Bahrain	222.43	7	69.57
Kuwait	99.89	8	65.22
Qatar	88.65	9	60.87
West Bank	88.16	10	56.52
Armenia	79.00	11	52.17
United Arab Emirates	65.60	12	47.83
Jordan	50.21	13	43.48
Azerbaijan	48.61	14	39.13
Yemen	43.35	15	34.78
<b>Saudi Arabia</b>	<b>43.15</b>	<b>16</b>	<b>30.43</b>
Uzbekistan	42.51	17	26.09
Tajikistan	35.38	18	21.74
Syrian Arab Republic	33.43	19	17.39
Iraq	33.40	20	13.04
Lebanon	30.63	21	8.70
Gaza Strip	23.80	22	4.35
Afghanistan	13.36	23	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Property Plant and Equipment - Net

Countries	Value (\$K/employee)	Rank	Percentile	Region
Italy	1679.34	1	98.11	Europe
Turkey	1280.12	2	96.23	the Middle East
Mexico	1276.63	3	94.34	Latin America
Greece	752.97	5	90.57	Europe
Pakistan	621.85	6	88.68	the Middle East
Hong Kong	243.70	7	86.79	Asia
Japan	242.25	8	84.91	Asia
France	140.28	9	83.02	Europe
Taiwan	119.37	10	81.13	Asia
Thailand	92.24	11	79.25	Asia
Australia	87.46	12	77.36	Oceania
USA	80.58	13	75.47	North America
Peru	69.72	16	69.81	Latin America
Argentina	64.55	17	67.92	Latin America
the United Kingdom	54.07	18	66.04	Europe
China	51.64	19	64.15	Asia
Switzerland	47.38	21	60.38	Europe
Germany	45.65	22	58.49	Europe
South Korea	44.20	23	56.60	Asia
Denmark	44.19	24	54.72	Europe
Czech Republic	41.27	25	52.83	Europe
Russia	39.83	27	49.06	Europe
Finland	38.55	28	47.17	Europe
Philippines	36.33	29	45.28	Asia
Singapore	35.95	30	43.40	Asia
New Zealand	35.66	31	41.51	Oceania
Ireland	34.79	32	39.62	Europe
Norway	26.75	34	35.85	Europe
Portugal	26.16	35	33.96	Europe
Canada	25.88	36	32.08	North America
Israel	24.67	37	30.19	the Middle East
Malaysia	23.82	38	28.30	Asia
Hungary	23.79	39	26.42	Europe
Luxembourg	19.11	40	24.53	Europe
Belgium	17.82	41	22.64	Europe
Indonesia	17.64	42	20.75	Asia
Spain	16.60	44	16.98	Europe
Sweden	11.51	46	13.21	Europe
Poland	11.23	47	11.32	Europe
Netherlands	10.80	48	9.43	Europe
India	10.22	49	7.55	Asia
Brazil	9.65	50	5.66	Latin America
Chile	9.18	51	3.77	Latin America
South Africa	7.77	52	1.89	Africa
Austria	7.51	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Property Plant and Equipment - Net  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Turkey	1280.12	1	95.83
Turkmenistan	1198.15	2	91.67
Kyrgyzstan	1074.67	3	87.50
Bahrain	716.24	4	83.33
Pakistan	621.85	5	79.17
Qatar	87.46	6	75.00
Jordan	77.20	7	70.83
West Bank	58.43	8	66.67
Oman	44.37	9	62.50
Iran	40.88	10	58.33
<b>Saudi Arabia</b>	<b>39.85</b>	<b>11</b>	<b>54.17</b>
Kuwait	35.73	12	50.00
Yemen	34.94	13	45.83
Israel	24.67	14	41.67
Armenia	19.71	15	37.50
Gaza Strip	15.31	16	33.33
Azerbaijan	9.77	17	29.17
Tajikistan	8.76	18	25.00
Syrian Arab Republic	8.28	19	20.83
Iraq	8.27	20	16.67
Lebanon	7.59	21	12.50
United Arab Emirates	7.39	22	8.33
Uzbekistan	7.35	23	4.17
Afghanistan	5.54	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Accumulated Depreciation - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
Pakistan	1191.48	1	97.92	the Middle East
Turkey	1061.43	2	95.83	the Middle East
Mexico	1058.54	3	93.75	Latin America
Greece	599.21	5	89.58	Europe
Japan	411.73	6	87.50	Asia
Hong Kong	158.32	7	85.42	Asia
Switzerland	66.34	8	83.33	Europe
France	57.93	9	81.25	Europe
Thailand	46.38	10	79.17	Asia
Czech Republic	43.16	11	77.08	Europe
Peru	41.83	12	75.00	Latin America
Finland	41.73	13	72.92	Europe
USA	37.79	15	68.75	North America
Italy	34.17	17	64.58	Europe
South Korea	33.56	18	62.50	Asia
Russia	30.24	21	56.25	Europe
Philippines	29.47	22	54.17	Asia
China	25.38	23	52.08	Asia
the United Kingdom	24.26	25	47.92	Europe
Germany	22.86	26	45.83	Europe
Canada	21.72	27	43.75	North America
Singapore	20.41	28	41.67	Asia
Belgium	20.14	29	39.58	Europe
Indonesia	20.01	30	37.50	Asia
Malaysia	18.36	32	33.33	Asia
Spain	17.30	33	31.25	Europe
Australia	16.95	34	29.17	Oceania
New Zealand	16.46	35	27.08	Oceania
Sweden	14.44	36	25.00	Europe
Israel	14.24	38	20.83	the Middle East
Netherlands	14.19	39	18.75	Europe
Ireland	12.03	40	16.67	Europe
Norway	11.80	41	14.58	Europe
Denmark	10.55	42	12.50	Europe
Brazil	9.45	43	10.42	Latin America
Chile	8.99	44	8.33	Latin America
Portugal	8.87	45	6.25	Europe
Poland	7.18	46	4.17	Europe
India	5.84	47	2.08	Asia
South Africa	4.47	48	0.00	Africa

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Accumulated Depreciation - Total  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Pakistan	1191.48	1	95.45
Turkey	1061.43	2	90.91
Turkmenistan	993.47	3	86.36
Kyrgyzstan	891.08	4	81.82
Bahrain	569.98	5	77.27
<b>Saudi Arabia</b>	<b>41.68</b>	<b>6</b>	<b>72.73</b>
Jordan	38.82	7	68.18
West Bank	35.06	8	63.64
Oman	33.69	9	59.09
Iran	31.04	10	54.55
Yemen	28.34	11	50.00
Kuwait	20.28	12	45.45
Gaza Strip	17.36	13	40.91
Qatar	16.95	14	36.36
Israel	14.24	15	31.82
Tajikistan	8.59	16	27.27
Syrian Arab Republic	8.11	17	22.73
Iraq	8.11	18	18.18
Lebanon	7.43	19	13.64
Azerbaijan	6.25	20	9.09
Uzbekistan	4.23	21	4.55
Afghanistan	3.16	22	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



### Intangible Other Assets

Countries	Value (\$K/employee)	Rank	Percentile	Region
Canada	76.43	1	97.73	North America
Israel	64.44	2	95.45	the Middle East
Belgium	54.03	3	93.18	Europe
USA	47.98	4	90.91	North America
the United Kingdom	43.66	5	88.64	Europe
South Korea	42.26	6	86.36	Asia
Australia	38.82	7	84.09	Oceania
Russia	38.08	9	79.55	Europe
Italy	37.01	10	77.27	Europe
Argentina	32.99	11	75.00	Latin America
Germany	29.70	12	72.73	Europe
Ireland	28.25	13	70.45	Europe
France	27.55	14	68.18	Europe
Japan	26.65	15	65.91	Asia
Spain	25.44	16	63.64	Europe
Philippines	25.44	17	61.36	Asia
Hong Kong	23.03	18	59.09	Asia
Sweden	22.87	19	56.82	Europe
Luxembourg	21.09	21	52.27	Europe
China	19.03	22	50.00	Asia
Norway	18.81	23	47.73	Europe
Finland	15.02	24	45.45	Europe
Austria	14.31	25	43.18	Europe
Switzerland	14.17	26	40.91	Europe
Portugal	11.69	27	38.64	Europe
Netherlands	11.19	28	36.36	Europe
Hungary	11.01	29	34.09	Europe
Poland	8.08	30	31.82	Europe
Denmark	7.44	31	29.55	Europe
Singapore	7.32	32	27.27	Asia
Greece	5.63	33	25.00	Europe
New Zealand	5.48	34	22.73	Oceania
India	5.43	35	20.45	Asia
Malaysia	4.93	36	18.18	Asia
South Africa	3.80	37	15.91	Africa
Thailand	0.90	38	13.64	Asia
Czech Republic	0.88	39	11.36	Europe
Turkey	0.76	40	9.09	the Middle East
Mexico	0.76	41	6.82	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Intangible Other Assets  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Israel	64.44	1	94.12
Oman	42.42	2	88.24
Iran	39.09	3	82.35
Qatar	38.82	4	76.47
Yemen	24.46	5	70.59
United Arab Emirates	14.07	6	64.71
Armenia	9.12	7	58.82
Kuwait	7.27	8	52.94
Azerbaijan	7.02	9	47.06
Bahrain	5.35	10	41.18
Uzbekistan	3.60	11	35.29
Afghanistan	2.95	12	29.41
<b>Saudi Arabia</b>	<b>0.85</b>	<b>13</b>	<b>23.53</b>
Turkey	0.76	14	17.65
Jordan	0.75	15	11.76
Turkmenistan	0.71	16	5.88
Kyrgyzstan	0.64	17	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

## 3.7 PRODUCTIVITY IN SAUDI ARABIA: LIABILITY-LABOR RATIOS

### 3.7.1 Overview

In this chapter we consider the liability-labor ratios of companies operating in Saudi Arabia benchmarked against global averages for security systems services. For ratios where there are large deviations between Saudi Arabia and the benchmarks, graphics are provided (sometimes referred to as a “gap” analysis). Then the distribution of productivity ratios is presented in the form of ranks and percentiles. Certain key liability-labor ratios are highlighted for security systems services across countries in the comparison group. Definitions of liability statement terms are given in Chapter 3.

In the case of liability-labor ratios, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a “per employee basis”. Ratios are projected using raw financial statistics and, as ratios, are therefore comparable. Given a country’s human resource ratios, the resulting figures are benchmarked across regional and global averages.

I then report the larger liability-labor ratio gaps for security systems services that Saudi Arabia has vis-à-vis the worldwide average. Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm’s relative incentive to invest locally. All figures are projections, so due caution is required.

### 3.7.2 Liability to Labor: Outlook

The following tables and graphs are prepared using the methodology described at the beginning of this section. All units are in thousands of US dollars per employee. All figures are current-year projections for security systems services in Saudi Arabia based on latest financial results available.

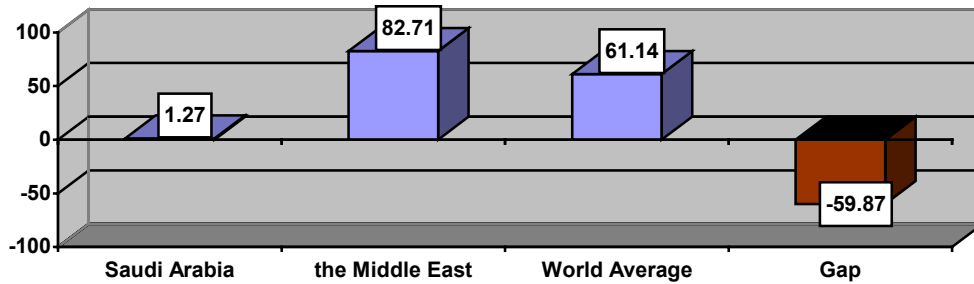
<b>Labor-liability Ratios (\$k/employee)</b>	<b>Saudi Arabia</b>	<b>the Middle East</b>	<b>World Avg.</b>
Short Term Debt & Current Portion of Long Term Debt	1.27	82.71	61.14
Other Current Liabilities	41.87	47.10	27.40
<b>Current Liabilities - Total</b>	<b>25.89</b>	<b>83.41</b>	<b>64.32</b>
Provision For Risks and Charges	9.98	6.38	2.99
Deferred Income	3.66	1.65	1.19
Other Liabilities	0.11	38.13	19.63
<b>Total Liabilities</b>	<b>32.81</b>	<b>268.32</b>	<b>175.73</b>
Common Equity	56.14	166.92	116.84
Common Stock	20.45	82.69	50.88
Other Appropriated Reserves	20.25	15.04	8.23
Unappropriated Reserves	15.64	16.72	8.63
Retained Earnings	10.86	31.65	16.79
Treasury Stock	0.48	3.17	2.68
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>88.95</b>	<b>439.31</b>	<b>302.73</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

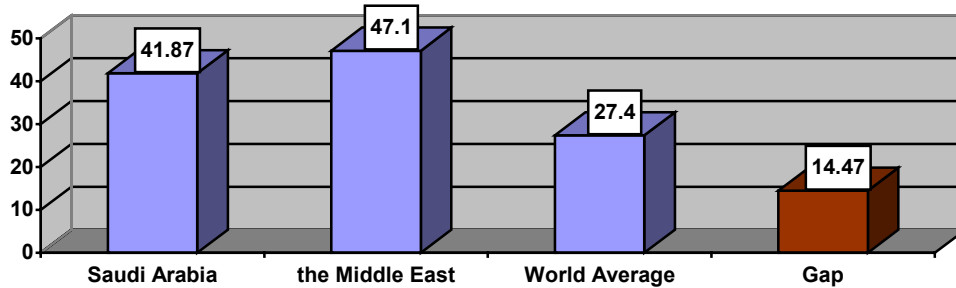
### 3.7.3 Liability and Equity to Labor: International Gaps

The following graphics summarize for security systems services the large labor-liability gaps between firms operating in Saudi Arabia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

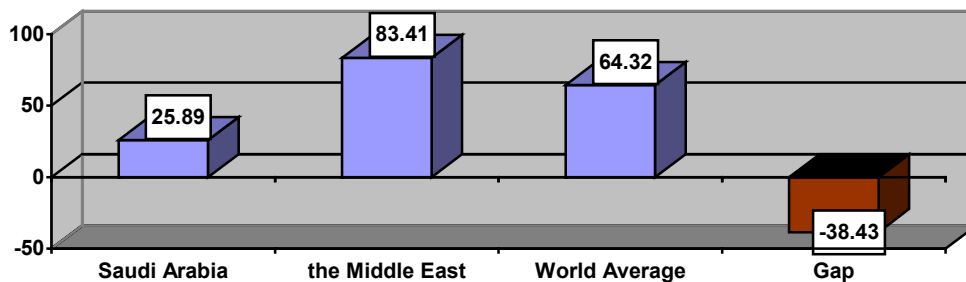
**Gap: Short Term Debt & Current Portion of Long Term Debt (\$k/employee)**



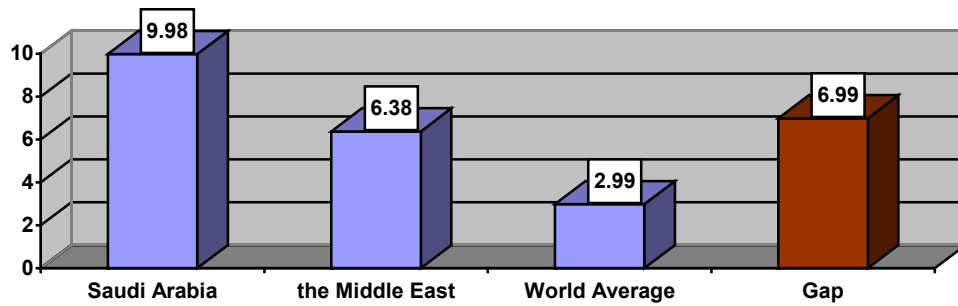
**Gap: Other Current Liabilities (\$k/employee)**



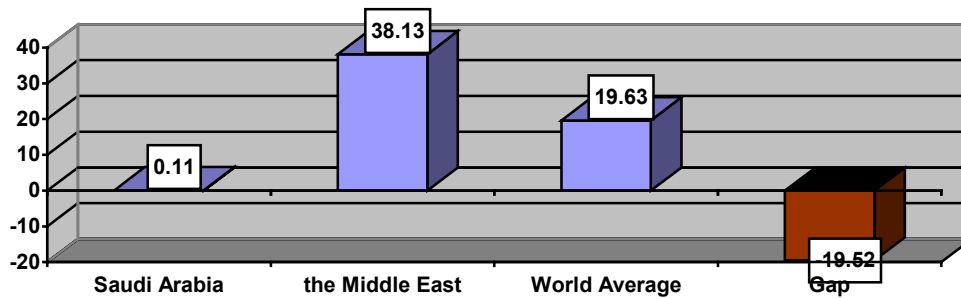
**Gap: Current Liabilities - Total (\$k/employee)**



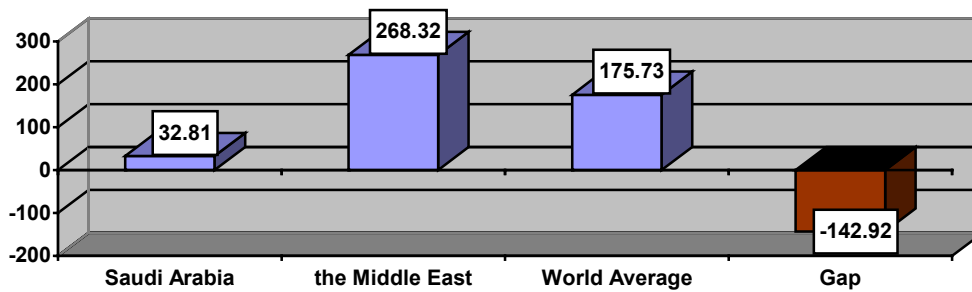
**Gap: Provision For Risks and Charges (\$k/employee)**



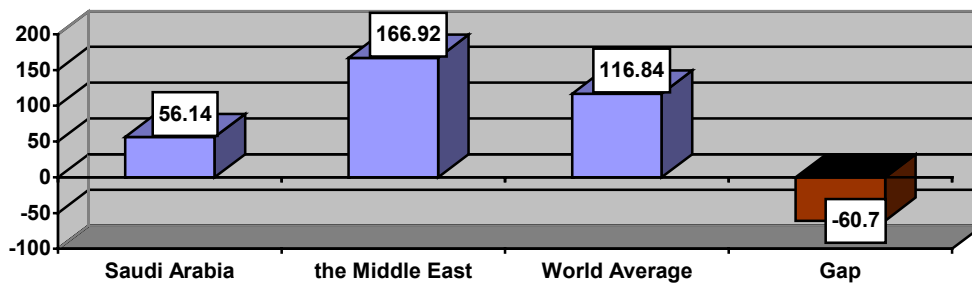
**Gap: Other Liabilities (\$k/employee)**



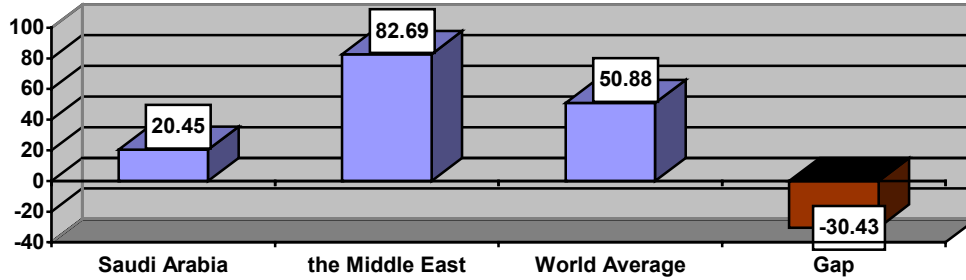
**Gap: Total Liabilities (\$k/employee)**



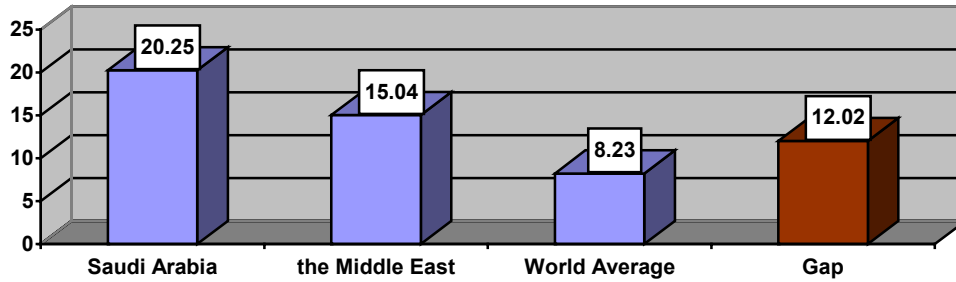
**Gap: Common Equity (\$k/employee)**



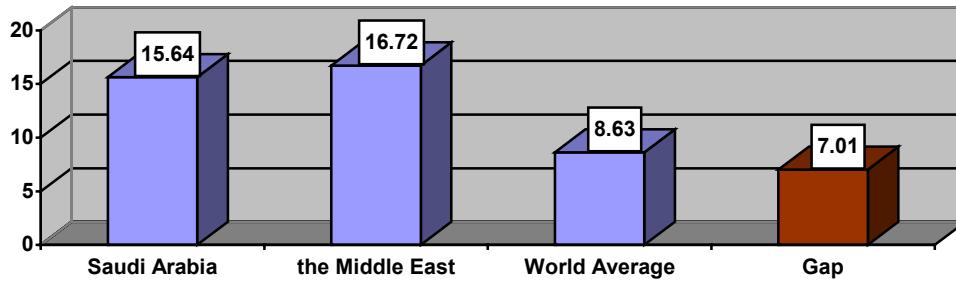
**Gap: Common Stock (\$k/employee)**



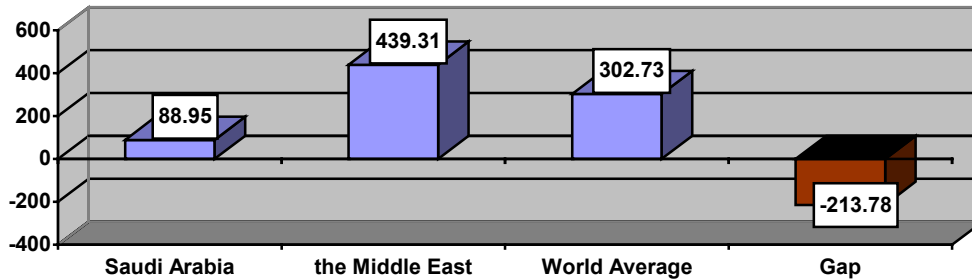
**Gap: Other Appropriated Reserves (\$k/employee)**



**Gap: Unappropriated Reserves (\$k/employee)**



**Gap: Total Liabilities & Shareholders Equity (\$k/employee)**



### 3.7.4 Key Percentiles and Rankings

We now consider the distribution of liability-labor ratios using ranks and percentiles across . What percent of countries have a value lower or higher than Saudi Arabia (what is the indicator's rank or percentile)? The table below answers this question with respect to liability-labor ratios. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance or productivity. After the summary table below, a few key liability-labor ratios are highlighted in additional tables.

Liability Structure (\$k/employee)	Saudi Arabia	Rank of Total	Percentile
Short Term Debt & Current Portion of Long Term Debt	1.27	48 of 53	9.43
Other Current Liabilities	41.87	13 of 53	75.47
<b>Current Liabilities - Total</b>	<b>25.89</b>	<b>46 of 53</b>	<b>13.21</b>
Provision For Risks and Charges	9.98	10 of 34	70.59
Deferred Income	3.66	10 of 22	54.55
Other Liabilities	0.11	46 of 49	6.12
<b>Total Liabilities</b>	<b>32.81</b>	<b>49 of 54</b>	<b>9.26</b>
Common Equity	56.14	41 of 54	24.07
Common Stock	20.45	36 of 51	29.41
Other Appropriated Reserves	20.25	13 of 51	74.51
Unappropriated Reserves	15.64	15 of 34	55.88
Retained Earnings	10.86	33 of 52	36.54
Treasury Stock	0.48	16 of 23	30.43
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>88.95</b>	<b>45 of 54</b>	<b>16.67</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Current Liabilities - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
South Korea	256.43	1	98.08	Asia
Turkey	253.01	2	96.15	the Middle East
Mexico	252.32	3	94.23	Latin America
Russia	231.07	6	88.46	Europe
Taiwan	210.91	7	86.54	Asia
Greece	147.37	8	84.62	Europe
China	110.01	9	82.69	Asia
Italy	97.29	10	80.77	Europe
Japan	89.81	11	78.85	Asia
France	80.58	12	76.92	Europe
Israel	80.51	13	75.00	the Middle East
Peru	80.36	14	73.08	Latin America
Spain	72.71	15	71.15	Europe
Belgium	70.33	16	69.23	Europe
Argentina	68.35	17	67.31	Latin America
the United Kingdom	67.81	18	65.38	Europe
Hong Kong	67.78	19	63.46	Asia
Finland	63.86	20	61.54	Europe
USA	61.07	21	59.62	North America
Switzerland	59.36	23	55.77	Europe
Portugal	52.32	24	53.85	Europe
Austria	51.76	25	51.92	Europe
Hungary	50.07	26	50.00	Europe
Australia	47.69	27	48.08	Oceania
Sweden	47.16	28	46.15	Europe
Canada	47.08	29	44.23	North America
Singapore	45.62	30	42.31	Asia
Malaysia	43.91	31	40.38	Asia
Germany	43.56	32	38.46	Europe
Norway	42.94	33	36.54	Europe
Thailand	36.77	34	34.62	Asia
Denmark	34.19	35	32.69	Europe
Poland	34.19	36	30.77	Europe
South Africa	30.73	38	26.92	Africa
Ireland	29.80	39	25.00	Europe
Brazil	27.71	41	21.15	Latin America
Netherlands	27.60	42	19.23	Europe
Philippines	27.32	43	17.31	Asia
Czech Republic	26.80	44	15.38	Europe
Chile	26.36	45	13.46	Latin America
Luxembourg	23.86	46	11.54	Europe
New Zealand	11.25	48	7.69	Oceania
India	9.07	49	5.77	Asia
Indonesia	8.27	50	3.85	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



**Current Liabilities - Total  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Oman	257.39	1	95.65
Turkey	253.01	2	91.30
Iran	237.16	3	86.96
Turkmenistan	236.81	4	82.61
Kyrgyzstan	212.40	5	78.26
Bahrain	140.18	6	73.91
Israel	80.51	7	69.57
West Bank	67.34	8	65.22
United Arab Emirates	50.91	9	60.87
Qatar	47.69	10	56.52
Kuwait	45.35	11	52.17
Armenia	41.49	12	47.83
Jordan	30.77	13	43.48
Azerbaijan	29.73	14	39.13
Uzbekistan	29.07	15	34.78
Yemen	26.27	16	30.43
<b>Saudi Arabia</b>	<b>25.89</b>	<b>17</b>	<b>26.09</b>
Tajikistan	25.16	18	21.74
Syrian Arab Republic	23.78	19	17.39
Iraq	23.76	20	13.04
Lebanon	21.78	21	8.70
Gaza Strip	7.17	22	4.35
Afghanistan	4.91	23	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Total Liabilities

Countries	Value (\$K/employee)	Rank	Percentile	Region
Portugal	3388.16	1	98.11	Europe
Italy	2074.26	2	96.23	Europe
Turkey	1427.76	3	94.34	the Middle East
Mexico	1423.87	4	92.45	Latin America
Denmark	1074.20	6	88.68	Europe
Pakistan	659.02	7	86.79	the Middle East
Japan	471.27	8	84.91	Asia
Greece	461.41	9	83.02	Europe
Ireland	342.82	10	81.13	Europe
South Korea	283.29	11	79.25	Asia
Russia	255.28	13	75.47	Europe
Taiwan	233.01	14	73.58	Asia
France	207.99	15	71.70	Europe
USA	144.42	16	69.81	North America
Peru	135.91	17	67.92	Latin America
Thailand	122.90	18	66.04	Asia
the United Kingdom	120.03	19	64.15	Europe
China	118.49	20	62.26	Asia
Germany	118.03	21	60.38	Europe
Hong Kong	109.29	22	58.49	Asia
Spain	95.51	25	52.83	Europe
Argentina	93.87	27	49.06	Latin America
Belgium	93.10	28	47.17	Europe
Australia	87.79	29	45.28	Oceana
Israel	87.32	30	43.40	the Middle East
Finland	76.82	31	41.51	Europe
Switzerland	76.23	32	39.62	Europe
Norway	61.37	33	37.74	Europe
Austria	60.28	34	35.85	Europe
Canada	58.33	35	33.96	North America
Sweden	56.40	36	32.08	Europe
Singapore	54.11	37	30.19	Asia
Hungary	50.95	38	28.30	Europe
Poland	48.48	39	26.42	Europe
Malaysia	48.46	40	24.53	Asia
Philippines	39.21	41	22.64	Asia
Luxembourg	36.74	42	20.75	Europe
Netherlands	36.67	43	18.87	Europe
South Africa	36.14	44	16.98	Africa
Brazil	35.46	45	15.09	Latin America
Czech Republic	33.98	46	13.21	Europe
Chile	33.74	47	11.32	Latin America
New Zealand	30.88	49	7.55	Oceana
Indonesia	14.41	50	5.66	Asia
India	9.44	53	0.00	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Total Liabilities  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Turkey	1427.76	1	95.83
Turkmenistan	1336.33	2	91.67
Kyrgyzstan	1198.62	3	87.50
Pakistan	659.02	4	83.33
Bahrain	438.90	5	79.17
Oman	284.36	6	75.00
Iran	262.01	7	70.83
West Bank	113.89	8	66.67
Jordan	102.86	9	62.50
Qatar	87.79	10	58.33
Israel	87.32	11	54.17
United Arab Emirates	59.29	12	50.00
Kuwait	53.79	13	45.83
Armenia	42.22	14	41.67
Azerbaijan	42.17	15	37.50
Yemen	37.71	16	33.33
Uzbekistan	34.18	17	29.17
<b>Saudi Arabia</b>	<b>32.81</b>	<b>18</b>	<b>25.00</b>
Tajikistan	32.20	19	20.83
Syrian Arab Republic	30.43	20	16.67
Iraq	30.40	21	12.50
Lebanon	27.88	22	8.33
Gaza Strip	12.51	23	4.17
Afghanistan	5.12	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Common Equity

Countries	Value (\$K/employee)	Rank	Percentile	Region
Greece	565.29	1	98.11	Europe
Portugal	509.32	2	96.23	Europe
Turkey	460.40	3	94.34	the Middle East
Mexico	459.14	4	92.45	Latin America
Israel	446.53	5	90.57	the Middle East
Hong Kong	405.87	7	86.79	Asia
South Korea	367.83	8	84.91	Asia
Russia	331.46	10	81.13	Europe
Denmark	275.05	11	79.25	Europe
Pakistan	271.02	12	77.36	the Middle East
Italy	231.33	13	75.47	Europe
Taiwan	206.12	14	73.58	Asia
Canada	191.46	15	71.70	North America
Japan	191.23	16	69.81	Asia
USA	169.36	17	67.92	North America
Australia	161.58	18	66.04	Oceana
New Zealand	148.89	19	64.15	Oceana
Germany	148.15	20	62.26	Europe
China	145.56	21	60.38	Asia
France	124.17	22	58.49	Europe
Ireland	116.27	23	56.60	Europe
Switzerland	112.97	24	54.72	Europe
the United Kingdom	95.62	25	52.83	Europe
Singapore	95.16	26	50.94	Asia
Thailand	87.45	27	49.06	Asia
Malaysia	82.94	28	47.17	Asia
Belgium	82.76	29	45.28	Europe
Finland	82.24	30	43.40	Europe
Sweden	80.45	31	41.51	Europe
Hungary	77.78	32	39.62	Europe
Philippines	70.09	34	35.85	Asia
Norway	69.00	35	33.96	Europe
Argentina	66.63	37	30.19	Latin America
Peru	61.33	38	28.30	Latin America
Czech Republic	58.13	40	24.53	Europe
Spain	46.57	41	22.64	Europe
Netherlands	38.56	43	18.87	Europe
Poland	38.10	44	16.98	Europe
India	37.13	45	15.09	Asia
Indonesia	37.12	46	13.21	Asia
Luxembourg	34.14	48	9.43	Europe
Austria	28.96	49	7.55	Europe
South Africa	22.37	51	3.77	Africa
Brazil	17.50	52	1.89	Latin America
Chile	16.65	53	0.00	Latin America

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Common Equity  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Bahrain	537.72	1	95.83
Turkey	460.40	2	91.67
Israel	446.53	3	87.50
Turkmenistan	430.92	4	83.33
Kyrgyzstan	386.51	5	79.17
Oman	369.21	6	75.00
Iran	340.19	7	70.83
Pakistan	271.02	8	66.67
Qatar	161.58	9	62.50
Kuwait	94.58	10	58.33
Jordan	73.19	11	54.17
Yemen	67.40	12	50.00
Armenia	64.45	13	45.83
<b>Saudi Arabia</b>	<b>56.14</b>	<b>14</b>	<b>41.67</b>
West Bank	51.39	15	37.50
Azerbaijan	33.14	16	33.33
Gaza Strip	32.21	17	29.17
United Arab Emirates	28.48	18	25.00
Uzbekistan	21.16	19	20.83
Afghanistan	20.13	20	16.67
Tajikistan	15.89	21	12.50
Syrian Arab Republic	15.02	22	8.33
Iraq	15.00	23	4.17
Lebanon	13.76	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Retained Earnings

Countries	Value (\$K/employee)	Rank	Percentile	Region
Hong Kong	290.98	1	98.04	Asia
Israel	240.17	2	96.08	the Middle East
Turkey	122.69	3	94.12	the Middle East
Mexico	122.35	4	92.16	Latin America
Portugal	75.52	6	88.24	Europe
Japan	68.22	7	86.27	Asia
USA	62.95	8	84.31	North America
Denmark	57.10	9	82.35	Europe
France	51.44	10	80.39	Europe
Canada	45.59	11	78.43	North America
Switzerland	43.69	12	76.47	Europe
Taiwan	36.55	13	74.51	Asia
Finland	35.38	14	72.55	Europe
New Zealand	31.48	15	70.59	Oceana
South Korea	30.05	16	68.63	Asia
the United Kingdom	28.12	17	66.67	Europe
Russia	27.08	19	62.75	Europe
Norway	27.03	20	60.78	Europe
Italy	26.98	21	58.82	Europe
Germany	26.90	22	56.86	Europe
Singapore	26.49	23	54.90	Asia
Ireland	25.96	24	52.94	Europe
Belgium	22.81	25	50.98	Europe
Netherlands	18.97	26	49.02	Europe
Australia	17.67	27	47.06	Oceana
Malaysia	15.64	28	45.10	Asia
Spain	15.12	29	43.14	Europe
South Africa	13.04	30	41.18	Africa
Sweden	11.71	31	39.22	Europe
Czech Republic	11.24	32	37.25	Europe
Thailand	10.63	33	35.29	Asia
Argentina	10.22	34	33.33	Latin America
Poland	9.99	35	31.37	Europe
Greece	9.56	36	29.41	Europe
Philippines	8.76	38	25.49	Asia
India	7.60	40	21.57	Asia
Austria	6.59	42	17.65	Europe
Indonesia	6.36	43	15.69	Asia
Luxembourg	6.30	44	13.73	Europe
Hungary	2.54	47	7.84	Europe
China	1.35	48	5.88	Asia
Peru	0.54	49	3.92	Latin America
Pakistan	0.01	51	0.00	the Middle East

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Retained Earnings  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Israel	240.17	1	95.00
Turkey	122.69	2	90.00
Turkmenistan	114.83	3	85.00
Kyrgyzstan	103.00	4	80.00
Oman	30.16	5	75.00
Iran	27.79	6	70.00
Kuwait	26.33	7	65.00
Qatar	17.67	8	60.00
Uzbekistan	12.33	9	55.00
<b>Saudi Arabia</b>	<b>10.86</b>	<b>10</b>	<b>50.00</b>
Bahrain	9.09	11	45.00
Jordan	8.89	12	40.00
Azerbaijan	8.69	13	35.00
Yemen	8.42	14	30.00
United Arab Emirates	6.48	15	25.00
Gaza Strip	5.52	16	20.00
Afghanistan	4.12	17	15.00
Armenia	2.11	18	10.00
West Bank	0.45	19	5.00
Pakistan	0.01	20	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

## **3.8 PRODUCTIVITY IN SAUDI ARABIA: INCOME-LABOR RATIOS**

### **3.8.1 Overview**

In this chapter we consider the income-labor ratios for security systems services in Saudi Arabia benchmarked against global averages. For ratios where there are large deviations between the average firm operating in Saudi Arabia and the benchmarks, graphics are provided (sometimes referred to as a “gap” analysis). Then the distribution of ratios is presented in the form of ranks and percentiles. Certain key income-labor ratios are highlighted across countries in the comparison group.

In the case of income-labor ratios, this report maintains comparability over time and across countries by using a common currency (the US dollar) and relates each measure to a “per employee basis”. Ratios are projected using raw financial statistics and, as ratios, are therefore comparable. Given a country’s human resource ratios, the resulting figures are benchmarked across regional and global averages.

We then report the larger income-labor ratio gaps for security systems services that Saudi Arabia has vis-à-vis the worldwide average. Again, a gap need not be a bad sign. Rather, it is simply a substantial difference that might merit further attention or signal a firm’s relative incentive to invest locally. All figures are projections, so due caution is required.



### 3.8.2 Income to Labor: Outlook

The following tables and graphs are prepared using the methodology described at the beginning of this section. All units are in thousands of US dollars per employee. All figures are current-year projections for security systems services in Saudi Arabia based on latest financial results available.

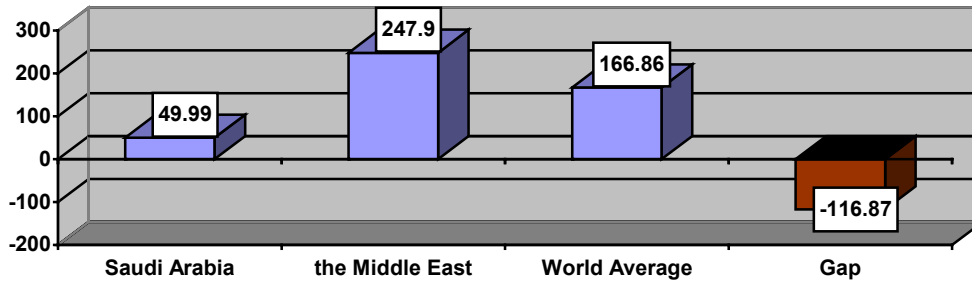
<b>Labor-income Ratios (\$k/employee)</b>	<b>Saudi Arabia</b>	<b>the Middle East</b>	<b>World Avg.</b>
Net Sales or Revenues	49.99	247.90	166.86
Cost of Goods Sold (Excluding Depreciation)	40.87	73.26	73.37
Depreciation, Depletion & Amortization	3.22	81.87	37.39
<b>Gross Income</b>	<b>5.91</b>	<b>100.76</b>	<b>57.43</b>
Other Operating Expenses	49.76	240.67	146.51
Operating Expenses - Total	-5.01	2.79	3.30
<b>Operating Income</b>	<b>8.02</b>	<b>35.77</b>	<b>20.94</b>
Extraordinary Credit - Pretax	0.32	2.37	0.82
Extraordinary Charge - Pretax	9.25	2.32	0.94
Non-Operating Interest Income	3.05	5.02	1.96
Other Income/Expense Net	6.55	3.39	1.93
<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>11.63</b>	<b>63.00</b>	<b>32.89</b>
Interest Expense on Debt	0.65	27.06	12.09
<b>Pretax Income</b>	<b>10.98</b>	<b>36.36</b>	<b>21.05</b>
Income Taxes	5.04	11.62	5.46
Current Domestic Income Tax	9.69	5.65	2.70
Deferred Domestic Income Tax	0.51	-0.04	-0.06
Income Tax Credits	0.18	-0.02	0.00
Net Income Before Extra Items/Prefer Dividends	5.94	24.82	14.59
Net Income Before Preferred Dividends	5.94	24.81	14.51
<b>Net Income Available to Common</b>	<b>5.94</b>	<b>24.81</b>	<b>14.58</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

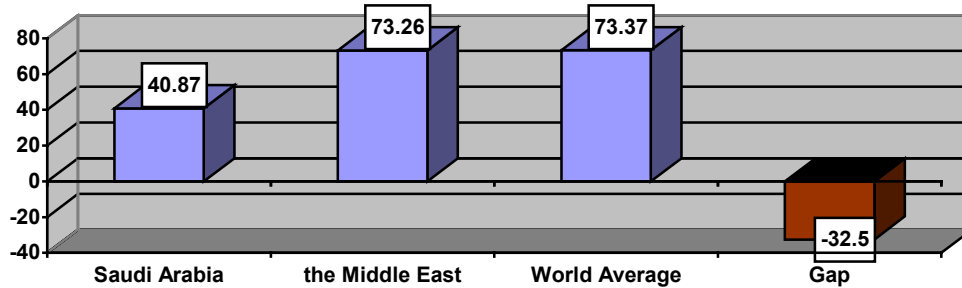
### 3.8.3 Income to Labor: Gaps

The following graphics summarize for security systems services the large labor-income gaps between firms operating in Saudi Arabia and the world average. A gap cannot necessarily be interpreted as a positive or negative reflection on performance. Gaps may signal areas of specialization, market focus, or expertise. More contextual information is required to fully interpret these gaps. The gaps highlighted here are simply those that are large.

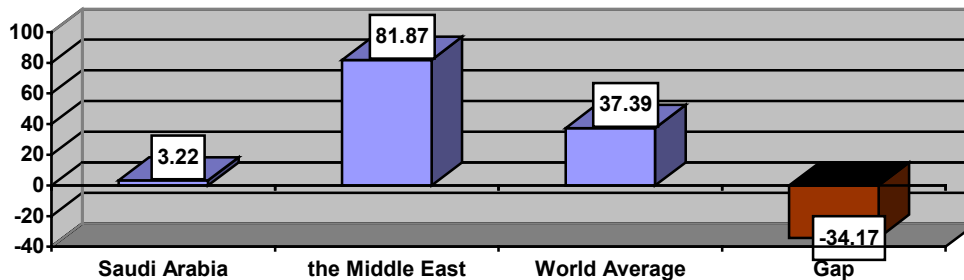
**Gap: Net Sales or Revenues (\$k/employee)**



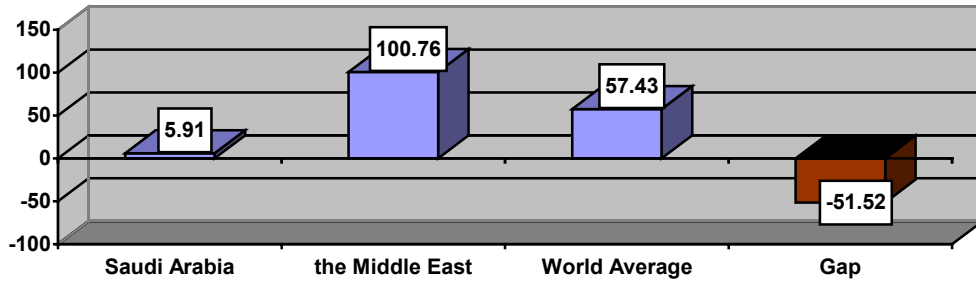
**Gap: Cost of Goods Sold (Excluding Depreciation) (\$k/employee)**



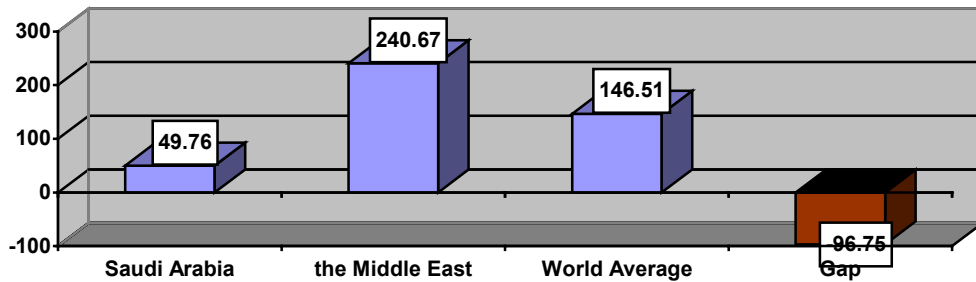
**Gap: Depreciation, Depletion & Amortization (\$k/employee)**



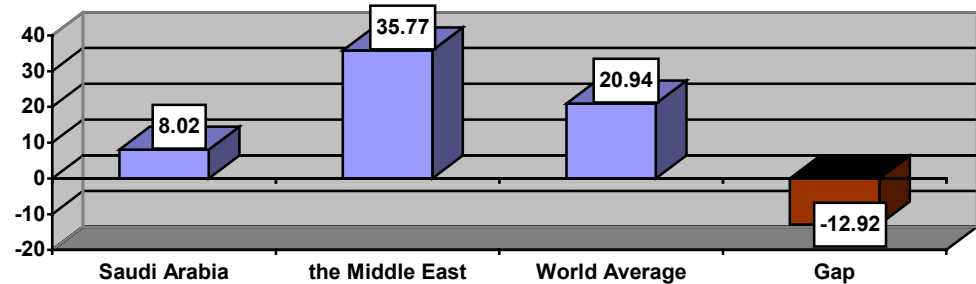
**Gap: Gross Income (\$k/employee)**



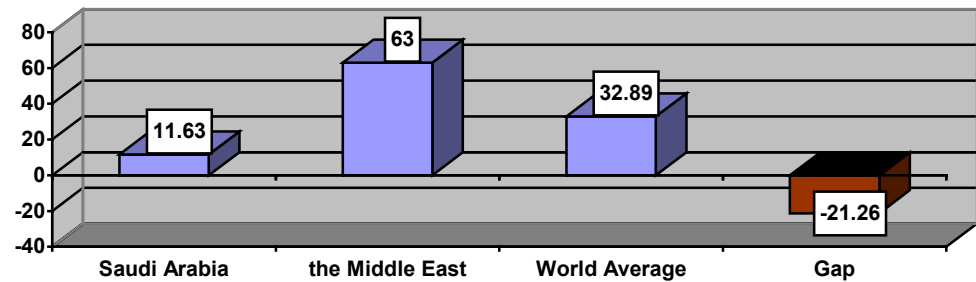
**Gap: Other Operating Expenses (\$k/employee)**



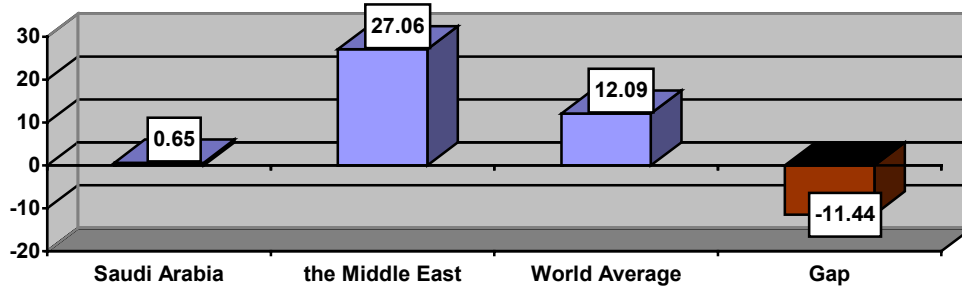
**Gap: Operating Income (\$k/employee)**



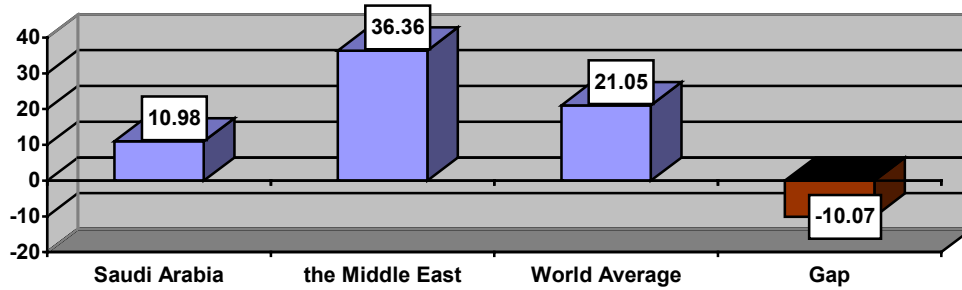
**Gap: Earnings Before Interest and Taxes (EBIT) (\$k/employee)**



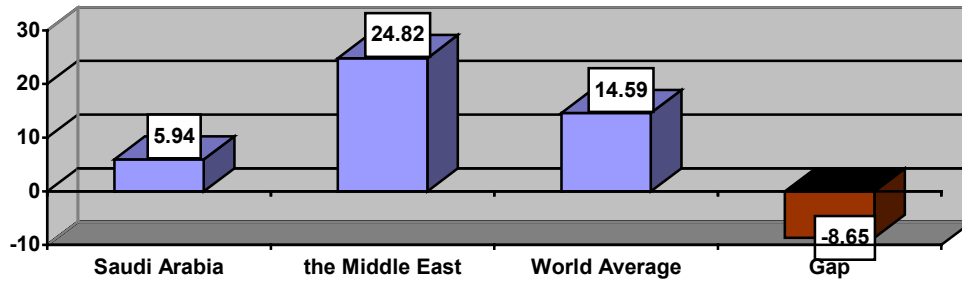
**Gap: Interest Expense on Debt (\$k/employee)**



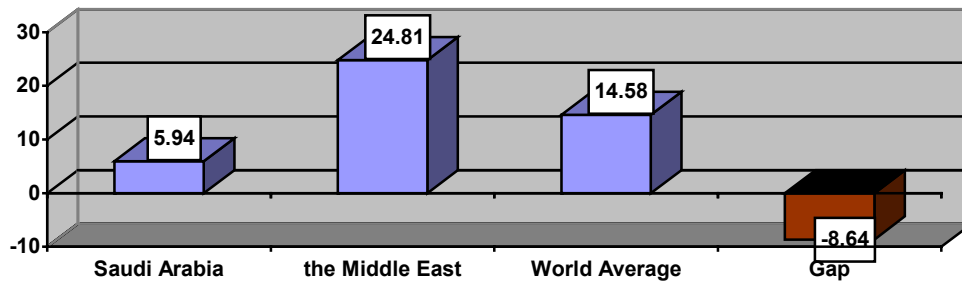
**Gap: Pretax Income (\$k/employee)**



**Gap: Net Income Before Extra Items/Prefer Dividends (\$k/employee)**



**Gap: Net Income Available to Common (\$k/employee)**



### 3.8.4 Key Percentiles and Rankings

We now consider the distribution of income-labor ratios using ranks and percentiles across . What percent of countries have a value lower or higher than Saudi Arabia (what is the ratio's rank or percentile)? The table below answers this question with respect to income-labor ratios. The ranks and percentiles indicate, from highest to lowest, where a value falls within the distribution of all countries considered in the global benchmark (the number of countries in the benchmark per line item may vary, as indicated in the Rank). Again, a high or low figure does not necessarily indicate good or bad performance or productivity. After the summary table below, a few key income-labor ratios are highlighted in additional tables.

Income Structure (\$k/employee)	Saudi Arabia	Rank of Total	Percentile
Net Sales or Revenues	49.99	48 of 54	11.11
Cost of Goods Sold (Excluding Depreciation)	40.87	37 of 49	24.49
Depreciation, Depletion & Amortization	3.22	50 of 54	7.41
<b>Gross Income</b>	<b>5.91</b>	<b>52 of 52</b>	<b>0.00</b>
Other Operating Expenses	49.76	44 of 51	13.73
Operating Expenses - Total	-5.01	43 of 44	2.27
<b>Operating Income</b>	<b>8.02</b>	<b>33 of 54</b>	<b>38.89</b>
Extraordinary Credit - Pretax	0.32	19 of 30	36.67
Extraordinary Charge - Pretax	9.25	4 of 33	87.88
Non-Operating Interest Income	3.05	17 of 49	65.31
<b>Other Income/Expense Net</b>	<b>6.55</b>	<b>9 of 54</b>	<b>83.33</b>
<b>Earnings Before Interest and Taxes (EBIT)</b>	<b>11.63</b>	<b>37 of 54</b>	<b>31.48</b>
Interest Expense on Debt	0.65	49 of 54	9.26
<b>Pretax Income</b>	<b>10.98</b>	<b>32 of 54</b>	<b>40.74</b>
Income Taxes	5.04	23 of 54	57.41
Current Domestic Income Tax	9.69	10 of 42	76.19
Deferred Domestic Income Tax	0.51	8 of 38	78.95
Income Tax Credits	0.18	3 of 8	62.50
Net Income Before Extra Items/Prefer Dividends	5.94	35 of 54	35.19
Net Income Before Preferred Dividends	5.94	34 of 54	37.04
<b>Net Income Available to Common</b>	<b>5.94</b>	<b>35 of 54</b>	<b>35.19</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Cost of Goods Sold (Excluding Depreciation)

Countries	Value (\$K/employee)	Rank	Percentile	Region
South Korea	333.99	1	97.92	Asia
Russia	300.97	3	93.75	Europe
Switzerland	277.10	4	91.67	Europe
Japan	226.57	5	89.58	Asia
Ireland	218.63	6	87.50	Europe
France	207.39	7	85.42	Europe
Belgium	191.60	8	83.33	Europe
Denmark	175.10	9	81.25	Europe
Hungary	170.92	10	79.17	Europe
Germany	162.56	11	77.08	Europe
the United Kingdom	131.29	12	75.00	Europe
Peru	123.34	13	72.92	Latin America
Luxembourg	122.60	14	70.83	Europe
USA	120.25	15	68.75	North America
Canada	115.22	16	66.67	North America
Sweden	112.21	17	64.58	Europe
Australia	110.62	18	62.50	Oceania
South Africa	105.23	19	60.42	Africa
Hong Kong	101.62	20	58.33	Asia
Italy	96.96	21	56.25	Europe
Argentina	95.65	22	54.17	Latin America
Greece	93.20	23	52.08	Europe
Norway	89.75	25	47.92	Europe
Netherlands	89.66	26	45.83	Europe
Singapore	89.37	27	43.75	Asia
Spain	86.64	28	41.67	Europe
Portugal	83.56	29	39.58	Europe
China	81.12	30	37.50	Asia
Finland	64.46	31	35.42	Europe
Brazil	54.96	32	33.33	Latin America
Chile	52.30	33	31.25	Latin America
Poland	51.68	34	29.17	Europe
Malaysia	50.06	35	27.08	Asia
Czech Republic	42.32	36	25.00	Europe
New Zealand	39.30	37	22.92	Oceania
Thailand	33.76	38	20.83	Asia
India	31.36	39	18.75	Asia
Pakistan	29.23	40	16.67	the Middle East
Philippines	24.90	43	10.42	Asia
Israel	20.58	45	6.25	the Middle East
Indonesia	18.51	46	4.17	Asia

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Cost of Goods Sold (Excluding Depreciation)  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Oman	335.25	1	95.00
Iran	308.89	2	90.00
Armenia	141.63	3	85.00
Qatar	110.62	4	80.00
West Bank	103.36	5	75.00
Uzbekistan	99.54	6	70.00
Kuwait	88.83	7	65.00
Bahrain	88.65	8	60.00
Tajikistan	49.92	9	55.00
Syrian Arab Republic	47.17	10	50.00
Iraq	47.13	11	45.00
Azerbaijan	44.95	12	40.00
Lebanon	43.21	13	35.00
<b>Saudi Arabia</b>	<b>40.87</b>	<b>14</b>	<b>30.00</b>
Pakistan	29.23	15	25.00
Jordan	28.26	16	20.00
Yemen	23.94	17	15.00
Israel	20.58	18	10.00
Afghanistan	16.99	19	5.00
Gaza Strip	16.06	20	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Operating Expenses - Total

Countries	Value (\$K/employee)	Rank	Percentile	Region
Germany	62.42	1	97.67	Europe
France	61.09	2	95.35	Europe
Switzerland	36.19	3	93.02	Europe
Australia	31.82	4	90.70	Oceania
Finland	31.41	5	88.37	Europe
Portugal	22.12	6	86.05	Europe
Ireland	21.56	7	83.72	Europe
Spain	18.20	8	81.40	Europe
Norway	15.50	9	79.07	Europe
Netherlands	12.30	10	76.74	Europe
Philippines	10.01	11	74.42	Asia
Hong Kong	7.97	13	69.77	Asia
the United Kingdom	7.61	14	67.44	Europe
Singapore	6.65	15	65.12	Asia
Sweden	6.04	16	62.79	Europe
Peru	5.50	17	60.47	Latin America
Denmark	4.85	18	58.14	Europe
South Africa	4.29	19	55.81	Africa
USA	3.15	21	51.16	North America
Malaysia	2.88	22	48.84	Asia
South Korea	2.59	23	46.51	Asia
Russia	2.33	25	41.86	Europe
Italy	2.24	26	39.53	Europe
Indonesia	1.41	27	37.21	Asia
Poland	1.18	29	32.56	Europe
Belgium	1.18	30	30.23	Europe
India	1.14	31	27.91	Asia
Argentina	0.88	33	23.26	Latin America
Luxembourg	0.72	34	20.93	Europe
China	0.71	35	18.60	Asia
Pakistan	0.47	36	16.28	the Middle East
Brazil	0.36	37	13.95	Latin America
Chile	0.35	38	11.63	Latin America
Israel	0.20	39	9.30	the Middle East
Japan	0.12	40	6.98	Asia
Greece	-0.16	41	4.65	Europe
Canada	-0.27	42	2.33	North America
Czech Republic	-5.19	43	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



**Operating Expenses - Total  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Qatar	31.82	1	94.44
Yemen	9.63	2	88.89
Kuwait	6.61	3	83.33
West Bank	4.61	4	77.78
Uzbekistan	4.05	5	72.22
Oman	2.60	6	66.67
Iran	2.39	7	61.11
Gaza Strip	1.22	8	55.56
Azerbaijan	1.03	9	50.00
Afghanistan	0.62	10	44.44
Pakistan	0.47	11	38.89
Tajikistan	0.33	12	33.33
Syrian Arab Republic	0.31	13	27.78
Iraq	0.31	14	22.22
Lebanon	0.29	15	16.67
Israel	0.20	16	11.11
Bahrain	-0.15	17	5.56
<b>Saudi Arabia</b>	<b>-5.01</b>	<b>18</b>	<b>0.00</b>

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Operating Income

Countries	Value (\$K/employee)	Rank	Percentile	Region
Turkey	194.13	1	98.11	the Middle East
Mexico	193.60	2	96.23	Latin America
Hong Kong	77.80	4	92.45	Asia
France	68.12	5	90.57	Europe
Greece	63.89	6	88.68	Europe
Israel	62.57	7	86.79	the Middle East
Portugal	57.84	8	84.91	Europe
Pakistan	49.47	9	83.02	the Middle East
New Zealand	34.00	10	81.13	Oceana
Japan	32.15	11	79.25	Asia
Argentina	26.70	12	77.36	Latin America
USA	26.06	13	75.47	North America
South Korea	22.69	14	73.58	Asia
Taiwan	22.63	15	71.70	Asia
Australia	21.33	16	69.81	Oceana
Denmark	21.15	17	67.92	Europe
China	20.62	19	64.15	Asia
Russia	20.45	20	62.26	Europe
Singapore	17.43	21	60.38	Asia
Spain	17.27	22	58.49	Europe
Ireland	16.06	23	56.60	Europe
Canada	14.66	24	54.72	North America
the United Kingdom	13.64	25	52.83	Europe
Germany	12.83	26	50.94	Europe
Philippines	11.78	27	49.06	Asia
Belgium	10.89	28	47.17	Europe
Switzerland	10.43	29	45.28	Europe
Peru	9.48	31	41.51	Latin America
Czech Republic	8.31	32	39.62	Europe
Sweden	7.96	33	37.74	Europe
Italy	7.91	34	35.85	Europe
Thailand	7.55	35	33.96	Asia
Netherlands	7.35	36	32.08	Europe
Poland	7.11	37	30.19	Europe
India	6.14	40	24.53	Asia
Malaysia	6.08	41	22.64	Asia
South Africa	5.44	43	18.87	Africa
Brazil	5.34	44	16.98	Latin America
Indonesia	5.12	45	15.09	Asia
Chile	5.08	46	13.21	Latin America
Finland	4.93	47	11.32	Europe
Norway	3.46	50	5.66	Europe
Austria	0.13	51	3.77	Europe
Luxembourg	-0.14	52	1.89	Europe
Hungary	-7.97	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Operating Income  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Turkey	194.13	1	95.83
Turkmenistan	181.70	2	91.67
Kyrgyzstan	162.97	3	87.50
Israel	62.57	4	83.33
Bahrain	60.78	5	79.17
Pakistan	49.47	6	75.00
Oman	22.78	7	70.83
Qatar	21.33	8	66.67
Iran	20.99	9	62.50
Kuwait	17.32	10	58.33
Yemen	11.33	11	54.17
<b>Saudi Arabia</b>	<b>8.02</b>	<b>12</b>	<b>50.00</b>
West Bank	7.95	13	45.83
Jordan	6.32	14	41.67
Azerbaijan	6.19	15	37.50
Uzbekistan	5.14	16	33.33
Tajikistan	4.85	17	29.17
Syrian Arab Republic	4.58	18	25.00
Iraq	4.58	19	20.83
Gaza Strip	4.45	20	16.67
Lebanon	4.20	21	12.50
Afghanistan	3.33	22	8.33
United Arab Emirates	0.13	23	4.17
Armenia	-6.60	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Earnings Before Interest and Taxes (EBIT)

Countries	Value (\$K/employee)	Rank	Percentile	Region
Turkey	372.02	1	98.11	the Middle East
Mexico	371.01	2	96.23	Latin America
Portugal	193.10	4	92.45	Europe
Denmark	116.63	5	90.57	Europe
Pakistan	108.87	6	88.68	the Middle East
Italy	94.41	7	86.79	Europe
Hong Kong	80.61	8	84.91	Asia
Israel	77.04	9	83.02	the Middle East
France	76.77	10	81.13	Europe
Ireland	70.26	11	79.25	Europe
Greece	69.13	12	77.36	Europe
Taiwan	48.23	13	75.47	Asia
New Zealand	43.41	14	73.58	Oceana
Japan	31.77	15	71.70	Asia
Argentina	30.81	16	69.81	Latin America
Australia	30.50	17	67.92	Oceana
USA	28.65	18	66.04	North America
South Korea	27.17	19	64.15	Asia
Russia	24.49	21	60.38	Europe
Germany	23.51	22	58.49	Europe
China	22.00	23	56.60	Asia
Singapore	19.55	24	54.72	Asia
Thailand	18.71	25	52.83	Asia
Spain	18.21	26	50.94	Europe
Peru	15.81	27	49.06	Latin America
the United Kingdom	15.38	29	45.28	Europe
Switzerland	13.41	31	41.51	Europe
Brazil	13.05	32	39.62	Latin America
Chile	12.41	33	37.74	Latin America
Philippines	12.35	34	35.85	Asia
Czech Republic	12.04	35	33.96	Europe
Belgium	10.12	38	28.30	Europe
Finland	9.31	39	26.42	Europe
Canada	8.93	40	24.53	North America
Netherlands	8.87	41	22.64	Europe
Poland	8.74	42	20.75	Europe
Sweden	8.59	43	18.87	Europe
Indonesia	7.94	44	16.98	Asia
Malaysia	7.86	45	15.09	Asia
India	7.41	47	11.32	Asia
South Africa	6.63	48	9.43	Africa
Norway	5.99	49	7.55	Europe
Hungary	2.98	51	3.77	Europe
Austria	1.28	52	1.89	Europe
Luxembourg	1.10	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Earnings Before Interest and Taxes (EBIT)  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Turkey	372.02	1	95.83
Turkmenistan	348.20	2	91.67
Kyrgyzstan	312.31	3	87.50
Pakistan	108.87	4	83.33
Israel	77.04	5	79.17
Bahrain	65.76	6	75.00
Qatar	30.50	7	70.83
Oman	27.28	8	66.67
Iran	25.13	9	62.50
Kuwait	19.43	10	58.33
Jordan	15.66	11	54.17
West Bank	13.25	12	50.00
Yemen	11.88	13	45.83
Tajikistan	11.85	14	41.67
<b>Saudi Arabia</b>	<b>11.63</b>	<b>15</b>	<b>37.50</b>
Syrian Arab Republic	11.20	16	33.33
Iraq	11.19	17	29.17
Lebanon	10.26	18	25.00
Azerbaijan	7.60	19	20.83
Gaza Strip	6.89	20	16.67
Uzbekistan	6.27	21	12.50
Afghanistan	4.02	22	8.33
Armenia	2.47	23	4.17
United Arab Emirates	1.26	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Pretax Income

Countries	Value (\$K/employee)	Rank	Percentile	Region
Turkey	188.49	1	98.11	the Middle East
Mexico	187.98	2	96.23	Latin America
Hong Kong	79.83	4	92.45	Asia
Israel	76.03	5	90.57	the Middle East
Portugal	70.35	6	88.68	Europe
France	62.51	7	86.79	Europe
Greece	55.50	8	84.91	Europe
Pakistan	51.51	9	83.02	the Middle East
New Zealand	42.51	10	81.13	Oceana
Taiwan	40.67	11	79.25	Asia
Japan	28.95	12	77.36	Asia
South Korea	26.97	13	75.47	Asia
Italy	25.74	14	73.58	Europe
Australia	25.55	15	71.70	Oceana
Denmark	25.44	16	69.81	Europe
USA	24.37	18	66.04	North America
Russia	24.30	19	64.15	Europe
Argentina	20.94	20	62.26	Latin America
Ireland	20.60	21	60.38	Europe
Singapore	18.86	22	58.49	Asia
China	18.74	23	56.60	Asia
Germany	17.53	24	54.72	Europe
Spain	16.26	25	52.83	Europe
Thailand	13.66	26	50.94	Asia
Switzerland	11.72	27	49.06	Europe
Philippines	11.60	28	47.17	Asia
the United Kingdom	11.57	29	45.28	Europe
Czech Republic	11.37	31	41.51	Europe
Belgium	8.08	34	35.85	Europe
Sweden	7.77	35	33.96	Europe
India	7.30	36	32.08	Asia
Finland	7.26	37	30.19	Europe
Malaysia	7.23	38	28.30	Asia
Indonesia	7.22	39	26.42	Asia
Netherlands	6.65	41	22.64	Europe
Canada	6.57	42	20.75	North America
Poland	6.38	43	18.87	Europe
South Africa	4.38	45	15.09	Africa
Norway	4.38	46	13.21	Europe
Brazil	4.09	47	11.32	Latin America
Chile	3.89	48	9.43	Latin America
Peru	3.82	49	7.55	Latin America
Hungary	2.39	51	3.77	Europe
Luxembourg	0.28	52	1.89	Europe
Austria	0.21	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

**Pretax Income  
(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Turkey	188.49	1	95.83
Turkmenistan	176.42	2	91.67
Kyrgyzstan	158.24	3	87.50
Israel	76.03	4	83.33
Bahrain	52.80	5	79.17
Pakistan	51.51	6	75.00
Oman	27.07	7	70.83
Qatar	25.55	8	66.67
Iran	24.94	9	62.50
Kuwait	18.75	10	58.33
Jordan	11.43	11	54.17
Yemen	11.15	12	50.00
<b>Saudi Arabia</b>	<b>10.98</b>	<b>13</b>	<b>45.83</b>
Gaza Strip	6.26	14	41.67
Azerbaijan	5.55	15	37.50
Uzbekistan	4.15	16	33.33
Afghanistan	3.96	17	29.17
Tajikistan	3.72	18	25.00
Syrian Arab Republic	3.51	19	20.83
Iraq	3.51	20	16.67
Lebanon	3.22	21	12.50
West Bank	3.20	22	8.33
Armenia	1.98	23	4.17
United Arab Emirates	0.21	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

### Income Taxes

Countries	Value (\$K/employee)	Rank	Percentile	Region
Turkey	65.80	1	98.11	the Middle East
Mexico	65.63	2	96.23	Latin America
Greece	37.02	4	92.45	Europe
Japan	13.61	5	90.57	Asia
Portugal	13.00	6	88.68	Europe
Italy	11.94	7	86.79	Europe
Israel	11.69	8	84.91	the Middle East
New Zealand	10.91	9	83.02	Oceana
Hong Kong	8.58	10	81.13	Asia
USA	7.69	11	79.25	North America
Germany	7.25	12	77.36	Europe
Argentina	7.11	13	75.47	Latin America
South Korea	6.65	14	73.58	Asia
Denmark	6.37	15	71.70	Europe
Russia	6.00	17	67.92	Europe
Australia	5.74	18	66.04	Oceana
Ireland	5.23	19	64.15	Europe
Czech Republic	5.22	20	62.26	Europe
Belgium	5.15	21	60.38	Europe
Taiwan	5.12	22	58.49	Asia
France	4.84	23	56.60	Europe
Thailand	4.80	24	54.72	Asia
the United Kingdom	3.91	26	50.94	Europe
Spain	3.66	28	47.17	Europe
Philippines	3.63	29	45.28	Asia
Sweden	3.57	30	43.40	Europe
Switzerland	3.56	31	41.51	Europe
Canada	3.45	32	39.62	North America
Singapore	3.35	33	37.74	Asia
Finland	2.82	35	33.96	Europe
Pakistan	2.69	36	32.08	the Middle East
China	2.67	37	30.19	Asia
Netherlands	2.32	38	28.30	Europe
Poland	2.17	39	26.42	Europe
Malaysia	1.97	40	24.53	Asia
Indonesia	1.94	41	22.64	Asia
South Africa	1.94	42	20.75	Africa
Peru	1.65	44	16.98	Latin America
India	1.16	47	11.32	Asia
Hungary	1.11	48	9.43	Europe
Brazil	1.06	49	7.55	Latin America
Norway	1.02	50	5.66	Europe
Chile	1.01	51	3.77	Latin America
Austria	0.34	52	1.89	Europe
Luxembourg	-0.30	53	0.00	Europe

Source: Philip M. Parker, Professor, INSEAD, copyright 2007



**Income Taxes**  
**(Security Systems Services)**

Countries in the Middle East	Value (\$K/employee)	Rank	Percentile
Turkey	65.80	1	95.83
Turkmenistan	61.59	2	91.67
Kyrgyzstan	55.24	3	87.50
Bahrain	35.21	4	83.33
Israel	11.69	5	79.17
Oman	6.68	6	75.00
Iran	6.15	7	70.83
Qatar	5.74	8	66.67
<b>Saudi Arabia</b>	<b>5.04</b>	<b>9</b>	<b>62.50</b>
Jordan	4.02	10	58.33
Yemen	3.49	11	54.17
Kuwait	3.33	12	50.00
Pakistan	2.69	13	45.83
Azerbaijan	1.88	14	41.67
Uzbekistan	1.83	15	37.50
Gaza Strip	1.69	16	33.33
West Bank	1.39	17	29.17
Tajikistan	0.96	18	25.00
Armenia	0.92	19	20.83
Syrian Arab Republic	0.91	20	16.67
Iraq	0.91	21	12.50
Lebanon	0.83	22	8.33
Afghanistan	0.63	23	4.17
United Arab Emirates	0.33	24	0.00

Source: Philip M. Parker, Professor, INSEAD, copyright 2007

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## **4 MACRO-ACCESSIBILITY IN SAUDI ARABIA**

### **4.1 EXECUTIVE SUMMARY**

Close to twenty thousand Americans reside and work in Saudi Arabia, employed by hundreds of Saudi companies and joint venture companies. Thousands more derive their livelihood from making the U.S. goods exported to the Saudi market.

The United States remains the largest foreign investor in Saudi Arabia. American firms can make significant inroads into the areas of education and training and financial services, which have been opened up to foreign companies. Desalination plant construction, power generation, public transportation, and mining represent other major growth areas for U.S. companies. Domestic air service also became open to competition in 2003.

The Saudi Government has initiated several new policies and laws that have enhanced the business climate for American companies in the Kingdom. Transparency in public procurement has improved as bids for contracts and contract awards are publicized. Saudi Arabia continues to make progress in integrating international standards. Strengthening standards in Saudi Arabia positively affects American firms in many sectors, including food, electrical goods, construction, chemicals, pharmaceuticals, and telecommunications.

The Saudi Government is pursuing individuals and companies that violate intellectual property rights, though the problem persists in the Kingdom.

### **4.2 ECONOMIC FUNDAMENTALS AND DYNAMICS**

#### **4.2.1 The Government's Role in the Economy**

The Saudi budget planning process is opaque. Little is known about the method of planning and the actual breakdown of anticipated revenues and expenditures. Some items are off budget. Most important, the oil price forecast from which the SAG derives approximately 75 percent of its revenues is not officially released. The government appears to favor conservative estimates of oil revenue for planning purposes.

Saudi Arabia's defense and national security budget line item in the Saudi Arabian Monetary Agency's annual report includes spending by the Ministry of Defense and Aviation and the Ministry of the Interior and other agencies. A significant portion of budget for defense and security goes to fund police, internal security, customs and immigration. Defense and security expenditures remain the largest sectoral allocation of budget spending, even though procurement of goods and services has declined over the years as spending has shifted to social services.

Large state firms, generally monopolies, dominate the Saudi economy. These firms include the oil firm Saudi ARAMCO, Saudi Arabian Basic Industries Corporation (SABIC), Saudi Telecommunications Company (STC), the Saudi Electricity Company (SEC) and the Saline Water Conversion Corporation (SWCC). Prior to the 1970s oil boom, parts or all of many of these firms, including ARAMCO, were in private hands. In recent decades, the private sector has accounted for roughly 40 percent of Saudi GDP.

Lack of diversity in sources of GDP and budgetary revenues continues to impede Saudi economic development. Oil and oil derivatives make up around 90-95 percent of Saudi export earnings, 75 percent of budget revenues and approximately 35-40 percent of GDP.

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## 4.2.2 Balance of Payments

Remittances from 5-6 million foreign workers are a perennial drain on Saudi Arabia's current account.

Net outflows of capital due to limited in-country tourism amount to about \$5-6 billion annually. The tourism council is trying to encourage Saudi residents to spend more vacation time in Saudi Arabia. These efforts, if successful, should help reduce the net outflow of capital connected with tourism.

## 4.2.3 Adequacy of the Infrastructure System

Saudi Arabia is the largest free market economy in the Middle East and North Africa holding approximately 25 percent share of the total Arab GDP. The Kingdom's geographic location provides easy access to export markets in Europe, Asia, and Africa. Saudi Arabia possesses a solid distribution network. The business centers of Riyadh, Jeddah, and Dammam/Al-Khobar/Dhahran have international airports served by a variety of international airlines with passenger and cargo capabilities.

Because of the large distances that separate Saudi Arabia's main cities, air travel is preferred for travel within the Kingdom. Regularly scheduled services are currently limited to the sole national airline, Saudi Arabian Airlines (Saudia). However, in June 2003, the Saudi government approved a law to allow domestic airline competition. Saudia transports about 13 million passengers a year on international and domestic flights. There are a total of 205 airports (72 with paved runways) and four heliports.

Most within-country freight is hauled by truck over a relatively good highway system linking the major business centers. The latest figures released by the Ministry of Communications and Transportation indicated that the paved and unpaved Saudi road network extended for more than 155,000 kilometers, and about 2,500 kilometers being added every year.

The Kingdom owns the largest marine network in the Middle East consisting of eight ports, or six commercial ports and two industrial ports. They are Dammam Seaport, Jeddah Islamic Port, Jubail Commercial Port, Riyadh Dry Port, Jizan Port, Dhiba Port, Yanbu Industrial Port and King Fahd Industrial Port in Jubail. Jeddah and Dammam are the main international seaports for moving containerized and bulk cargo. A rail link carries passengers and freight between Dammam and Riyadh.

The Kingdom has witnessed rapid advancements in the field of telecommunications. There are 1,000 telephone circuits with direct access to 152 countries. Although mobile phone penetration is at less than 10 percent of the population, rapid expansion and upgrading of the network is under way. International telephone calls can be made to almost anywhere in the world. Internet services are freely available and the main cities have several Internet Service Providers (ISPs) and Internet cafés. High speed DSL Internet is also available.

The King Abdulaziz City for Science and Technology (KACST) manages the Internet backbone, while the Saudi Communications and Information Technology Commission (CITC) regulates the market. Over 40 Internet Service Providers (ISPs) received licenses at the launch of Internet in the Kingdom. Market forces have since cut this number almost in half. The Internet infrastructure can support over one million concurrent customers.

The CITC, which began as the Saudi Communications Commission in 2001, has offered transparency as the telecom regulator and called for public comment in the establishment of its regulations. In a first for the Kingdom, the CITC granted end-users of telecom services a bill of rights.

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## 4.2.4 Regional Economic Integration

Saudi Arabia is also a member party in the following regional organizations and agreements:

- African Development Bank
- Arab Bank for Economic Development in Africa
- Arab Fund for Economic and Social Development
- Arab Gulf Program for United Nations Development Organization
- Arab Monetary Fund
- Gulf Cooperation Council
- League of Arab States
- Organization of Arab Petroleum Exporting Countries
- Economic and Social Commission for Western Asia
- Islamic Development Bank

## 4.3 POLITICAL RISKS

### 4.3.1 Nature of Political Relationship with the United States

Saudi Arabia's unique role in the Arab and Islamic worlds, its possession of the world's largest reserves of oil, and its strategic location make its friendship important to the United States. Diplomatic relations were established in 1933; the U.S. Embassy opened in Jeddah in 1944 and moved to Riyadh in 1984. The post in Jeddah then became a U.S. Consulate General. A U.S. Consulate also opened in Dhahran in 1944.

The United States and Saudi Arabia share common concerns about regional security and stability, oil exports and imports, and sustainable development. Close consultations between the United States and Saudi Arabia routinely take place on international, economic, security and development issues. Both nations share important strategic interests in the Gulf, in bringing peace and stability to Iraq, and in achieving peace between Israel and the Palestinians.

The continued availability of reliable sources of oil, particularly from Saudi Arabia remains critical to the prosperity of the United States as well as Europe and the Far East. Saudi Arabia is often the leading source of imported oil for the United States, providing 15.5 percent of total U.S. crude imports. The United States is Saudi Arabia's largest trading partner, and Saudi Arabia is the largest U.S. exports market in the Arab world.

In addition to economic ties, a long-standing security relationship continues to be important in U.S.-Saudi relations. The U.S. Military Training Mission (USMTM) established at Dhahran in 1953 (now located in Riyadh) provides training, advice and assistance to the Saudi Ministry of Defense and Aviation in a variety of areas, including the management of the Kingdom's Foreign Military Sales (FMS). A second U.S. military command, the Office of the Program Manager – Saudi Arabian National Guard (OPM-SANG) performs similar functions for the Kingdom's National Guard. Operation Southern Watch, which enforced the southern "no-fly" zone against Iraq, was headquartered at the Kingdom's Prince Sultan Air Base. This Operation ceased at the close of Operation Iraqi Freedom.

Saudi Arabia yearly spends an estimated one third of its budget on defense/national security and has the ninth largest defense budget in the world. United States defense firms have over the years sold Saudi Arabia military aircraft (F-15s, AWACS, C-130s, and UH-60 Blackhawks), air defense weaponry (Patriot and Hawk missiles), armored vehicles (M1A2 Abrams tanks, M-2 Bradley infantry fighting vehicles, M-113 armored personnel carriers), and other equipment. For many years, the U.S. Army Corps of Engineers had a long-term role in military and civilian construction activities in the Kingdom.

While the Saudi military purchased large numbers of many weapons systems throughout the 1990s, budgetary constraints have in recent years resulted in far fewer purchases of new weapons systems. The Saudi Government is interested in finding inexpensive solutions to upgrade existing systems.

In the wake of September 11 terrorist attacks in New York and Washington and the May 12 attacks in Riyadh, Saudi cooperation with the U.S. on counter-terrorism has become the most important issue in bilateral relations. Cooperation and information sharing on investigations and other counter-terrorist operations, including efforts against the financing for terrorism, has reached an unprecedented level.

### **4.3.2 Major Political Issues Affecting Business Climate**

The United States and Saudi Arabia share many common concerns about regional security and stable development. Military cooperation during the 1991 Gulf War, and Operations Enduring Freedom and Iraqi Freedom was extensive. The Government of Saudi Arabia adhered to the U.N.-imposed sanctions regime against Iraq and supports efforts to alleviate the sufferings of the Iraqi people.

While also an advocate of a comprehensive peace in the Middle East, the Saudi Government has conditioned normalization of its relations with Israel on the resolution of final status issues between Israel and the Palestinians, such as Jerusalem, and on success in Syrian-Israeli and Lebanese-Israeli bilateral peace negotiations.

### **4.3.3 The Political System**

The central institution of Saudi Arabian Government is the monarchy. The Basic Law adopted in 1992 declared that Saudi Arabia is a monarchy ruled by the sons and grandsons of King Abd Al-Aziz Al Saud, and that the Holy Qur'an is the constitution of the country, which is governed on the basis of Islamic law (Shari'a). There are no political parties or national elections. The King's powers are limited because he must observe the Shari'a and other Saudi traditions. He also must retain a consensus of the Saudi royal family, religious scholars (ulama), and other important elements in Saudi society. The Basic Law stipulates that the King alone chooses his successor, the Crown Prince. However, his choice must meet with the approval of a royal family council comprised of leading members of the royal family.

The King governs the Kingdom through a Council of Ministers, which advises on the formulation of general policy and directs the activities of the growing bureaucracy. This council consists of a prime minister (the King), the first (the Crown Prince) and second (the Minister of Defense) deputy prime ministers, 23 ministers, five ministers of state, and a small number of advisers and heads of major autonomous organizations.

Legislation is approved by resolution of the Council of Ministers and must be compatible with Shari'a law. Access to high officials (usually at a majlis, or public audience) and the right to petition them directly is a well-established tradition.

Saudi Arabia is divided into 13 provinces governed by members of the royal family. The King appoints all governors, who report to the Minister of Interior.

In March 1992, the King established a national Consultative Council (Majlis al-Shura), with appointed members having powers to review and give advice on issues of public interest and legislation. In 2003 the government increased the powers of the Council, enabling it to initiate legislation. The Council debates and votes on legislation, and questions government officials on policy issues. .

### **4.3.4 The Legal System**

Saudi Arabia's legal system is based on Shari'a law, which is derived from the Qur'an and the traditional sayings (Hadith) of the Prophet Muhammad, and interpreted by the Ulama, a body of religious scholars.

Justice is administered by a system of religious courts, whose judges are appointed by the King on the recommendation of the Supreme Judicial Council, composed of 12 senior jurists. Law protects the independence of the judiciary. The King acts as the highest court of appeal and has the power to pardon.

Shari'a courts exercise jurisdiction over common criminal cases and civil suits regarding marriage, divorce, child custody, and inheritance. Cases involving relatively small penalties are tried in summary courts; more serious crimes are adjudicated in general courts. Other civil proceedings, including those involving claims against the government and enforcement of foreign judgments, are held before specialized administrative tribunals, such as the Commission for the Settlement of Labor Disputes and the Board of Grievances.

In order to ensure appropriate legal principles and punishments, the Justice Ministry, the Court of Cassation, or the Supreme Judicial Council reviews judicial appeals. In capital cases, the King acts as the highest court of appeal and has the power to pardon.

Laws are enforced by local police and officers of the Ministry of Interior. In addition, the religious police, members of the Committee for the Promotion of Virtue and the Prevention of Vice, enforce adherence to a strict version of Islamic norms by monitoring public behavior.

## **4.4 MARKETING STRATEGIES**

The Saudi Government's reform agenda continues in an effort to diversify the economy away from its almost complete dependence on the petroleum sector, to attract foreign investors, and to create new jobs for Saudi citizens. The Saudi Government is pressing ahead to encourage the private sector to take the lead in the country's economic development. The Government, for its part, has passed numerous laws and regulations to facilitate and entice investments.

### **4.4.1 Distribution and Sales Channels**

There are three major marketing regions in Saudi Arabia:

- Western Region, with the commercial center of Jeddah
- Central Region, where the capital city Riyadh is located
- Eastern Province, where the oil and gas industry is most heavily concentrated

Each has a distinct business community and cultural flavor, and there are only a few truly "national" companies dominant in more than one region.

U.S. exporters may find it advantageous to appoint different agents or distributors for each region having significant market potential. Multiple agencies and distributorships may also be appointed to handle diverse product lines or services. Multiple agencies and distributors can present logistical and management difficulties, so often U.S. firms, particularly in the franchise sector, choose to appoint a master franchiser or distributor for the Gulf region. However, finding a master regional distributor can be just as problematic as dealing with half a dozen or more for some very small countries and markets as the Gulf States often compete in commercial sectors.

While there is no requirement that distributorships be granted on an exclusive basis, it is clearly the policy of the Saudi Ministry of Trade and Industry that all arrangements be exclusive with respect to either product line or geographic region.

Many Saudi companies handle numerous product lines (sometimes even competing product lines), making it difficult to promote all products effectively. Saudi agents typically expect the foreign supplier to assume some of the market development costs, such as hiring of dedicated sales staff (especially for high-tech or engineered products), setting up workshops and repair facilities, and funding local advertising. Foreign suppliers often detail a sales person to the Saudi distributor to provide marketing, training, and technical support. Absent such an arrangement, U.S. firms should expect to make frequent, periodic visits each year to support their Saudi distributor.

#### **4.4.2 Steps to Establishing an Office**

The procedures to follow in establishing an office in Saudi Arabia differ according to the type of business undertaken. The most common and direct method of establishing an office is simply to appoint an agent/distributor, who can set up the office under their own commercial registry and obtain residency visas for any necessary expatriate personnel. The agent/distributor agreement should be registered with the Ministry of Trade & Ministry as previously described.

A second method might be to establish a technical and scientific service office, which also requires a license from the Ministry of Trade and Industry. This approach preserves the independence and identity of the foreign company's local office as a separate entity from the Saudi agent/distributor. Foreign companies represented in Saudi Arabia may apply for permission to open a technical and scientific service office. Technical and scientific service offices are not allowed to engage directly or indirectly in commercial activities, but they may provide technical and advisory support to their Saudi agent/distributor as well as conduct market surveys and product research.

A third method is to establish a branch office. The establishment of branch offices is open to wholly foreign-owned entities. Under the new Foreign Investment Act, the requirements and procedures for establishing a foreign branch office have been eased. The move has sparked a number of foreign companies to set up branch offices in Saudi Arabia. Companies that are contracted to do work for the Saudi Government must obtain a temporary commercial registration. Under certain circumstances, a foreign company may apply for a permanent registration if it wishes to engage in permanent business in Saudi Arabia.

A fourth method is to establish a representative (or liaison) office. This is normally granted only for companies that have multiple contracts with the Government and require a local office to oversee contract implementation. Representative offices are not allowed to engage in direct or indirect commercial activity in the Kingdom. Establishment requires a license from the Ministry of Trade and Industry.

A fifth method is for a foreign company to establish a joint venture with a Saudi firm. Usually, the Saudi business community refers to limited liability partnerships as joint ventures. These partnerships must be also registered with the Ministry of Trade and Industry and the partners' liabilities are limited to the extent of their investment in the partnership.

Finally, foreign companies can get a license from the Saudi Arabian General Investment Authority (SAGIA) to set up an industrial or a non-industrial project in Saudi Arabia. SAGIA licenses projects under the Foreign Investment Act, which allows for 100 percent foreign ownership. In addition, foreign investors can open a sales/administration/marketing office to complement their industrial or non-industrial project. SAGIA has a broad mandate on all matters relating to foreign investments in industry, services, agriculture, and contracting.

Costs associated with setting up a business in Saudi Arabia have remained relatively unchanged from previous years. It is important to note that the law forbids females in Saudi Arabia, regardless of nationality, to drive motor vehicles. Money should be included in an office budget to provide sufficient cars and drivers for transportation of female family members and staff.

### **4.4.3 Creating a Joint Venture**

Under the Foreign Investment Act, a foreign investor may either chose to set up his own project or in association with a local investor. If the latter option is chosen, foreign investors may structure their enterprise as a limited liability company, which is the most commonly used approach. By law, limited liability companies must not have less than two nor more than fifty shareholders and must be capitalized with at least SR. 1,000,000 (\$267,000). Joint venture companies are a variety of the limited liability company that can be held either privately or publicly. Joint ventures are unincorporated associations in which each party to the venture holds title to his mutually agreed contribution. They resemble general partnerships. The Ministry of Trade and Industry approves formation of all joint ventures.

If the foreign investor chooses to set up a business on his own, the amount invested should not be less than \$533,000 for agricultural projects, \$1 million for industrial projects, and \$533,000 for other projects. The Investors Service Center (ISC) at SAGIA oversees all matters related to a foreign investor licensing and registration process. The ISC is intended as a one-stop shop that will assist foreign investors and minimize lengthy procedures. Another very significant change that accompanied the new Foreign Investment Act is the reduction in the corporate tax rate for foreign companies with profits in excess of \$26,000 a year. It lowers the maximum rate from 45 to 30 percent and allows companies to carry forward corporate losses for an unspecified number of years.

Licensing will be also an appropriate method of doing business in Saudi Arabia under some circumstances, but the tax implications should be considered. Royalties, license fees, and certain management fees are deemed to be 100 percent profit, and the full amount will be taxed at the normal corporate tax rate for non-Saudi companies.

Depending on the nature of the foreign investment, the Saudi Arabian Standards Organization (SASO) may be involved. SASO is the Saudi authority for establishing product standards for imports and locally manufactured goods, and will examine products or processes to be used to ensure they meet existing or planned Saudi standards.

The Saudi Industrial Development Fund (SIDF) may be engaged to provide up to 50 percent financing for approved industrial projects, and payback period could be up to 15 years. Market intelligence also is available through the SIDF for prospective investors.

Other Saudi Arabian Government entities that may be involved in the process include: Ministry of Foreign Affairs (visas), the Ministry of Interior (residence permits and industrial safety and security approvals), the Royal Commission for Jubail and Yanbu (if the project is placed at the Saudi industrial cities of Jubail or Yanbu), the General Organization for Social Insurance (social insurance and disability payments for Saudi employees), and the General Organization for Technical Education and Vocational Training (training programs for Saudis).



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#### **4.4.4 Agents and Distributors and Hiring Local Counsel**

U.S. exporters are not required to appoint a local Saudi agent or distributor to sell to Saudi companies, but commercial regulations restrict importing for resale and direct commercial marketing within the Kingdom to Saudi nationals and wholly Saudi-owned companies. Nationals from the Gulf Cooperation Council (GCC) countries, which include Saudi Arabia, Kuwait, Qatar, Oman, Bahrain, and the UAE, are also allowed to engage in trading and retail activities, including real estate. Agent/distributor relations are governed by the Commercial Agency Regulations of the Kingdom of Saudi Arabia that is administered by the Ministry of Trade and Industry. These regulations are currently being revised.

In July 2001, the Council of Ministers cancelled a decree compelling foreign companies with government contracts to appoint a Saudi service agent. The old decree also specified a maximum commission of five percent. Some government contracts, however, will require a minimum requirement to subcontract to Saudi companies. In addition, government contracts will include a clause to develop training programs for Saudis. The Manpower Development Fund was established by the Saudi Government to facilitate employment and training for Saudis.

Under the 1969 Labor and Workman Regulations, 75 percent of a firm's work force and 51 percent of its payroll must be Saudi, unless an exemption has been obtained from the Ministry of Labor and Social Affairs. In practice, the percentage of Saudis is far less. The number of Saudis in the private sector labor force may be under 10 percent. More Saudis work in the public sector. In 1996, the Saudi Government implemented a regulation requiring each company employing over 20 workers to include a minimum of five percent Saudi nationals. This number increases by five percent per annum, and has now reached 30 percent of a firm's workforce.

Companies not complying with the Saudi minimum personnel rule will not be given visas for expatriate workers. Few firms have been able to meet these requirements. Foreign firms are under constant pressure to employ more Saudis. The list of jobs/positions that may no longer be held by non-Saudis is expanding.

Terminating an agent/distributor agreement can be difficult even though Saudi policy has changed to permit registration of a new agreement over the objections of the existing distributor. Time is better spent in making the proper initial selection than in attempting to end an unsatisfactory relationship at a later date. The U.S. Commercial Service, through the U.S. Export Assistance Centers and overseas posts, offers a variety of services to assist U.S. firms in selecting a reputable and qualified representative.

Saudi law is based on the Islamic Shari'a and differs considerably from U.S. practice. U.S. firms contemplating a joint venture, licensing, or a distribution agreement are advised to consult with a local attorney. The Saudi Labor law controls labor relations and, in 2001, the SAG approved the formation of Labor Committees in companies that employ 100 or more staff. The American Embassy and Consulates can provide a list of attorneys.

#### **4.4.5 Performing Due Diligence and Checking Bona Fides**

In 2001, the Commercial Service in Saudi Arabia reinstated the International Company Profile (ICP) reports in association with Dun & Bradstreet. The report will provide detailed information on a specific Saudi company based on a D&B report and U.S. Embassy Commercial Section comments about the company.

#### **4.4.6 Franchising**

Franchising is a popular and growing approach for local firms to establish additional consumer-oriented businesses in Saudi Arabia. Although the franchise market is small relative to that in the United States, it is rapidly expanding in several business sectors.

Franchising opportunities exist in the following business categories:

- Apparel
- Laundry and dry cleaning services
- Automotive parts and servicing
- Restaurants
- Mail and package services
- Printing
- Convenience stores

Success in franchising in the Saudi market is often attributed to finding the appropriate franchiser and location. The Commercial Agency Law applies to any franchise agreement, and the Ministry of Trade and Industry is the government entity that licenses and approves such agreements. Under the new Foreign Investment Regulations, a foreign franchise owner may apply for a license to establish a company with a 49 percent foreign ownership for the distribution of its franchised product(s) that are locally produced.

Franchising remains a growing sector in Saudi Arabia. This is based on Saudis' desire to own their own business and a widely held appreciation for Western methods of conducting business. Competition is particularly fierce between U.S. franchisers and local and third country competitors in the following sectors: car rental agencies, laundry and dry cleaning services, fast food, and auto maintenance. Some local fast food outlets are already making inroads, being more successful and more accommodating to Saudi tastes. Several Saudi-developed franchises have grown into successful regional businesses.

#### **4.4.7 Direct Marketing**

Direct marketing is not widely used in Saudi Arabia. Personal relations between vendors and customers play a more important role than in the West. Furthermore, many forms of direct marketing practiced in the United States are unacceptable due to Islamic precepts regarding gender segregation and privacy in the home. Limitations in the Saudi postal system are also a constraint: no home delivery or postal insurance is available yet; however, as part of the privatization of the Telecommunications and Information Technology Ministry, mail and parcel home deliveries will be forthcoming.

Direct marketing has been conducted on a very limited basis using unsolicited mail campaigns and fax, catalog sales (with local pick-up or delivery arranged), and commercials on satellite television providing consumers in many nations (including Saudi Arabia) with a local telephone number to arrange delivery. Extensive consumer surveys are being undertaken, mainly on behalf of multi-national manufacturers and particularly in the consumer goods sector. Saudi buying patterns, habits and nuances are increasingly being studied to obtain a competitive edge in traditionally heavily studied markets such as shampoos, detergents, foodstuffs, and other consumer items.

The advent of the Internet in the Saudi market is providing increased possibilities and accessibility for Saudi consumers.

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## 4.4.8 Selling Strategies

Expatriate managers have had a strong influence in introducing advanced selling techniques into a market that relied heavily on word-of-mouth and established buying patterns until a few years ago. Saudi consumers are increasingly becoming discerning and more sophisticated.

Although details of a transaction can be handled by fax, now widely used, no serious commitment is likely to be made without a face-to-face introduction. Business cards are usually printed in English on one side and Arabic on the other.

Saudis are gracious hosts and will try to put a visitor at ease, even during arduous business dealings. A large portion of upper and middle class Saudis were educated in the United States or in Europe. The positive aspect of the Saudis' familiarity with the United States is that most importers are very receptive to American products because of the U.S. reputation for state-of-the-art technology, durability, and stable prices. Of course, this goodwill can be used only as an introduction, since a product must be competitively priced and readily available to make a sale.

Financing may be offered as part of a sales proposal, usually after a solid relationship has been established. Financing is increasingly becoming an important facet of business dealings with Saudi Government agencies. Recently, the Saudi Government approved the Capital Markets Law, which will regulate the stock market and pave the way for a more sophisticated financial market.

Foreigners, except GCC nationals, need to find a Saudi partner before they are allowed to engage in trade within Saudi Arabia, but direct sales can be made to Saudi private clients without having to use a local agent.

An irrevocable letter of credit (L/C) is the instrument normally used for Saudi imports. Open account, cash in advance and documentary collection are also acceptable if both parties agree. Maximum or minimum credit terms are not required. Export Credit Insurance for political and commercial risk is available from the Foreign Credit Insurance Association (FCIA) of the U.S. Export-Import Bank in Washington, D.C. (Tel: 202-566-8990 or 212-306-5084).

## 4.4.9 Product Pricing and Licensing

The government maintains a free trade approach to exchange transactions: no exchange restrictions apply; exchange for payments abroad is obtained freely; and there are no taxes or subsidies on foreign currency transactions. Since 1981, the Saudi Arabian Monetary Agency (SAMA) has pegged the Saudi Riyal to the U.S. Dollar, to facilitate long term planning and minimize exchange risk for the private sector. The rate has remained stable at \$1 = SR 3.745 since 1987. The fixed rate of exchange of the dollar to the Saudi Riyal, and reasonable interest rates has greatly facilitated market penetration. Thanks to this, Saudi importers expect U.S. producers to practice a more stable pricing policy than their foreign competitors.

Products are usually imported on a CIF basis, and mark-ups depend almost entirely on what the vendor feels that the market will bear relative to the competition.

There is no standard formula to come up with the mark-up rates for all product lines at different levels of the relatively short distribution chain.

Contrary to popular belief, pricing is very important to the average Saudi. Therefore, where there are competitive products, Saudi buyers frequently will compare prices before making a decision.

Stability of prices has been a policy of the Saudi Government for years, and inflation has been roughly at U.S. levels. For the U.S. supplier, some give-and-take is expected in preliminary negotiations. The asking price is usually lowered slightly to entice the client and to bow to the old-fashioned Saudi penchant for bargaining and personal exchange. As leveraged transactions become the norm, Saudis have come to understand that an attractive financial package can be even more interesting than an up-front low price.

#### 4.4.10 Advertising and Trade Promotion

Advertising, especially on satellite television, is rapidly expanding. Any commercial has to conform to religious and ethical codes. With some modest exceptions, the female human form is not culturally or religiously acceptable in the media. Saudi monopoly on television broadcasting was infringed with the advent of satellite television, which also forced TV ads rates to come down.

Televised commercials are broadcast on the two Saudi channels during limited periods of the day. One TV channel is in Arabic; the second is in English, with broadcasting covering all of Saudi Arabia. Cost of a time slot varies considerably, depending on timing, and is usually less costly for Saudis than foreign firms. Contents are thoroughly screened by the Ministry of Information to conform to strict moral and religious standards.

Saudi companies have also opted to run commercials through international TV channels such as the Middle East Broadcasting Corporation (MBC) and Arab Radio & Television (ART). Other Arabic satellite channels that also have proved to be the most popular in the Arab world include LBC, Future Television, Dubai, and NewTV. Many Saudi companies place commercials on these channels as well as on MBC, Arabiya, and Al-Jazira channels. In addition, two encrypted TV networks each provide approximately 30 channels for an average subscription of \$1000 per year. The networks include Orbit Communications and ShowTime. Other Arabic satellite channels that have been launched, such as Arab Radio and Television, are also attracting numerous advertisers. These TV channels have succeeded in introducing several new products to the market.

Newspaper advertising is carried in both the local English and Arabic press, but its effectiveness is somewhat limited by relatively low readership rates. The three local dailies published in English have a circulation in the range of 20,000 to 50,000 copies: Arab News (London); Saudi Gazette (Jeddah); Riyadh Daily (Riyadh). The leading Arabic newspapers, with nationwide distribution, have circulation in the 70,000 to 100,000 range: Al-Hayat, Al-Shark Al-Awsat, and Okaz.

Other relevant newspapers have lower circulation, and some have only regional distribution: Al Bilad, Al Jazira, Al Madina, Al Nadwa, Al Riyadh, Al Youm, Um Al Qura, Al-Watan, Al-Riyadiya (sports only). Another economic daily, Al Iqtisadiyah, has rapidly earned a loyal readership of executives and Government officials.

##### Arab News

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##### Saudi Gazette

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**Supplying**

Saudi Arabia is a relatively open market, which makes it highly competitive. Brand loyalty and established preferences are less developed than in other countries. Consequently, sales service and customer support is indispensable to win and maintain new clients.

Saudis view a foreign firm's physical presence in the Kingdom as a tangible sign of a long-term commitment. Prompt delivery of goods from available stock and the presence of qualified support technicians have become more important, and they influence repeat business much more now than ten or even five years ago. Government agencies usually require equipment suppliers to commit to providing maintenance and spare parts for an average period of three years.

## **4.4.11 Selling to the Government**

Foreign contractors wishing to bid for SAG contracts do not need to appoint a local service agent. Some government contracts, however, will require a minimum requirement to subcontract to Saudi companies. In addition, government contracts will include a clause to develop training programs for Saudis. As a practical matter, U.S. companies seeking sales of goods and services to the Saudi Government are encouraged to appoint a reputable and well-entrenched agent or distributor with experience in the field.

U.S. firms considering sales to the Government should request a briefing from the U.S. Embassy concerning the latest situation on payments and how U.S. firms can protect and secure timely disbursements.

Foreign contractors operating solely for the Government, if not already registered to do business in Saudi Arabia, are required to obtain temporary registration from the Ministry of Trade and Industry within 30 days of contract signing. Foreign companies also may be allowed to establish a branch office through the new Foreign Investment Regulations. These offices were usually approved only for foreign defense contractors and high-tech companies, while for others, a liaison office may be established to supervise work in Saudi Arabia and to facilitate coordination between the Government and home offices.

Foreign contractors involved in government projects are required to establish a training program for Saudi nationals. Some government contracts will also require a minimum amount of subcontracting with Saudi companies. In addition, the SAG may favor Saudi-foreign joint venture companies as opposed to foreign firms and will also support companies that use Saudi manufactured goods and services.

Numerous trade promotion events take place from September through June, with most of them held in the modern exhibit centers in Saudi Arabia's three major cities:

Riyadh Exhibitions Co., Ltd.  
PO Box 56101 Riyadh 11554, Saudi Arabia  
Tel: (966 1) 454-1448  
Fax: (966 1) 454-4846  
E-mail: [info@recexpo.com](mailto:info@recexpo.com)  
Contact: Albert Aoun, Exhibition Director

Al-Harithy Co. for Exhibitions, Ltd.  
PO Box 40740 Jeddah 21511, Saudi Arabia  
Tel: (966 2) 654-6384  
Fax: (966 2) 654-6853  
E-mail: [ace@acexpos.com](mailto:ace@acexpos.com)  
Contact: Zahoor Siddiqui, Exhibitions Director

Dhahran International Exhibition  
PO Box 7519 Dammam 31472, Saudi Arabia  
Tel: (966 3) 859-1888  
Fax: (966 3) 859-0203  
E-mail: [marketing@dhahran.expo.com](mailto:marketing@dhahran.expo.com)  
Contact: Adel Abdel Aziz Al-Oumi, Director General

Each exhibit center organizes five to ten events a year, and even though the programs have varied over time, the recurrent themes cover most industries of interest for U.S. exporters: agriculture, automotive, computers, medical and lab equipment, construction, production technology, electrical and A/C-heating, and communications. Smaller exhibit facilities are also located in regional centers, and often operate in cooperation with or under the sponsorship of the local Chamber of Commerce.

Most Chambers have a proactive approach to promotion and trade, organizing shows and presentations for individual companies or groups, and have been eager to attract American and other Western suppliers.

## **4.5 IMPORT AND EXPORT REGULATION RISKS**

### **4.5.1 Membership in Free Trade Arrangements**

Saudi Arabia is a member of the Gulf Cooperation Council (GCC), which consists of Kuwait, Qatar, Bahrain, the UAE, Oman, and Saudi Arabia. Membership confers special trade and investment privileges within those countries. The GCC implemented a Customs Union on January 1, 2003 that stipulates free movement of local goods within member states. Saudi Arabia is also a member of the Arab League.

## 4.5.2 Tariff and Non-Tariff Barriers

As of the date of this report, Saudi business and laws still favor Saudi citizens, and Saudi Arabia still has trade barriers, mainly regulatory and bureaucratic practices, which restrict the level of trade and investment. For example, only Saudi nationals are permitted to engage in trading activities and only Saudis are permitted to register as commercial agents. All industrial enterprises are open to non-Saudis, and they can also trade in the products they manufacture. Restrictions on individual professions also are in force, such as who can practice law, medicine, accounting and financial services, and other similar professions.

Other trade barriers are:

### Commercial Disputes Settlements

Saudi Arabia signed the New York Convention on foreign arbitration awards in 1995. While this is an encouraging step, the enforcement of foreign arbitration awards has yet to be upheld in practice. Government agencies are not allowed to agree to international arbitration without approval from the Council of Ministers, which, we understand, is rarely granted.

### Business Visas

All visitors to Saudi Arabia must have a Saudi sponsor in order to obtain a business visa to enter Saudi Arabia. The Saudi who agrees to act as a sponsor accepts certain legal obligations including personal liability for the actions of the visitor. Therefore, a Saudi rarely assumes sponsorship unless he has a personal interest in the proposed visit.

In practice, this makes it very difficult for an American businessperson to visit Saudi Arabia to investigate the market or to select a local representative without incurring some obligation to his sponsor, e.g., the right of first refusal on any business opportunity developed. Although the process of obtaining a visa has been streamlined, naturalized American citizens of Arab descent and women continue to experience difficulties in procuring business visas, even when they have a sponsor. The Saudi Arabian Government has indicated that U.S. citizens of the Jewish faith as well as U.S. citizens with an Israeli exit and entry stamp will face no difficulty in getting a visa to visit Saudi Arabia. Investors or potential investors wishing to visit Saudi Arabia must also have a Saudi sponsor to obtain the necessary business visa. On rare occasions the Saudi Embassy or Consulates may grant, at their discretion, sponsorless business visas to employees of prominent American firms, but this practice is unpredictable. Most business visas are valid for only one entry for a period of up to three months.

### Delayed Payments

This can be an important concern for affected U.S. companies. Although some Saudi Government agencies as well as some companies still have outstanding debts. The Saudi Government, however, is keen to resolve any payment disputes and has reduced its arrearages for the last couple years. Nonetheless, the problem persists, and U.S. companies should check with the U.S. Embassy or Consulates for information on the current arrearage situation.

Due to accounting procedures used by the Saudi Government, the Department of Zakat and Income Tax imposes taxes even on payments that have not been received, arguing that the fact of non-payment is essentially immaterial in the tax liability determination process.

### Intellectual Property Protection

The Saudi legal system protects and facilitates acquisition and disposition of all property rights, including intellectual property. The Saudi Government has acceded to the Universal Copyright Convention; implementation began in 1994. The Saudi Copyright Law was amended in June 2003 to improve protection and to provide for serious



deterrent penalties for violators. The government also endorsed the country's joining the "Paris Convention for Protection of Industrial Property" and the "Berne Convention for the Protection of Literary and Artistic Works".

The Saudi Government has taken actions to enforce copyrights of U.S. and foreign firms, and pirated material has been seized or forced off the shelves of a number of stores. To uphold the Government actions in fighting piracy, the highest religious authority in Saudi Arabia has condemned software piracy in a "Fatwa", a religious edict. Though intellectual property protection has steadily increased in the Kingdom, piracy remains a problem.

Saudi Arabia has had a Patent Law since 1989 and the Patent Office accepts applications, but the number of patents issued remains limited. Protection is available for product and product-by-process. Product-by-process protection is extended to pharmaceuticals, but is almost non-existent. There are provisions in the Patent Law for compulsory licenses for non-working and dependent patents. The term of protection is 15 years. The patent holder may apply for a five-year extension. In its first decision, the Patent Committee ruled in favor of patent protection for an American pharmaceutical company, which had applied and registered for a Saudi patent, even though the patent had not yet been granted. U.S. pharmaceutical companies should apply to the Saudi Patent Office at King AbdulAziz City for Science and Technology (KACST) and the GCC Patent Office to protect their products.

Trademarks are protected under the Trademark Law. Trade secrets are not specifically protected under any area of Saudi law; however, they are often protected by contract. The Unfair Competition Law, which has not yet been issued, should protect trade secrets. Also under government review is a law to provide protection for industrial designs, plant varieties, and integrated circuits. Several of these issues are being taken up in connection with Saudi Arabia's application to become a member of the WTO.

U.S. firms that wish to sell products in Saudi Arabia should work through their local representative to register their trademarks with the Ministry of Commerce, copyrighted products with the Ministry of Information, and patents with KACST or the GCC Patent Office. Although these government entities are responsible for IPR protection in their respective areas, any reported incident of piracy or infringement may not entail immediate and decisive action by the concerned government entity.

## **Counterfeiting**

Manufacturers of consumer products and automobile spare parts are particularly concerned about the widespread availability of counterfeit products in Saudi Arabia.

Anti-counterfeiting laws exist, and the U.S. Government has urged the Saudi authorities to step up enforcement actions against perpetrators. In some popular consumer goods, manufacturers estimate that as much as 50 percent of the entire Saudi market is counterfeit.

## **Arab League Boycott**

The Gulf Cooperation Council (Saudi Arabia, Kuwait, Bahrain, Oman, Qatar, and the United Arab Emirates) announced in the fall of 1994 that its members would no longer enforce the secondary and tertiary aspects of the Arab League Boycott. The primary boycott against Israeli companies and products still applies. Advice on boycott and anti-boycott related matters is available from the U.S. Embassy or from the Office of Anti-Boycott Compliance in Washington, D.C., at phone: (202) 482-2381.

## **Protective Tariffs and Non-Tariff Trade Barriers**

Effective May 29, 2001, the Saudi Government reduced the general tariff protection rate from 12 percent to 5 percent. Almost all Saudi imports fall into this category, although a number of Saudi "infant industries", including furniture, cooking salt, mineral water, and plastic pipes will continue to enjoy 20 percent tariff protection. Cigarettes, wheat, flour, dates, and long-life milk imports have a 100 percent tariff.

Saudi non-tariff barriers include:

- Preferences for national and GCC products in government procurement
- Requirement that foreign contractors obtain their imported goods and services exclusively through Saudi agents
- Economic offset requirement mandating reinvestment of a portion of contract value in indigenous industries for certain high value government contracts, particularly in defense

### **4.5.3 Prohibited Imports and U.S.-Imposed Export Controls**

Saudi law prohibits importation of the following products: Weapons, alcohol, narcotics, pork, pornographic materials, distillery equipment, and certain sculptures.

There are health and sanitation regulations for all imported foods. The Ministry of Commerce has issued a number of directives aimed at preventing outdated goods from entering the Kingdom and requiring Arabic and point of origin labeling. In addition, a directive mandating labeling of GMO food has been adopted.

### **4.5.4 Import Tariffs and License Requirements**

The importation of certain articles is either prohibited or requires special approval from competent authorities. In addition, importing the following products requires special approval by Saudi authorities: agricultural seeds; live animals and fresh and frozen meat; books, periodicals, movies, and tapes; religious books and tapes; chemicals and harmful materials; pharmaceutical products; wireless equipment; horses; products containing alcohol (e.g., perfume); natural asphalt; and archaeological artifacts.

Saudi exporters need to submit a copy of their commercial registration, which indicates they are allowed to export. They are also required to submit a certificate of origin of Saudi products (issued by the Ministry of Commerce). Certain items such as antiques, Arabian horses, livestock, or subsidized items need special approval to export. Exports of oil, petroleum products, natural gas and wheat all require export licenses.

### **4.5.5 Customs Regulations and Contact Information**

The Department of Customs at the Ministry of Finance and National Economy appraises all merchandise moving through Saudi customs ports.

Import valuation is primarily used for collection of import duties and often does not reflect the actual transaction value. Saudi customs valuation procedures are not WTO-consistent, nor are they based on invoice value. Minimum prices are used, and customs agents rely on their own experience and local prices, as well as some contact with manufacturers, to assess import tariffs. For statistical purposes, the valuation of imported merchandise is the Cost-Insurance-Freight (CIF) value. The value of exported merchandise is based on Free On Board valuation (FOB). The Saudi tariff nomenclature is consistent with the Harmonized System. There does not seem to be a significant body of rule making or documentation available. Appeals are frequently made orally, and an appeals committee, under the Deputy Director General of Customs, meets frequently.

Although Saudi Arabia is a member of the Customs Coordination Council, Saudi Customs officers do not have the authority to do investigative work on business premises; nor do they have enforcement powers. These powers are vested in the Ministry of Interior.

The U.S. Government, through a reimbursable arrangement with the Saudi Government, is working with Saudi authorities to upgrade customs valuation procedures. This is particularly important in connection with Saudi Arabia's bid to accede to the WTO.

Saudi Arabian Department of Customs  
Contact: Mr. Saleh Al-Barrak, Director General  
P.O. Box 3483  
Riyadh 11471, Saudi Arabia  
Phone: (966 1) 401-3334  
Fax: (966 1) 404-3412

## 4.5.6 Entering Temporary Imports

For temporary entry of goods for promotional purposes, imports need an invoice with the value of the goods endorsed by the U.S.-Saudi Business Council, and a certificate of origin. The invoice should state that the goods are being imported for exhibition purposes only and will be re-exported.

Saudi Customs requires a deposit for these goods (equivalent to the tariff rate -- either 5% or 20% of the total value). This deposit is refundable when the exhibition is over and upon showing a document that the owner of the equipment officially participated in a trade show. Additionally, the customs authorities will collect handling charges. Reimbursement takes between two to four weeks.

## 4.5.7 Additional Trade Issues

There are no special import provisions. Unusual cases should be worked out on a case-by-case basis with Saudi Customs. The following documents are required for exporting goods to Saudi Arabia (Documents need to be certified by the U.S.-Saudi Business Council and the Saudi Embassy/Consulate):

- Certificate of origin
- Commercial invoice (in triplicate) which must state the country of origin, name of the carrier, brand and number of goods, and description of the goods including weight and value
- A clean bill of lading or airway bill
- Documents indicating compliance with health regulations, if applicable
- Insurance documents if shipments are sent CIF
- Packing list

The original documents must be accompanied by an Arabic translation of a radiation certificate, if applicable.

In late 1997, the Saudi Embassy in Washington advised U.S. traders to obtain authentication of certificates of origin and other necessary documents through the U.S.-Saudi Business Council, which has certification offices in Washington, New York, Houston, and Los Angeles. Further information can be found on the U.S.-Saudi Business council Web site: [www.us-saudi-business.org](http://www.us-saudi-business.org).

### **4.5.8 Labeling Issues**

Labeling and marking requirements are compulsory for any products exported to Saudi Arabia. The Saudi Arabian Standards Organization (SASO) is responsible for establishing labeling and other guidelines in Saudi Arabia. The Ministry of Trade and Industry implements SASO guidelines through its inspection and test laboratories at ports of entry in Saudi Arabia.

Labeling is particularly important for companies marketing food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items. Labels must be in Arabic for any imported foodstuff item, which should basically reveal the same information on the container as in the foreign language, i.e. ingredients, country of origin, manufacturer, shelf life, instructions for use, etc. Companies are requested to declare whether their products contain genetically modified ingredients. Companies can request a copy of the labeling requirements by contacting SASO at Tel: (966 1) 452-0132 or Fax: (966 1) 452-0196. Arabic manuals must be included with any household electrical appliances exported to Saudi Arabia.

Quality control laboratories at ports of entry may reject products that are in violation of existing laws. Products arriving at port having less than one-half of the time remaining between production and expiration date will be rejected and cannot be sold on the market. U.S. manufacturers are urged to discuss labeling requirements with their selected representative or distributor.

### **4.5.9 Free Trade Zones and Warehouses**

There are no free trade zones in Saudi Arabia.

### **4.5.10 Local Standards**

The Saudi Arabian Standards Organization (SASO) has over 2,030 SASO and 1,060 Gulf promulgated standards. SASO has decided to adopt ISO 9000 as the approved standards for Saudi Arabia, and will act as an accreditation body through the Quality Assurance Department. Compliance will be on a voluntary basis. However, it would be prudent for U.S. industry and services to consider this matter seriously in planning to do business in Saudi Arabia. There may be many cases where procurement agencies will insist on purchasing and placing orders only with those companies that are in compliance with ISO 9000, or the U.S. equivalent series.

Saudi Arabia's residential electric power system of 127/220 volts, 60 Hertz, is unique and has caused export problems for many American firms. However, SASO will accept electrical products as low as 120 volts, 60 Hertz.

The Saudi Arabian Standards Organization is the only Saudi Arabian entity that is in charge of developing and implementing standards.

#### **Accreditation**

SASO is the only Saudi entity that is empowered to accredit.

#### **Labeling and Marking Requirements**

Labeling and expiration date requirements are stringent and present an export impediment for U.S. fresh eggs and bottled baby food products.

Labeling and marking requirements are compulsory for any products exported to Saudi Arabia. The Saudi Arabian Standards Organization (SASO) is responsible for establishing labeling and other guidelines in Saudi Arabia. The Ministry of Trade and Industry implements SASO guidelines through its inspection and test laboratories at ports of entry in Saudi Arabia.

Labeling is particularly important for companies marketing food products, personal care products, health care products, and pharmaceuticals. SASO has specific requirements for identifying marks and labels for various imported items. Labels must be in Arabic for any imported foodstuff item, which should basically reveal the same information on the container as in the foreign language, i.e. ingredients, country of origin, manufacturer, shelf life, instructions for use, etc. Labeling standards went into effect in December 2001 requesting companies to declare whether their products contain genetically modified ingredients. Companies can request a copy of the labeling requirements by contacting SASO at Tel: (966 1) 452-0132 or Fax: (966 1) 452-0196. Arabic manuals must be included with any household electrical appliances exported to Saudi Arabia.

Quality control laboratories at ports of entry may reject products that are in violation of existing laws. Products arriving at port having less than one-half of the time remaining between production and expiration date will be rejected and cannot be sold on the market. U.S. manufacturers are urged to discuss labeling requirements with their selected representative or distributor.

Saudi Arabian Standards Organization (SASO)  
Contact: Dr. Khaled Youssef Al-Khalaf, Director General  
PO Box 3437  
Riyadh 11471, Saudi Arabia  
Phone: (966 1) 452-0000  
Fax: (966 1) 452-0086

National Institute of Standards and Technology (NIST)  
PO Box 94309  
Riyadh 11693, Saudi Arabia  
Phone: (966 1) 488-3800  
Fax: (966 1) 488-3237

## **4.6 INVESTMENT CLIMATE**

### **4.6.1 Openness to Foreign Investment**

The Saudi Government encourages foreign direct investment and is undertaking steps to improve the investment climate, most notably through the adoption of new capital market and insurance company control laws and revisions to the tax code reducing taxes on foreign-owned capital. Improvement of the investment climate is an important part of the Government's broader program to liberalize the country's trade and investment regime, diversify an economy overly dependent on oil and petrochemicals, and join the World Trade Organization (WTO). The Government encourages investment in infrastructure, including power, water, telecommunications and transportation, but has yet to make such investments financially attractive to foreign investors.

Prospective investors will find attractive Saudi Arabia's economic and political stability, the largest market in the Gulf (with a population of over 24 million), sound infrastructure, a well-regulated banking system and relatively high per capita income. There are some disincentives to investment, specifically, the absence of accurate economic data, a government requirement that companies hire Saudi nationals, slow payment of some government contracts, an increasingly restrictive visa policy for all workers, a very conservative cultural environment, enforced segregation of

the sexes in most business and social settings, and an extreme desert climate. The government must take steps to ensure that there is a transparent, comprehensive legal framework in place for resolving commercial disputes. Prospective foreign investors want convenient access to multiple entry-exit visas without the need for a Saudi sponsor, national treatment for corporate taxes, access to a skilled, motivated labor force, state-of-the-art telecommunications, and protection of intellectual property rights that meets international standards.

The foreign direct investment law permits foreigners to invest in all sectors of the economy, except for specific activities contained in a “negative list” that are off limits to foreign investors. Foreign investors are no longer required to take local partners and may own real property for company activities. They are allowed to transfer money from their enterprises outside of the country and can sponsor their foreign employees. They are also eligible for low-cost funding from the Saudi Industrial Development Fund (SIDF) for up to 50 percent of a project. The foreign investment law also requires minimum levels of investment for agricultural projects (SR 25 million), industrial projects (SR 5 million), and non-industrial projects (SR 2 million).

In April 2000, the Council of Ministers established the Saudi Arabian General Investment Authority (SAGIA) to provide information and assistance to foreign investors. The Authority operates under the umbrella of the Supreme Economic Council and is headed by SAGIA Governor Amr Al Dabbagh. SAGIA’s duties include formulating government policies regarding investment activities; proposing plans and regulations to enhance the investment climate in the country; and evaluating and licensing investment proposals. All foreign investment projects must obtain a license from SAGIA. Local investors continue to apply to the Ministry of Commerce and Industry’s foreign capital investment committee for licenses.

SAGIA set up an Investor’s Service Center (ISC) to provide licenses to foreign companies, provide support services to investment projects, offer detailed information on the investment process, and coordinate with government ministries in order to facilitate investment procedures. The ISC must decide to grant or refuse a license within 30 days of receiving the application and supporting documentation from the investor. Investors complain that impediments remain, many outside SAGIA’s capability to correct. SAGIA is trying to make it easier for businessmen to visit the Kingdom and is able to provide sponsorship for visa requests directly without having to ask a local company to sponsor such visits. Local companies that sponsor visiting businessmen still need to have the approval of the Saudi Chamber of Commerce before a visa can be granted. SAGIA opened a Women’s Investment Center in spring 2003.

In February 2001, SAGIA developed a negative list of sectors off-limits to foreign investment. (See [www.sagia.gov.sa](http://www.sagia.gov.sa) for a list of the sectors currently closed to foreign investment.) Although these sectors are off-limits to 100 percent foreign investment, foreign minority ownership in joint ventures with Saudi partners may be allowed in some sectors.

Other government bodies, such as the Royal Commission for Jubail and Yanbu, and the Arriyadh Development Authority, have also been active in promoting opportunities in Saudi Arabia’s industrial cities and other regions. In addition to the majority government-owned Saudi Arabian Basic Industries Corporation (SABIC), private investment companies, such as the National Industrialization Company, the Saudi Venture Capital Group, and the Saudi Industrial Development Company have also become increasingly active in project development and in seeking out foreign joint venture partners.

The Saudi Industrial Development Fund (SIDF) is an important source of financing for foreign investors. SIDF is a development finance institution affiliated with the Ministry of Finance. The main objective of SIDF is to support the development of the private industrial sector by extending medium to long-term loans for the establishment of new factories and the expansion, upgrading and modernization of existing ones. Foreign investors are eligible to receive low cost financing for up to 50 percent of project costs (i.e., fixed assets, pre-operating expenses and start-up working capital). Loans are provided for a maximum term of 15 years with repayment schedules designed to match projected cash flows for the project in question.

The government uses its purchasing power to encourage foreign investment. In 1985, the Saudi Government reached an agreement with American defense contractors for “offset” joint venture investments equivalent to 35 percent of the program’s value. British and French defense firms also have offset requirements. Offset requirements are likely to remain components of major defense purchases and have been incorporated into other large Saudi Government contracts.

Joint ventures almost always take the form of limited liability partnerships. However, there are disadvantages. Foreign partners in service and contracting ventures organized as limited liability partnerships must pay in cash or kind 100 percent of their contribution to authorized capital and are subject to the minimum investment levels outlined by SAGIA. SAGIA’s authorization is only the first step for setting up such a partnership. Foreign investors must still file articles of association with the Ministry of Commerce and Industry for approval.

Still, foreign investment is generally welcome in Saudi Arabia if it promotes economic development, transfers foreign expertise to Saudi Arabia, creates jobs for Saudis, and expands Saudi exports.

Industrial projects normally require at least 25 percent capitalization, although it may be higher for some industries. Additionally, 10 percent of profits must be set aside each year in a statutory reserve until it equals 50 percent of the venture’s authorized capital.

Professionals, including architects, consultants, and consulting engineers, are required to register with and be certified by the Ministry of Commerce and Industry in accordance with the requirements defined in the Ministry’s Resolution 264, published in 1982. These regulations, in theory, permit the registration of Saudi-foreign joint venture consulting firms. However, according to business sources, the regulations have never been fully implemented. As a result, most foreign consulting firms work as adjuncts to established Saudi firms.

Limited liability companies with at least 50 percent Saudi financing receive preferences for public sector tenders. Companies or citizens from Gulf Cooperation Council (GCC) countries (Saudi Arabia, Kuwait, Bahrain, Qatar, UAE, and Oman) may currently own land or engage in internal trading and distribution activities. Similarly, only joint ventures with at least 51 percent GCC ownership interest are permitted to export duty-free to other GCC countries.

Taken together, these conditions represent an array of factors that can disadvantage a foreign investor attempting to operate his wholly owned company in Saudi Arabia. Conditions are expected to improve, as SAGIA becomes more engaged in identifying and reducing barriers to foreign investment. The formerly common practice of Saudis illegally lending their names to a foreign-owned and operated business, so-called “cover-ups,” was curtailed by Royal Decree M/49 of May 21, 1989. Saudis and foreigners who engage in such cover-ups to evade Saudi commercial regulations are now subject to severe penalties, including imprisonment, stiff fines, and deportation for the foreigner.

While, theoretically, American and other foreign firms are able to participate in Saudi government-financed and/or government-subsidized research and development programs on a national treatment basis, the Embassy is not aware of any examples.

## **4.6.2 Conversion and Transfer Policies**

There are no restrictions on converting and transferring funds associated with an investment (including remittances of investment capital, earnings, loan repayments, and lease payments) into a freely usable currency at a legal market-clearing rate.

There have been no recent changes, nor are there plans to change remittance policies. There are no delays in effect for remitting investment returns such as dividends, return of capital, interest and principal on private foreign debt,

lease payments, royalties and management fees through normal legal channels. There is no need for a legal parallel market for investor remittances.

There is no limitation on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, imported inputs, etc. Since 1986, when the last devaluation occurred, the official exchange rate has been 3.745 Saudi Riyals per U.S. dollar. Transactions occur using rates very close to the official rate. The Saudi Arabian Monetary Agency (SAMA) has intervened at times to keep the exchange rate fixed.

### **4.6.3 Expropriation and Compensation**

The Embassy is not aware of the Saudi Government ever expropriating property. There have been no expropriating actions in the recent past or policy shifts that would lead the Embassy to believe there may be such actions in the near future.

### **4.6.4 Dispute Settlement and Enforcement of Foreign Arbitral Awards**

Saudi commercial law is still developing, but in 1994 the Saudis took the positive step of joining the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. However, dispute settlement in Saudi Arabia continues to be time-consuming and uncertain. Even after a decision is reached in a dispute, effective enforcement of the judgment can still take years.

The Embassy suggests that American firms investing in Saudi Arabia include in contracts a foreign arbitration clause. However, such clauses are not allowed in government contracts without a decision by the Saudi Council of Ministers.

Saudi litigants have an advantage over foreign parties in almost any investment dispute because of their first-hand knowledge of Saudi law and culture and the relatively amorphous dispute settlement processes. Foreign partners involved in a dispute find it advisable to hire local attorneys with knowledge of Saudi legal practices. Many Saudi attorneys, in turn, retain non-Saudi (and particularly American) lawyers to facilitate the handling of disputes involving foreign investors.

In several cases, disputes have caused serious problems for foreign investors. For instance, Saudi partners have blocked foreigners' access to exit visas, forcing them to remain in Saudi Arabia against their will.

In cases of alleged fraud, foreign partners may also be jailed to prevent their departure from the country while awaiting police investigation or adjudication of the case. Courts can impose precautionary restraint of personal property pending the adjudication of a commercial dispute, according to Royal Decree No. M/4 of October 2, 1989. This decree has diminished the incentive for individuals to physically detain foreign partners pending the resolution of commercial disputes. It is very important that foreign investors take steps to protect themselves by thoroughly researching the business record of the proposed Saudi partner, retaining legal counsel, complying scrupulously with all legal steps in the investment process, and securing a well-drafted agreement.

The Government, due to past fiscal constraints, has in the past fallen into arrears on payments to private contractors, both Saudi and foreign. Some companies carried Saudi Government receivables for years before being paid.

The Saudi legal system is derived from the legal rules of Islam known as the Shari'a. The Ministry of Justice oversees the Shari'a-based judicial system, but most Ministries have committees to rule on matters under their jurisdiction. Generally, the Board of Grievances has jurisdiction over disputes with the government and commercial disputes.



Of principal interest to investors who have disputes with private individuals are the Committees for Labor Disputes (under the Ministry of Labor), and the Committee for Tax Matters (under the Negotiable Instruments Committee, also called the Commercial Paper Committee). The Ministry of Finance has jurisdiction over disputes involving letters of credit and checks, while the Banking Disputes Committee of the Saudi Arabian Monetary Agency (SAMA) adjudicates disputes between bankers and their clients. Judgments of foreign courts are not yet accepted and enforced by Saudi courts. Saudi Arabia's signature of the New York convention has not yet changed this.

Monetary judgments are based on the terms of the contract; i.e., if the contract is in dollars, the judgment would be in dollars; if unspecified, the judgment is denominated in Saudi Riyals. Non-material damages and interest are not included in monetary judgments.

Saudi Arabia has written a commercial law that is generally applied consistently. The country has written a bankruptcy law that was enacted by Royal Decree no. N/16 dated 4/9/1416H (corresponding to 1/24/96). Articles contained in the law allow debtors to conclude financial settlements with their creditors through committees under the Saudi Chambers of Commerce and Industry or through the Board of Grievances. Designated as the Regulation on Bankruptcy Protective Settlement, the law is open to ordinary creditors except in the case of debts of expenditures, privileged debts and debts, which arise pursuant to the settlement procedures. In mid-June 1994, Saudi Arabia deposited Articles of Acceptance to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Saudi Arabia is a member of the International Center for the Settlement of Investment Disputes (ICSID, also known as the Washington Convention).

#### **4.6.5 Performance Requirements and Incentives**

Under the 1969 Labor and Workman Regulations, 75 percent of a firm's work force and 51 percent of its payroll must be Saudi, unless an exemption has been obtained from the Ministry of Labor and Social Affairs. In practice, the percentage of Saudis is far less. The number of Saudis in the private sector labor force may be under 10 percent. More Saudis work in the public sector. In 1996, the Saudi Government implemented a regulation requiring each company employing over 20 workers to include a minimum of five percent Saudi nationals. This number increases by five percent per annum, and has now reached 40 percent of a firm's workforce.

Companies not complying with the Saudi minimum personnel rule will not be given visas for expatriate workers. Few firms have been able to meet these requirements. Foreign firms are under constant pressure to employ more Saudis. The list of jobs/positions that may no longer be held by non-Saudis is expanding.

Investors are not currently required to purchase from local sources or export a certain percentage of output and their access to foreign exchange is unlimited. There is no requirement that a share of foreign equity be reduced over time. The Government does not impose conditions on investment such as locating in a specific geographic area, a specific percentage of local content or local equity, substitution for imports, export requirements or targets, or financing only by local sources. Investors are not required to disclose proprietary information to the Saudi government as part of the regulatory approval process.

#### **4.6.6 Right to Private Ownership and Establishment**

Domestic private entities have the right to establish and own business enterprises and engage in all forms of remunerative activity. Private entities generally have the right to freely establish, acquire, and dispose of interests in business enterprises. Certain activities are reserved for state monopolies and Saudi citizens.

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### 4.6.7 Protection of Property Rights

The Saudi legal system protects and facilitates acquisition and disposition of private property, consistent with Islamic practice respecting private property. Non-Saudi corporate entities will be allowed to purchase real estate in Saudi Arabia according to the new foreign investment code although it is unclear how this policy is being implemented. Other foreign-owned corporate and personal property is protected, and the Embassy knows of no cases of government expropriation or nationalization of U.S.-owned assets in the Kingdom.

The current patent law has been in effect since 1989. Largely due to a lack of adequate resources and technical expertise, the patent office has issued slightly more than 40 patents and has a large backlog of more than 9,000 applications. The office is seeking to streamline its procedures, hire more staff and reduce the backlog. Protection is available for product and product-by-process. The term of protection is 15 years, and the patent holder may apply for a routinely granted five-year extension. Pharmaceutical companies have complained of problems related to the terms of protection for their products when registering with the Ministry of Health.

The Saudi Government has revised its Copyright Law, is devoting increased resources to marketplace enforcement, and is seeking to impose stricter penalties on copyright violators. The Saudi Government has stepped up its efforts to force pirated printed material, recorded music, videos, and software off the shelves of stores. However, many pirated materials are still available in the marketplace. An Islamic ruling, or “fatwa,” stating that software piracy is “forbidden” backs enforcement efforts. That said, Saudi Arabia remains on the Special 301 Watch List.

Trademarks are protected under the Trademark Law. Currently, trade secrets are not specifically protected under any area of Saudi law, but they are often protected by contract. Saudi officials relate that the upcoming Unfair Competition Law will protect trade secrets. Also under government review is a law to provide protection for industrial designs, plant varieties, and integrated circuits, although general protection is currently provided under the Patent and Trademark Laws.

### 4.6.8 Transparency of the Regulatory System

There are few aspects of the Saudi government’s regulatory system that are transparent, although Saudi investment policy is less opaque than many other areas. Saudi tax and labor laws and policies tend to favor high-tech transfers and the employment of Saudis rather than fostering competition. Saudi health and safety laws and policies are not used to distort or impede the efficient mobilization and allocation of investments. Bureaucratic procedures are cumbersome, but red tape can generally be overcome with persistence.

### 4.6.9 Capital Market Risks

Saudi Arabia has generally free and open financial markets, although there are rules, which limit where foreigners can invest in both the stock market and in terms of equity ownership. These limits are gradually being relaxed. Financial policies generally facilitate the free flow of private capital and currency can be transferred in and out of Saudi Arabia without restriction.

Credit is widely available to both Saudi and foreign entities from the commercial banks and is allocated on market terms. Credit is also available from several government credit institutions, such as the Saudi Industrial Development Fund (SIDF), which allocates credit based on government-set criteria rather than market conditions.

Companies must have a legal presence in Saudi Arabia in order to qualify for credit. The private sector has access to term loans, but there is no true corporate bond market. IPOs are limited.

The Saudi Arabian Monetary Agency (SAMA), which oversees and regulates the banking system, generally gets high marks for its prudent oversight of commercial banks in Saudi Arabia. SAMA is the only central bank in the Middle East that is a member and shareholder of the Bank for International Settlements in Basel, Switzerland. The Capital Markets Law allows for brokerages, asset managers, and other non-bank financial intermediaries to operate in the Kingdom. The law creates a market oversight body, the Capital Market Authority, and an independent, publicly held stock exchange.

#### **4.6.10 Political Violence**

The U.S. Embassy, working closely with Saudi security officials, periodically advises American citizens of potential security concerns. U.S. citizens should check the U.S. Embassy Web site for information on the latest travel warnings and advisories at: <http://saudiarabia.usembassy.gov>.

#### **4.6.11 Corruption**

Saudi Arabia has some, albeit limited, laws aimed at curbing corruption. For example, the agency law theoretically limits a Saudi agent's commission to five percent of the value of a contract.

Ministers and other senior government officials appointed by royal decree are forbidden from engaging in business activities with their ministry or government organization while employed there. There are extremely few cases of prominent citizens or government officials tried on corruption charges.

Foreign firms have identified corruption as an obstacle to investment in Saudi Arabia. Government procurement is an area often cited, as is de facto protection of businesses in which senior officials or elite individuals have a stake. Bribes, often disguised as "commissions," are reputed to be commonplace.

#### **4.6.12 Bilateral Investment Agreements**

The Saudi Government appears to be moving forward in its pursuit of bilateral investment agreements. Saudi Arabia has bilateral agreements with France, Germany, Italy, Belgium and the Netherlands. Negotiations on bilateral agreements are likely to take place with some other Western countries. At present, however, there is no bilateral investment treaty in force between the United States and Saudi Arabia, although both sides have exchanged draft texts for review. GCC countries and their nationals receive favorable investment treatment derived from GCC agreements.

#### **4.6.13 OPIC and Other Investment Insurance Programs**

The Overseas Private Investment Corporation (OPIC) no longer provides coverage in Saudi Arabia. In 1995, OPIC removed Saudi Arabia from its list of countries approved for OPIC coverage because of Saudi Arabia's failure to take steps to comply with internationally recognized labor standards.

Details on OPIC programs and coverage can be obtained by calling (202) 336-8575 in Washington. The U.S. Export-Import Bank provides financing and political risk insurance in Saudi Arabia.

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#### **4.6.14 Labor**

The Ministry of Labor and the Ministry of Interior regulate recruitment of expatriate labor. In general, the government encourages recruitment of Muslim workers, either from Muslim countries or from countries with sizable Muslim populations. The largest groups of foreign workers now come from India, Egypt, Yemen, Pakistan, Bangladesh, and the Philippines.

Westerners compose less than two percent of the labor force, and the percentage is dropping as Saudis and less-expensive expatriates from developing countries replace them.

Since September 1994, the Ministry of Labor has been required to certify that there are no qualified Saudis for a particular job before an expatriate worker can fill that job. In addition, the Ministry of Interior must approve all transfers of expatriate workers from one firm to another. On the other hand, group visas are normally available for unskilled and some skilled workers recruited abroad.

Saudi labor law forbids union activity, strikes, and collective bargaining. Recently the Government announced that it would allow companies that employ more than 100 Saudis to form "labor committees".

Overtime is compensated normally at time-and-a-half rates. The minimum age for employment is 14. The Saudi government does not adhere to the International Labor Organization's (ILO) convention protecting workers' rights, but is taking steps to enhance its cooperation with ILO in a number of areas.

#### **4.6.15 Foreign Trade Zones and Free Ports**

Saudi Arabia does not have duty-free import zones or free ports. It has begun to permit transshipment of goods through its ports in Jeddah and Dammam. Saudi Arabia is a member of the Gulf Cooperation Council (GCC), which confers special trade and investment privileges within the six member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). Saudi Arabia is also a member of the Arab League, which has recently agreed to negotiate an Arab free trade zone.

### **4.7 TRADE AND PROJECT FINANCING**

#### **4.7.1 The Banking System**

Consumer banking is a major area of focus and Saudi banks have showed more vigor in servicing retail lending. Ample liquidity in the market has allowed banks to support the retail expansion without disregarding the corporate market. This growing shift to retail lending has provided Saudi banks with comparatively higher margins and lower risk factors. The extension of consumer credit was also directly enhanced by the developments in electronic banking, which facilitated direct-deposit of salaries and thus collections.

The Saudi Arabian Monetary Agency (SAMA), the Saudi central bank, regulates the Saudi banking sector. Financing is available to Saudi and non-Saudi businessmen and entities. Offshore banking and trust operations do not exist in Saudi Arabia, and there is no legislation to permit the establishment of these operations.

The securities market is still not highly developed, but continues to mature. Banks are the sole entities that may act as stockbrokers for publicly traded shares or for joint stock companies, although the new Capital Markets Laws allows for non-bank financial advisors. A significant development is SAMA's approval to allow foreigners to buy and trade shares of Saudi companies within a closed-end fund listed in the United Kingdom.

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Commercial banks operating in Saudi Arabia ranked by total assets:

1. The National Commercial Bank
2. Samba Financial Group
3. Riyadh Bank
4. Al-Rajhi Banking & Investment Corporation
5. Saudi French Bank
6. Arab National Bank
7. Saudi British Bank
8. Saudi Hollandi Bank
9. Saudi Investment Bank
10. Bank Al-Jazira

### **4.7.2 Foreign Exchange Controls Affecting Trade**

Saudi Arabia imposes no foreign exchange restrictions on capital receipts or payments by residents or nonresidents, beyond a prohibition against transactions with Israel. Although officially linked to the IMF's Special Drawing Rights, Saudi Arabia in practice pegs its currency, the Saudi Riyal, to the U.S. Dollar.

Saudi Arabia last devalued the Riyal in June 1986 when it set the official selling rate at  $SR\ 3.745 = \$1$ . The Saudi Arabian Monetary Agency (SAMA) and all residents may freely and without license buy, hold, sell, import, and export gold, with the exception of gold of 14 karats or less. The Saudi government is considering a law to regulate the transportation of money, precious metals, and valuable documents in excess of \$133 thousand.

### **4.7.3 Availability of Local Financing**

Saudi policies facilitate the free flow of financial resources. Credit from the commercial banks is allocated on market terms, and foreign investors can obtain credit on the local market. The private sector has access to a variety of credit instruments.

“Soft” term financing is available from specialized credit institutions: the Saudi Agricultural Bank, the Saudi Credit Bank, the Public Investment Fund, the Saudi Industrial Development Fund (SIDF), and the Real Estate Development Fund. The Saudi banking system is well capitalized and well provisioned. SIDF loans are available to finance foreign-owned businesses in Saudi Arabia under the Foreign Investment Law. The Embassy is not aware of any “cross-shareholding” or “stable shareholder” arrangements being used by private firms to restrict foreign investment through mergers and acquisitions. Nor is the Embassy aware of any laws or regulations that specifically authorize private firms to adopt articles of incorporation/association, which limit or prohibit foreign investment, participation, or control. Foreign participation in the Saudi Arabian Standards Organization (SASO) is not possible, although a number of foreign advisors from OECD countries (including the US National Institute of Standards and Technology) assist and provide counsel to SASO.

### **Availability of GSM Credit Guarantees**

GSM credit guarantees are not available in Saudi Arabia.

## **Availability of Loan Guarantees, Insurance, and Project Financing from the Export-Import Bank of the United States, OPIC, and the IFIs**

The U.S. Export-Import Bank has been involved in Saudi Arabia supporting trade with private Saudi companies. OPIC does not provide coverage in Saudi Arabia. The Government of Saudi Arabia may use the facilities of International Financial Institutions to support major infrastructure projects.

The Islamic Development Bank fosters the economic development and social progress of member countries and Muslim communities. It participates in equity capital and grants loans for productive projects and enterprises, besides providing financial assistance to member countries in other forms for economic and social development.

Project financing is available in Saudi Arabia for longer-term loans by the local commercial banks and Saudi specialized credit institutions such as the Saudi Industrial Development Fund or the Public Investment Fund. The Saudi Government does not receive project financing from multilateral institutions such as the World Bank. The U.S. Export-Import Bank has not, so far, engaged in any project finance activities in Saudi Arabia.

The International Finance Corporation (IFC), the private sector lending arm of the World Bank Group, is participating in a Saudi Government project, the Saudi Orix Leasing Corporation (SOLC), which will help finance short and medium-sized projects by making asset-backed financing more accessible. SOLC is the IFC's first joint venture in Saudi Arabia. In addition, the Council of Saudi Chambers of Commerce and Industry is assisting with the set up of a Saudi-Japanese company to finance small and medium-sized companies in Saudi Arabia.

## **Financing and Methods of Payment to Export from the Local Economy**

The Saudi Fund for Development offers financing for Saudi exports to countries where there is no commercial bank coverage, no correspondent banks and/or high-risk country/bank.

The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) provides Export Credit guarantees on exports to member states and to companies owned/partly owned by member states. In addition, the corporation provides investment insurance and guarantees against country risks to member states.

## **List of Banks with Correspondent U.S. Banking Arrangement**

Because of its ownership structure, Saudi Investment Bank (Chase Manhattan) has direct correspondent relationships with its U.S. joint venture partner. Other Saudi banks also have correspondent relationships with U.S. institutions, whether the home office in the United States or branches in Europe, Bahrain, or Dubai.

## **List of U.S. Financial and Lending Institutions Operating in Saudi Arabia**

There are no U.S. financial/lending institutions operating independently in Saudi Arabia. Nonetheless, the Saudi Arabian Monetary Agency (SAMA) granted a license to JP Morgan to operate in Saudi Arabia as a foreign entity.

## **Contact Information for Locally or Regionally Based MDB or Other IFI Offices**

Islamic Development Bank  
 Contact: Dr. Ahmed Mohammad Ali, President  
 PO Box 5925 Jeddah 21432, Saudi Arabia  
 Phone: (966 2) 636-1400, Fax: (966 2) 636-6871  
 E-mail: knazer@isdb.org.sa  
[www.isdb.org](http://www.isdb.org)

The World Bank  
 Contact: Ziad Badr, Acting Country Manager

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P.O. Box 5900 Riyadh 11432, Saudi Arabia  
Phone: (966 1) 483-4956, Fax: (966 1) 488-5311  
E-mail: Zbadr@worldbank.org  
**www.worldbank.org**

Arab Petroleum Investments Corporation  
Contact: Rasheed Al-Maraj, General Manager & CEO  
P.O. Box 9599 Dammam 31423, Saudi Arabia  
Phone: (966 3) 847-0444, Fax: (966 3) 847-0011/0022  
E-mail: apicorp@apicorp-arabia.com  
**www.apicorp-arabia.com**

## **4.8 TRAVEL ISSUES**

### **4.8.1 Local Business Practices**

The official language of Saudi Arabia is Arabic, but English is widely used in business and some signs and notices. Most road signs are in Arabic, however. Modern Saudi Arabia has adopted many of the business methods and styles of the West, but differences remain. Most important is that business will generally only be conducted after a degree of trust and familiarity has been established. Considerable time may be spent exchanging courtesies, and several visits may be needed to establish a business relationship. Business visitors should arrange their itineraries to allow for long meetings, as traditional Saudis often maintain an “open office” in which they will sign papers, take telephone calls, and converse with friends or colleagues who drop by. Tea and traditional Saudi coffee are usually offered. One to three cups of Saudi coffee should be taken for politeness, after which the cup should be wiggled between thumb and forefinger when returning it to the server to indicate that you have finished.

Many Saudi businessmen have been educated or have traveled extensively in the West and are sophisticated in dealing with Americans. For the most part travelers can rely on the usual Western manners and standards of politeness to see them through, with a few additional rules that may be observed. One should avoid sitting at any time with the sole of the foot pointed at the host or other guest. Unless one is on familiar terms with a Saudi, it may be discourteous to ask about a man’s wife or daughters; ask instead about his family. Shoes are often removed before entering a Saudi Majlis (living room). If you are invited to the home of a Saudi for a party or reception, a meal is normally served at the end of the evening, and guests will not linger long after finishing. Customs and manners differ, so be observant and adapt your behavior to that of your host.

Saudi Arabia is a Muslim country that requires strict adherence to Islamic principles. Five times a day Muslims are obliged to pray in the direction of the holy city, Makkah. The prayer times are published in the newspaper and come at dawn, noon, afternoon, sunset, and evening. Stores and restaurants close for approximately one-half hour at these times. When staging promotional events or product demonstrations, one must anticipate these prayer breaks.

Dress is conservative for both men and women. Men should not wear shorts or tank tops, while women are advised to wear loose-fitting and concealing clothing with long skirts, elbow-length sleeves, and modest necklines. There is strict gender separation in the Kingdom and restaurants maintain separate sections for single men and families. Wives are often excluded from social gatherings or are entertained separately.

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## 4.8.2 Travel Advisories and Visas

Besides alcohol products and illicit drugs, Saudi Arabia also prohibits the import, use, or possession of any item that is held to be contrary to the tenets of Islam.

This includes non-Islamic religious materials, pork products and pornography. Saudi customs and postal officials widely define what is contrary to Islam, and therefore prohibited. Christmas decorations, fashion magazines, and “suggestive” videos may be confiscated and the owner may be subject to other penalties and fines. The private ownership of weapons is extremely restricted. Imported and domestic audiovisual media and reading matter are censored. It is advisable to carry prescription drugs in their original labeled containers. Please contact the Embassy of Saudi Arabia in Washington or one of Saudi Arabia’s consulates in the United States for specific information regarding customs requirements.

Photography of sensitive installations such as airports, seaports, oil and petrochemical facilities, and military bases is prohibited, as is photography that constitutes an invasion of privacy. Theft or street crime is not a serious problem in Saudi Arabia, but normal precautions should be taken.

### Entry Requirements

Saudi visas in passports valid for at least six months are required for entry. Visas can be obtained for business and work, to visit close relatives, for religious visits, and lately for tourism. Most visas are single entry and allow for a maximum six-month stay. Following 9/11, Saudi authorities reciprocated by halting the issuance of a two-year, multiple-entry business visa to U.S. citizens. Visas are not available upon arrival at ports of entry.

To obtain a visitor’s visa for business purposes, each U.S. company representative must have a letter of invitation from the sponsor in Saudi Arabia. This letter must be in Arabic, the U.S. applicant must have the original copy (no faxes allowed), the letter must be on sponsoring company letterhead, and must bear an authenticating stamp of the local Saudi Chamber of Commerce. Saudi missions will no longer issue a two-year multiple entry visas. If the U.S. applicant does not have a Saudi sponsor, the U.S.-Saudi Business Council may be able to assist (Tel: 202-638-1212). U.S. Commercial Service offices also can advise on how to make initial contacts with potential sponsors. The U.S. Embassy and Consulates General cannot sponsor private American citizens for Saudi visas.

The letter should name the visa applicant, passport number, company name and address, approximate dates of visit, and reason for visit (e.g. business meetings). The U.S. visa applicant may hold the letter for up to 60 days prior to making application. It is recommended that the U.S. applicant’s company use the company’s letterhead when requesting the Saudi Embassy’s/Consulates’ cooperation in issuing the visa. The visa applicant must apply for and receive the visa prior to departing the United States at either the Saudi Embassy in Washington or at Saudi Consulates in Houston, Los Angeles, or New York City. Once the visa is stamped on the passport, it must be used or officially canceled before a subsequent visa will be issued. The visa may be extended at the discretion of the Saudi Embassy or Consulate prior to the expiration date.

Occasionally, the Saudi consular officer may require the applicant to obtain the visa through a more time-consuming process involving approval by the Saudi Ministry of Foreign Affairs. Women traveling alone, Americans of Arab origin, and private consultants are often required to use this process. Resident visas also are available through a separate process.

Expatriates working in Saudi Arabia generally must surrender their passports while in Saudi Arabia. The sponsor (normally the employer) obtains a work and residence permit for the employee and for any family members. Family members of those working are not required by law to surrender their passports, though they often do. Residents carry a Saudi residence permit (Iqama) for identification in place of their passports.



Visitors to Saudi Arabia generally obtain a meningitis vaccination prior to arrival, especially during the annual pilgrimage rituals. A medical report, including an AIDS test, is required to obtain a work and residence permit. This includes a medical certification. For further information on entry requirements, travelers may contact the following Saudi Government offices in the U.S.:

Royal Embassy of Saudi Arabia  
601 New Hampshire Ave., N.W.  
Washington, DC 20037  
Telephone (202) 333-2740  
Fax: (202) 944-3140  
Internet Address: <http://www.saudi.net>

Saudi Consulate General in New York  
866 United Nations Plaza, Suite 480  
New York, NY 10017  
Telephone (212) 752-2740  
Fax: (212) 688-2719

Saudi Consulate General in Houston  
5718 Westheimer, Suite 1500  
Houston, TX 77057  
Telephone (713) 785-5577  
Fax: (713) 785-1163

Saudi Consulate General in Los Angeles  
Sawtelle Courtyard Building  
2045 Sawtelle Blvd.  
Los Angeles, CA 90025  
Telephone (310) 479-6000/914-9011  
Fax: (310) 479-2752

## **Exit Permission**

Expatriates residing and working in Saudi Arabia may not depart the country without obtaining an exit permit prior to leaving and an exit/reentry permit if they intend to return to Saudi Arabia. The Saudi sponsor's approval is required for these permits. One-time visitors on a single entry visa do not need an exit permit. A married woman residing in Saudi Arabia with her husband must have her husband's approval to receive an exit permit. The father must approve the departure of any children. The U.S. Embassy and Consulates General cannot sponsor private U.S. citizens for an exit permit under any circumstances.

There is an airport departure fee of Sr. 50 (\$13.30) per traveler. Members of airline crews, infants (under the age of 2), and passengers in transit less than 24 hours are exempt from paying this fee. The fee is payable to the travel agent through which the ticket is booked.

## **4.8.3 Safety and Security**

The United States and Saudi Arabia share common concerns about regional security and stability, oil exports and imports, and sustainable development. Close consultations between the United States and Saudi Arabia routinely take place on international, economic, security and development issues. Both nations have common interests in achieving peace between Israel and the Palestinians and share important strategic interests in the Gulf.

The U.S. Embassy continues to receive reports that suggest terrorist action against U.S. interests in Saudi Arabia remains a possibility. Because of continuing security concerns, the U.S. Embassy, Consulates General, and the U.S. military elements throughout the country routinely review their security postures and make improvements wherever possible to lessen their vulnerabilities. The Embassy strongly encourages all Americans resident in Saudi Arabia to likewise take appropriate steps to increase their security awareness and lessen their vulnerability.

The private American community should continue to exercise caution in matters concerning personal security. Americans should maintain a low profile, vary travel routes and times for all required travel, and treat any mail from unfamiliar sources with suspicion. In addition, it is imperative that any suspicious activity, individuals, or vehicles be reported to the U.S. Embassy or nearest Consulate. License numbers of vehicles and descriptions of individuals are extremely helpful for follow up. Saudi Arabian officials continue to cooperate closely with the Embassy to ensure the safety of all Americans.

The American Embassy and Consulates in Saudi Arabia inform the resident American community of security matters through a communication system known as the warden FaxNet. Persons who are residing in the Kingdom should contact the U.S. Embassy or the Consulates for information on their warden contacts. Americans arriving in Saudi Arabia are encouraged to register at the U.S. Embassy or Consulates and to obtain the most current security information.

#### **4.8.4 Criminal Penalties**

While in a foreign country, a U.S. citizen is subject to that country's laws and regulations, which sometimes differ significantly from those in the United States and may not afford the protections available to the individual under U.S. law. Penalties for breaking the law can be more severe than in the United States for similar offenses. Persons violating Saudi Arabia's laws, even unknowingly, may be expelled, arrested or imprisoned. In Saudi Arabia, penalties for the import, manufacture, possession, and consumption of alcohol or illegal drugs are severe. Convicted offenders can expect jail sentences, fines, public flogging, and/or deportation. The penalty for drug trafficking in Saudi Arabia is death. Saudi officials make no exceptions.

Customs inspections at ports of entry are thorough. U.S. citizens are subject to the full force of Saudi law as well as that of any country in which they are traveling or residing.

The U.S. Embassy and Consulates General have no standing in Saudi courts to obtain leniency for an American convicted of alcohol or drug offenses.

#### **4.8.5 Contacting the American Embassy and Consulates**

Americans arriving in Saudi Arabia are encouraged to register at the Embassy or Consulates and obtain the most current security information. The Embassy in Riyadh is located at Collector Road M, Riyadh Diplomatic Quarter. The international mailing address is: P.O. Box 94309, Riyadh 11693, Saudi Arabia.

The APO address is: American Embassy, Unit 61307, APO AE 09803-1307. The Embassy telephone number is (966)(1) 488-3800; the fax number is (966)(1) 488-7275.

The Consulate General in Jeddah is located on Palestine Road, Ruwais. The international mailing address is: P.O. Box 149, Jeddah 21411, Saudi Arabia. The APO address is: Unit 62112, APO AE 09811-2112. The telephone number is (966)(2) 667-0080; the fax number is (966)(2) 669-2991.

The Consulate General in Dhahran is located between Aramco headquarters and Dhahran International Airport. The international mailing address is: P.O. Box 81, Dhahran Airport 31932, Saudi Arabia. The APO address is: Unit 66803, APO AE 09858-6803. the telephone number is (966)(3) 330-3200; the fax number is (966)(3) 330-2123

#### **4.8.6 Holidays**

There are two Islamic religious holidays during which most businesses close for at least three working days and all Government offices close for a longer period. During these holidays, it is very difficult to make contacts or transact business.

The Eid al-Fitr holiday occurs at the end of the holy month of Ramadan (month of fasting). Eid al-Adha celebrates the time of year when pilgrims arrive from around the world to perform the Hajj. Their timing is governed by the Islamic lunar calendar.

Business travel to Saudi Arabia during the holy month of Ramadan is best avoided. During Ramadan devout Muslims abstain from food and drink during daylight hours. Office hours are shortened and shifted to the evening, and people may be affected by the fasting and customary late night social gatherings. During Ramadan business travelers should not drink, eat, or smoke in public during daylight or in the presence of fasting Muslims. Hotels offer special daytime food services for their non-Muslim guests.

The Saudi national day is celebrated September 23. Almost all businesses and Government offices remain open on this day, with the notable exception of Saudi Aramco.

#### **4.8.7 Work Week**

Business hours vary in different parts of the country. Saudi companies usually close for two hours in the afternoon and remain open throughout the early evening. Retail stores close for the noon prayer and reopen around 4:00 P.M.

The normal workweek runs from Saturday through Wednesday, with many companies also requiring a half or full day on Thursday. Friday is the Muslim holy day.

#### **Standard Hours of Operation**

- **U.S. Embassy:** 08:00 - 17:00 Sat. thru Wed.
- **Government:** 08:00 - 14:30 Sat. thru Wed.
- **Banks:** 09:00 - 12:00 and 17:00 - 19:00 Sat. thru Wed.
- **Businesses:** 08:00 - 12:00 and 16:00 - 20:00 Sat. thru Wed.; 08:00 - 13:00 Thursdays.

#### **4.8.8 Infrastructure for Conducting Business**

The business centers of Riyadh, Jeddah, and Dammam/Al-Khobar/Dhahran have an international airports served by a variety of international airlines. Air travel is preferred for domestic travel with public service restricted to the sole national airline, Saudia.

Saudi Arabia has a good highway system and rental cars and taxis/limousines are available at all airports; driving is U.S.-style, on the right. One rail line carries passengers and freight between Dammam and Riyadh. Jeddah and Dammam are the main international seaports for moving containerized and bulk cargo.

Modern communication facilities are available including telephone, fax, Internet, telex, and courier services. While V-SAT licenses are still pending, the use of private satellite communication transponders is not allowed. Facsimile machines are heavily utilized in the conduct of business. A cellular phone system based on the GSM standard is highly popular, while radiophones are restricted. Internet service is now available through some two dozen service providers.

Internationally branded four and five star hotel accommodations (Sheraton, Hyatt, Marriott, Hilton, etc...) are readily available in the major business centers, with many of the better restaurants are located in the hotels. There are many excellent restaurants in the three major population centers. Well-known American fast food restaurants are also very popular. The food reflects the diversity of the country's expatriate population and generally can be considered safe. Use of bottled water is preferred although most tap water is potable in the major cities. Supermarkets are well stocked with Western products.

Office rental costs are variable, and are governed largely by the city and business location. A 12-month rental is the minimum and advance payment is typically required. Regarding transportation, four-door sedans rent monthly for approximately \$960, and yearly for about \$11,500. A new GMC Suburban can be purchased for approximately \$30,373.

Housing for expatriate employees residing in the Kingdom is usually provided by the employer or through a housing allowance given to the employee. The major cities offer a wide variety of houses and apartments for rent, although the rental is considered high by U.S. metropolitan standards.

Most Western expatriates live in housing compounds that provide additional services such as cable television, recreation facilities, childcare, limousine services for women (who are not allowed to drive in Saudi Arabia), and security. Typical rent per year for a one-bedroom furnished apartment is \$13,200, and \$16,134 for a two-bedroom apartment. A one-bedroom furnished villa in a Western-standard residential compound will rent per year for \$22,000 to \$23,650; two bedrooms, \$27,866 to \$29,333; three bedrooms, \$33,733 to \$36,666; four bedrooms, \$42,533 to \$54,266. Residential compounds in Saudi Arabia often include a swimming pool, tennis courts, a club house, and eating facilities. Typical management, maintenance, and use charges are usually included in the rental price, and security deposits are in the range of \$2,970. Rental terms are for one year payable in advance.

The quality of health care is variable, ranging from excellent to poor depending on the region, hospital, and specialty. Most Western expatriates find it adequate for routine care and minor surgery. Only a few drugs available in the U.S. are not available in Saudi Arabia.

There is a good network of private American schools serving communities with a high concentration of U.S. expatriates, including all the major business and industrial centers. In 1998, the Ministry of Education approved new rules and regulations pertaining to the licensing and operation of international schools. The new guidelines permit foreign schools to be set up based on pre-approved curriculum. Contrary to a previous ruling, these schools are allowed to enroll students up to Grade 12. Many expatriates prefer to send teenage children to boarding schools outside of Saudi Arabia.

Saudi law requires that Saudi nationals make up 75 percent of a company's work force and 51 percent of its payroll in all businesses, unless an exemption has been obtained from the Ministry of Labor and Social Affairs. However, due to a shortage of qualified Saudis, in practice much of the work force is made up of non-Saudi Arabs, Europeans, Americans and Asians. In 1996, the Saudi Government implemented a regulation requiring each company employing over 20 workers to include a minimum of five percent Saudi nationals. Companies not complying with the five percent rule (which increases in annual increments of five percent) are not supposed to receive visas for

expatriate workers. This rule is widely ignored, although the increasing unemployment rate may force stronger enforcement.

Saudi Arabia's seven million expatriates include 4.7 million laborers who annually transfer about \$15 - 18 billion in remittances. In general, the government encourages recruitment of Muslim workers, either from Muslim countries, or countries such as India or Sri Lanka with sizable Muslim populations. The largest groups of foreign workers now come from Pakistan, India, Egypt, and the Philippines.

An employee's nationality and level of experience, as well as the nature and location of the business, create variations in pay. A typical manager's annual salary (base) is approximately \$30,000 to \$40,000. Mid-level office workers are paid approximately \$20,000 to \$30,000 per year. A clerical worker's base annual salary is in the range of \$8,000 to \$10,000. A support worker (driver, caretaker) earns in the range of \$6,000 to \$7,000 yearly.

Local Saudi employee taxes are 15 percent of base or combined with benefits. From base salary and housing, companies withhold five percent and pay 10 percent. It is customary to provide non-Saudi workers with furnished accommodations or a housing allowance as well as round-trip airfare to their country of origin on a yearly basis.

## 4.8.9 Temporary Entry of Goods

Temporary entry of goods is allowed provided that a guarantee of a percent of the value of the goods equivalent to the normal tariff is deposited with Saudi Customs. A document and/or a participation agreement is needed to ascertain that the owner of the goods is officially participating in a trade show. If the goods are meant for demonstration purposes to a Government entity, a letter from that entity is required indicating the nature and purpose of the goods. The deposit will be reimbursed after Saudi Customs attests that the goods have left the Kingdom. Reimbursement should take somewhere between two to four weeks. An invoice stating the value of the goods and endorsed by the U.S.-Saudi Business Council should be presented at port of entry.

U.S. business travelers to Saudi Arabia should make appointments in advance of their travel if they wish to meet with officers at the U.S. Commercial Service in Riyadh. The Commercial Service can be reached by telephone at (966 1) 488-3800 ext. 1527/1516, fax at (966 1) 488-3237, or E-mail at [riyadh.office.box@mail.doc.gov](mailto:riyadh.office.box@mail.doc.gov).

Further information on Saudi Arabia is also available at the U.S. Embassy Web site at [www.usembassy.state.gov/iyadh](http://www.usembassy.state.gov/iyadh) and at U.S. Commercial Service Web site: [www.usatrade.gov/saudiarabia](http://www.usatrade.gov/saudiarabia) or [www.uscommercialservice.com/saudiarabia](http://www.uscommercialservice.com/saudiarabia).

## 4.8.10 Country Data

- **Population:** 23.9 million ('04 Projected)
- **Population Growth Rate:** 3.3 – 3.5%
- **Religion:** Muslim
- **Government System:** Monarchy
- **Languages:** Arabic and English
- **Work Week:** Saturday - Wednesday

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## 4.9 KEY CONTACTS

### 4.9.1 U.S. Embassy Personnel

U.S. Embassy  
Commercial Service (CS) - Riyadh  
Contacts: Nancy Charles-Parker, Senior Commercial Officer  
Edward Burton, Deputy Senior Commercial Officer  
Unit 61307  
APO AE 09803-1307  
Phone: (966 1) 488-3800  
Fax: (966 1) 488-3237  
E-mail: [riyadh.office.box@mail.doc.gov](mailto:riyadh.office.box@mail.doc.gov)

U.S. Consulate General  
CS - Jeddah  
Contact: Jalal Quadri, Senior Commercial Specialist  
Unit 62112  
APO AE 09811-2112  
Phone: (966 2) 667-0080  
Fax: (966 2) 669-3074  
E-mail: [jeddah.office.box@mail.doc.gov](mailto:jeddah.office.box@mail.doc.gov)

U.S. Consulate General  
Commercial Service (CS) - Dhahran  
Contact: Ahmed Malas, Senior Commercial Specialist  
Unit 66803  
APO AE 09858-6803  
Phone: (966 3) 330-3200  
Fax: (966 3) 330-2190  
E-mail: [dhahran.office.box@mail.doc.gov](mailto:dhahran.office.box@mail.doc.gov)

U.S. Embassy Riyadh  
Agricultural Trade Office  
Contact: Hussein Mousa, Agricultural Marketing Specialist  
Phone: (966 1) 488-3800  
Fax: (966 1) 482-4364  
E-mail: [fasriyadh@hotmail.com](mailto:fasriyadh@hotmail.com)

5) U.S. Embassy Riyadh  
Economic Section  
Contact: David H. Rundell, Counselor for Economic Affairs  
Phone: (966 1) 488-3800  
Fax: (966 1) 488-3278

### 4.9.2 Saudi Embassy and Consulates in the U.S

Royal Embassy of Saudi Arabia  
601 New Hampshire Ave, NW

Washington, DC 20037  
Phone: (202) 333-2740  
Fax: (202) 944-3140

Saudi Consulate General in New York  
866 United Nations Plaza, Suite 480  
New York, NY 10017  
Phone: (212) 752-2740  
Fax: (212) 688-2719

Saudi Consulate General in Houston  
One Westheimer Plaza  
5718 Westheimer, Suite 1500  
Houston, TX 77057  
Phone: (713) 785-5577  
Fax: (713) 785-1163

Saudi Consulate General in Los Angeles  
Sawtelle Courtyard Building  
2045 Sawtelle Blvd  
Los Angeles, CA 90025  
Phone: (310) 479-6000/914-9011  
Fax: (310) 479-2752

### **4.9.3 U.S.-Based Multipliers**

U.S.-Saudi Arabian Business Council  
1401 New York Ave, NW, Suite 720  
Washington, DC 20005  
Phone: (202) 638-1212  
Fax: (202) 638-2894

National U.S.-Arab Chamber of Commerce  
1100 New York Ave, NW  
East Tower, Suite 550  
Washington, DC 20005  
Phone: (202) 289-5920  
Fax: (202) 289-5938

American Business Council of the Gulf Countries (ABCGC)  
c/o Intercom International Consultants  
1101 30th Street, NW, Suite 500  
Washington, DC 20007  
Phone: (202) 887-1887  
Fax: (202) 887-1888

ARAMCO  
1667 K Street, NW  
Washington, DC 20006  
Phone: (202) 223-7750  
Fax: (202) 223-7756

ARAMCO Services Company  
PO Box 4534  
Houston, TX 77210-4534  
Phone: (713) 432-4000  
Fax: (713) 432-8566

Saudi Petroleum International  
527 Madison Ave  
22 & 23 Floors  
New York, NY 10002  
Phone: (212) 832-4044  
Fax: (212) 446-9200

SABIC Americas, Inc.  
2500 City West Blvd,  
Suite 650  
Houston, TX 77042  
Phone: (713) 532-4999  
Fax: (713) 532-4994

Riyadh Bank  
700 Louisiana  
Suite 4770  
Houston, TX 77002  
Phone: (713) 224-8071  
Fax: (713) 224-8072

Saudi International Bank  
520 Madison Ave  
New York, NY 10022  
Phone: (212) 355-6530  
Fax: (212) 758-5360

#### **4.9.4 Saudi Arabian Trade Associations and Chambers of Commerce**

Council of Saudi Chambers of Commerce and Industry  
Contact: Dr. Fahad Al-Sultan, Secretary General  
PO Box 16683 Riyadh 11474, Saudi Arabia  
Phone: (966 1) 405-3200  
Fax: (966 1) 402-4747

Riyadh Chamber of Commerce and Industry  
Contact: Hussein Al-Athel, Secretary General  
PO Box 596 Riyadh 11421, Saudi Arabia  
Phone: (966 1) 404-0044  
Fax: (966 1) 402-1103

Jeddah Chamber of Commerce and Industry  
Contact: Mohammad Al-Sharif, Secretary General  
PO Box 1264 Jeddah 21431, Saudi Arabia  
Phone: (966 2) 651-5111



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Fax: (966 2) 651-7373

Eastern Province Chamber of Commerce and Industry  
Contact: Dr. Ibrahim Al-Olayan, Secretary General  
PO Box 719 Dammam 31421, Saudi Arabia  
Phone: (966 3) 857-1111  
Fax: (966 3) 857-0607

Federation of GCC Chambers  
Contact: Mohammad Abdullah Al-Mulla, Secretary General  
PO Box 2198 Dammam 31451, Saudi Arabia  
Phone: (966 3) 826-5943/3792  
Fax: (966 3) 826-6794  
E-mail: fgccc@Zajilnet

American Businessmen's Group of Riyadh  
PO Box 8273 Riyadh 11482, Saudi Arabia  
Phone: (966 1) 478-2738/1652  
Fax: (966 1) 476-4363

American Businessmen of Jeddah  
PO Box 8483 Jeddah 21482, Saudi Arabia  
Phone: (966 2) 665-6359/652-1234  
Fax: (966 2) 660-0389

American Business Association - Eastern Province  
PO Box 88 Dhahran Airport 31932, Saudi Arabia  
Phone: (966 3) 874-2886  
Fax: (966 3) 873-8883/857-8130

## **4.9.5 Saudi Arabian Government and Quasi-Government Agencies**

Arab Satellite Communication Organization  
Contact: Eng. Khaled Balkhiour, Director General  
PO Box 1038 Riyadh 11431, Saudi Arabia  
Phone: (966 1) 482-0000  
Fax: (966 1) 488-7999

Board of Grievances  
Contact: HE Sheikh Humoud Al-Fayez, President  
Riyadh 11138, Saudi Arabia  
Phone: (966 1) 402-1724  
Fax: (966 1) 403-4296

Central Department of Statistics  
Contact: Abdullah Al-Othaim, Director General  
PO Box 4735 Riyadh 11481, Saudi Arabia  
Phone: (966 1) 401-4138  
Fax: (966 1) 405-9493

Civil Defense

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Contact: Major General Fahad Al-Tuwaijri, Director General  
Riyadh 11174  
Phone: (966 1) 279-2205  
Fax: (966 1) 279-2283

Deputy Ministry for Mineral Resources  
Contact: Dr. Zohair A. Nawab, Deputy Minister for Minerals  
PO Box 345 Jeddah 21191, Saudi Arabia  
Phone: (966 2) 667-4800  
Fax: (966 2) 667-2265

Directorate General of Zakat and Income Tax  
Contact: Dr. Abdel Mohsen Al-Fares, Director General  
Riyadh 11187  
Phone: (966 1) 402-5388  
Fax: (966 1) 404-1495

Economic Offset Secretariat  
Contact: Major General Hamad Al-Sugair, Secretary to the Offset Committee  
PO Box 27040 Riyadh 11417, Saudi Arabia  
Phone: (966 1) 478-4330  
Fax: (966 1) 478-4123

General Organization for Grain Silos and Flour Mills  
Contact: HE Saleh Mohammad Al-Suleiman, Director General  
PO Box 3402 Riyadh 11471, Saudi Arabia  
Phone: (966 1) 464-3500  
Fax: (966 1) 463-1943

General Organization for Social Insurance  
Contact: HE Suliman Saad Al-Humaid, Governor  
PO Box 878 Riyadh 11421, Saudi Arabia  
Phone: (966 1) 478-5849/476-8628  
Fax: (966 1) 477-9958

General Organization for Technical Education and Vocational Training  
Contact: HE Dr. Ali Nasser Al-Ghufais, Governor  
PO Box 6041 Riyadh 11442, Saudi Arabia  
Phone: (966 1) 405-2770  
Fax: (966 1) 406-5876

General Presidency for Youth Welfare Organization  
Contact: HRH Prince Sultan Bin Fahd Bin Abdulaziz Al-Saud, President  
PO Box 965 Riyadh 11421, Saudi Arabia  
Phone: (966 1) 401-4576  
Fax: (966 1) 401-0376

Institute of Public Administration  
Contact: HE Dr. Mohammad Al-Shigawi, Director General  
PO Box 205 Riyadh 11411, Saudi Arabia  
Phone: (966 1) 476-8888  
Fax: (966 1) 479-2136

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**King Abdul Aziz City for Science and Technology**

Contact: HE Dr. Saleh Abdel Rahman Al-Athel, President  
PO Box 6086 Riyadh 11442, Saudi Arabia  
Phone: (966 1) 488-3555  
Fax: (966 1) 488-3756

**King Faisal Foundation**

Contact: HRH Prince Khalid Al-Faisal, Managing Director  
PO Box 352 Riyadh 11411, Saudi Arabia  
Phone: (966 1) 465-2255  
Fax: (966 1) 465-6524

**Presidency for Meteorology and Environment (PME)**

Contact: HRH Prince Turki Bin Nasser Abdul Aziz Al-Saud, Secretary General  
PO Box 1358 Jeddah 21431, Saudi Arabia  
Phone: (966 2) 651-8887  
Fax: (966 2) 651-1424

**Naif Arab Academy for Security Sciences and Training**

Contact: HE Dr. Abdul Aziz Sagr Al-Ghamdi, President  
PO Box 6830 Riyadh 11452, Saudi Arabia  
Phone: (966 1) 246-3444  
Fax: (966 1) 246-4713

**National Shipping Company of Saudi Arabia**

Contact: Khalil Al-Gannas, President  
PO Box 8931 Riyadh 11492, Saudi Arabia  
Phone: (966 1) 478-5454  
Fax: (966 1) 477-8036

**Civil Aviation Commission (CAC)**

Contact: HE Dr. Abdallah Al-Rehaimi, President  
PO Box 887 Jeddah 21421, Saudi Arabia  
Phone: (966 2) 667-9000  
Fax: (966 2) 671-7376

**Public Investment Fund (PIF)**

Contact: HE Mansour Saleh Al-Maiman, Secretary General  
PO Box 6847 Riyadh 11452, Saudi Arabia  
Phone: (966 1) 478-3580  
Fax: (966 1) 474-2693

**Royal Commission for Jubail and Yanbu**

Contact: HH Prince Saud Bin Thunayyan Al-Saud, President  
PO Box 5864 Riyadh 11432, Saudi Arabia  
Phone: (966 1) 479-4445  
Fax: (966 1) 477-5404

**Saline Water Conversion Corporation (SWCC)**

Contact: HE Eng. Fehaid Al-Shareef, Acting Governor  
PO Box 5968 Riyadh 11432, Saudi Arabia  
Phone: (966 1) 463-1111/0503  
Fax: (966 1) 463-1952

Saudi Arabian Agricultural Bank  
Contact: Abdullah S. Al-Shoaibi, Director General  
PO Box 1811 Riyadh 11126, Saudi Arabia  
Phone: (966 1) 402-3911  
Fax: (966 1) 402-2359

Saudi Arabian Airlines  
Contact: Dr. Khaled A. Al-Bakr, Director General  
PO Box 620 Jeddah 21421, Saudi Arabia  
Phone: (966 2) 686-0000  
Fax: (966 2) 686-4552

Saudi Arabian Department of Customs  
Contact: HE Saleh Al-Barrak, Director General  
PO Box 3483 Riyadh 11471, Saudi Arabia  
Phone: (966 1) 401-3334  
Fax: (966 1) 404-3412

Saudi Arabian General Investment Authority  
Contact: HE Amr Dabbagh, Governor  
PO Box 5927 Riyadh 11432, Saudi Arabia  
Phone: (966 1) 263-5010  
Fax: (966 1) 263-5020

Saudi Arabian Mining Company (MA'ADEN)  
Contact: Dr. Abdallah E. Al-Dabbagh, President & CEO  
PO Box 68861 Riyadh 11537, Saudi Arabia  
Phone: (966 1) 472-1222  
Fax: (966 1) 472-1333

Saudi Arabian Monetary Agency  
Contact: HE Hamad Saud Al-Sayyari, Governor  
PO Box 2992 Riyadh 11461, Saudi Arabia  
Phone: (966 1) 463-3000  
Fax: (966 1) 463-4262

Saudi Arabian National Guard  
Contact: HRH Prince Badr Bin Abdul Aziz Al-Saud, Vice President  
Riyadh 11173, Saudi Arabia  
Phone: (966 1) 491-2222  
Fax: (966 1) 491-4429

Saudi Arabian Oil Company (Saudi Aramco)  
Contact: HE Abdallah Saleh Jumaa, President & CEO  
PO Box 5000 Dhahran Airport 31311, Saudi Arabia  
Phone: (966 3) 876-5229  
Fax: (966 3) 876-6520

Saudi Arabian Public Transport Company  
Contact: Dr. Abdul Aziz Al-Ohali, Director General  
PO Box 10667 Riyadh 11443, Saudi Arabia  
Phone: (966 1) 454-5000  
Fax: (966 1) 454-2100

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Saudi Arabian Railway Organization  
Contact: HE Khalid Al-Yahya, President  
PO Box 36 Dammam 31241, Saudi Arabia  
Phone: (966 3) 871-5151/2222  
Fax: (966 3) 827-1130

Saudi Arabian Standards Organization (SASO)  
Contact: Dr. Khaled Youssef Al-Khalaf, Director General  
PO Box 3437 Riyadh 11471, Saudi Arabia  
Phone: (966 1) 452-0000  
Fax: (966 1) 452-0086

Saudi Basic Industries Corporation (SABIC)  
Contact: Eng. Mohammad Al-Madi, Vice Chairman & CEO  
PO Box 5101 Riyadh 11422, Saudi Arabia  
Phone: (966 1) 401-2033  
Fax: (966 1) 401-3831

Saudi Electricity Company  
Contact: Eng. Sulaiman Al-Kady, President  
PO Box 22955 Riyadh 11416, Saudi Arabia  
Phone: (966 1) 218-0340/1911  
Fax: (966 1) 218-0362

Saudi Fund for Development  
Contact: HE Yousef Ibrahim Al-Bassam, Director General  
PO Box 50483 Riyadh 11523, Saudi Arabia  
Phone: (966 1) 464-0292  
Fax: (966 1) 464-7450

Saudi Industrial Development Fund (SIDF)  
Contact: Saleh Al-Naim, Director General  
PO Box 4143 Riyadh 11491, Saudi Arabia  
Phone: (966 1) 477-4002  
Fax: (966 1) 479-0165

Saudi Ports Authority  
Contact: Musaed Al-Dress, Director General  
PO Box 5162 Riyadh 11188, Saudi Arabia  
Phone: (966 1) 405-0005  
Fax: (966 1) 405-3508

Saudi Red Crescent Society  
Contact: HE Dr. Abdulrahman Abdulaziz Al-Suwailem, President  
Riyadh 11129, Saudi Arabia  
Phone: (966 1) 474-0925/0027  
Fax: (966 1) 474-0430

Saudi Telecommunications Company  
Contact: Khaled Al-Melhem, President  
PO Box 87912 Riyadh 11650, Saudi Arabia  
Phone: (966 1) 452-5000  
Fax: (966 1) 452-5559

Saudi Communications Commission  
Contact: HE Dr. Mohammad Al-Swayyel, Governor  
Riyadh 11231  
Phone: (966 1) 452-2099  
Fax: (966 1) 452-2625

Supreme Council for Petroleum and Mineral Affairs  
Contact: HE Dr. Mutlib Abdullah Al-Nafeesah, Secretary General  
Riyadh 11272  
Phone: (966 1) 483-1444  
Fax: (966 1) 483-3085

Supreme Council for Tourism  
Contact: HRH Prince Sultan Bin Salman Abdul Aziz Al-Saud, Secretary General  
PO Box 66680 Riyadh 11586, Saudi Arabia  
Phone: (966 1) 480-8855  
Fax: (966 1) 480-8844

Supreme Economic Council  
Contact: HE Dr. Abdul Rahman Al-Tuwaijry, Secretary General  
PO Box 94737 Riyadh 11614, Saudi Arabia  
Phone: (966 1) 483-4037  
Fax: (966 1) 483-4035

## 4.9.6 Saudi Arabian Government Ministries

Ministry of Agriculture  
Contact: HE Dr. Fahad Abdel Rahman Balghonaim, Minister  
PO Box 2639 Riyadh 11195, Saudi Arabia  
Phone: (966 1) 401-2777/403-0030  
Fax: (966 1) 404-4592

Ministry of Civil Service  
Contact: HE Mohammed Ali Al-Fayez, Minister  
Riyadh 11114  
Phone: (966 1) 402-6666  
Fax: (966 1) 405-6258

Ministry of Trade & Industry  
Contact: HE Dr. Hashem Abdallah Yamani, Minister  
PO Box 1774 Riyadh 11162, Saudi Arabia  
Phone: (966 1) 401-2222  
Fax: (966 1) 405-6292

Ministry of Transport  
Contact: HE Dr. Jubarah Eid Al-Suraisry, Minister  
PO Box 3813 Riyadh 11178, Saudi Arabia  
Phone: (966 1) 404-3000/2928  
Fax: (966 1) 403-1401

Ministry of Defense and Aviation

Contact: HRH Prince Sultan Bin Abdul Aziz Al-Saud, Minister  
Riyadh 11165, Saudi Arabia  
Phone: (966 1) 478-9000/477-7313  
Fax: (966 1) 406-2146

Ministry of Education  
Contact: HE Dr. Mohammad Bin Ahmad Al-Rasheed, Minister  
Riyadh 11148, Saudi Arabia  
Phone: (966 1) 404-2888  
Fax: (966 1) 403-7229

Ministry of Finance  
Contact: HE Dr. Ibrahim Al-Assaf, Minister  
PO Box 6902 Riyadh 11177, Saudi Arabia  
Phone: (966 1) 405-0080/0000  
Fax: (966 1) 405-9202

Ministry of Foreign Affairs  
Contact: HRH Prince Saud Al-Faisal, Minister  
Riyadh 11124, Saudi Arabia  
Phone: (966 1) 406-7777  
Fax: (966 1) 402-0100

Ministry of Health  
Contact: HE Dr. Hamad Abdallah Al-Manie, Minister  
PO Box 21217 Riyadh 11176, Saudi Arabia  
Phone: (966 1) 401-2220  
Fax: (966 1) 402-6395

Ministry of Higher Education  
Contact: HE Dr. Khaled Al-Anqari, Minister  
Riyadh 11153, Saudi Arabia  
Phone: (966 1) 441-5555  
Fax: (966 1) 441-9004

Ministry of Water and Electricity  
Contact: HE Eng. Abdallah Al-Hussayn, Minister  
Riyadh 11233, Saudi Arabia  
Phone: (966 1) 205-2970  
Fax: (966 1) 205-2749

Ministry of Information  
Contact: HE Dr. Fuad Abdul Salam Al-Farsi, Minister  
PO Box 843 Riyadh 11161, Saudi Arabia  
Phone: (966 1) 406-8888  
Fax: (966 1) 405-0674

Ministry of Interior  
Contact: HRH Prince Naif Bin Abdul Aziz Al Saud, Minister  
PO Box 3743 Riyadh 11481, Saudi Arabia  
Phone: (966 1) 401-1111  
Fax: (966 1) 403-3614

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Ministry of Islamic Affairs, Endowments and Guidance  
Contact: HE Saleh Abdul Aziz Mohammad Al-Sheikh, Minister  
Riyadh 11137, Saudi Arabia  
Phone: (966 1) 473-0401  
Fax: (966 1) 477-2938

Ministry of Justice  
Contact: HE Dr. Abdullah Mohammad Ibrahim Al-Sheikh, Minister  
Riyadh 11137, Saudi Arabia  
Phone: (966 1) 405-7777  
Fax: (966 1) 405-9042

Ministry of Labor  
Contact: HE Dr. Ghazi Al-Gosaibi, Minister  
Riyadh 11157, Saudi Arabia  
Phone: (966 1) 477-1480/477-8888  
Fax: (966 1) 477-2250

Ministry of Petroleum and Mineral Resources  
Contact: HE Eng. Ali Al-Naimi, Minister  
PO Box 247 Riyadh 11191, Saudi Arabia  
Phone: (966 1) 478-1661/1133/7777  
Fax: (966 1) 478-1980

Ministry of Pilgrimage  
Contact: HE Iyad Amin Madani, Minister  
Riyadh 11183, Saudi Arabia  
Phone: (966 1) 402-2200  
Fax: (966 1) 402-6583

Ministry of Planning and National Economy  
Contact: HE Dr. Khaled Al-Gosaibi, Minister  
PO Box 358 Riyadh 11183, Saudi Arabia  
Phone: (966 1) 401-3333/1444  
Fax: (966 1) 401-0385

Ministry of Telecommunications and Information Technology  
Contact: HE Eng. Mohammad Jamil Mulla, Minister  
Riyadh 11112, Saudi Arabia  
Phone: (966 1) 452-4444  
Fax: (966 1) 403-2048

Ministry of Municipalities and Rural Affairs  
Contact: HRH Prince Miteb Bin Abdul Aziz Al Saud, Minister  
Riyadh 11136, Saudi Arabia  
Phone: (966 1) 456-9999  
Fax: (966 1) 456-3196

Ministry of Social Affairs  
Contact: HE Dr. Ali Al-Namlah, Minister  
Riyadh 11157, Saudi Arabia  
Phone: (966 1) 477-1480  
Fax: (966 1) 477-2250



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## 4.9.7 Saudi Arabian Market Research Firms

Al-Saif Management and Economic Consultants  
Contact: Dr. Khaled Abdel Rahman Al-Saif, Executive Director  
PO Box 17212 Riyadh 11484, Saudi Arabia  
Phone: (966 1) 465-1982  
Fax: (966 1) 464-4668  
E-mail: [alsaif@anet.net.sa](mailto:alsaif@anet.net.sa)

Business Consultants International Group  
Contact: Raed Al-Khaldi, CEO  
PO Box 91450 Riyadh 11633, Saudi Arabia  
Phone: (966 1) 478-6154/4275  
Fax: (966 1) 478-3794  
E-mail: [k.kutty@bcig-arnold.com](mailto:k.kutty@bcig-arnold.com)

Consultancy & Research Center  
Contact: Charles Glover, General Manager  
PO Box 7188 Riyadh 11462, Saudi Arabia  
Phone: (966 1) 479-3321/2673 x 120  
Fax: (966 1) 479-4122  
E-mail: [Charles.glover@synovate.com](mailto:Charles.glover@synovate.com)  
**[www.synovate.com](http://www.synovate.com)**

The Consulting Center for Finance and Investment  
Contact: Dr. Abdulaziz M. Al-Dukheil, President  
PO Box 2462 Riyadh 11451, Saudi Arabia  
Phone: (966 1) 478-2525  
Fax: (966 1) 476-8021  
E-mail: [riyadh@ccfi.com.sa](mailto:riyadh@ccfi.com.sa)  
**[www.ccfi.com.sa](http://www.ccfi.com.sa)**

The Economic Bureau  
Contact: Sherif Fathi Hanafi, Administration & Financial Manager  
PO Box 86619 Riyadh 11632, Saudi Arabia  
Phone: (966 1) 464-3938  
Fax: (966 1) 465-4669  
E-mail: [teb@teb.com.sa](mailto:teb@teb.com.sa)  
**[www.teb.com.sa](http://www.teb.com.sa)**

Amer/A.C. Nielsen  
Contact: Maher Obaid, General Manager  
PO Box 222 Riyadh 11382, Saudi Arabia  
Phone: (966 1) 403-2887  
Fax: (966 1) 403-7491

## 4.9.8 Saudi Arabian Commercial Banks

Arab National Bank  
Contact: Nemeh Sabbagh, Managing Director

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PO Box 56921 Riyadh 11564, Saudi Arabia  
Phone: (966 1) 402-9000  
Fax: (966 1) 403-0052  
**www.anb.com.sa**

Saudi French Bank  
Contact: Bertrand Viriot, Managing Director  
PO Box 56006 Riyadh 11554, Saudi Arabia  
Phone: (966 1) 404-2222  
Fax: (966 1) 404-2155  
**www.alfransi.com**

Samba Financial Group  
Contact: Issa Al-Issa, Managing Director  
PO Box 833 Riyadh 11421, Saudi Arabia  
Phone: (966 1) 477-4770  
Fax: (966 1) 478-0823  
**www.samba.com.sa**

Saudi Hollandi Bank  
Contact: Peter Baltussen, Managing Director  
PO Box 1467 Riyadh 11431, Saudi Arabia  
Phone: (966 1) 401-0288  
Fax: (966 1) 401-0968  
**www.shb.com.sa**

Saudi British Bank  
Contact: Jeff Calvert, Managing Director  
PO Box 9084 Riyadh 11413, Saudi Arabia  
Phone: (966 1) 405-0677  
Fax: (966 1) 405-0069  
**www.sabb.com.sa**

Al-Rajhi Investment and Banking Corporation  
Contact: Abdallah Suleiman Al-Rajhi, President  
PO Box 28 Riyadh 11411, Saudi Arabia  
Phone: (966 1) 460-1000/2015  
Fax: (966 1) 460-2040  
**www.alrajhibank.com.sa**

Riyad Bank  
Contact: Talal Al-Godaibi, President & CEO  
PO Box 22622 Riyadh 11416, Saudi Arabia  
Phone: (966 1) 401-0908  
Fax: (966 1) 403-0010  
**www.riyad-bank.com.sa**

The Saudi Investment Bank  
Contact: Saud Al-Saleh, General Manager  
PO Box 3533 Riyadh 11481, Saudi Arabia  
Phone: (966 1) 477-8433  
Fax: (966 1) 478-1557  
**www.saib.com.sa**

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Bank Al-Jazira  
Contact: Mishari Ibrahim Al-Mishari, General Manager  
PO Box 6277 Jeddah 21442, Saudi Arabia  
Phone: (966 2) 651-8070  
Fax: (966 2) 653-0923  
[www.baj.com.sa](http://www.baj.com.sa)

National Commercial Bank  
Contact: Abdallah S. Bahamdan, Managing Director  
PO Box 3555 Jeddah 21481, Saudi Arabia  
Phone: (966 2) 644-6644  
Fax: (966 2) 643-9595  
[www.ncb.com.sa](http://www.ncb.com.sa)

### **4.9.9 Multilateral Development Bank Offices in Saudi Arabia**

Islamic Development Bank  
Contact: Dr. Ahmed Mohammad Ali, President  
PO Box 5925 Jeddah 21432, Saudi Arabia  
Phone: (966 2) 636-1400  
Fax: (966 2) 636-6871

The World Bank  
Contact: Ziad Badr, Acting Country Manager  
PO Box 5900 Riyadh 11432, Saudi Arabia  
Phone: (966 1) 483-4956  
Fax: (966 1) 488-5311  
E-mail: [zbadr@worldbank.com](mailto:zbadr@worldbank.com)  
[www.worldbank.org](http://www.worldbank.org)

### **4.9.10 Washington-Based U.S. Government Country Contacts**

U.S. Department of Commerce  
Contact: Bobette Orr, Regional Director, U.S. & FCS/ANESA  
14th & Constitution Ave, NW  
Washington, DC 20230  
Phone: (202) 482-4836  
Fax: (202) 482-5179

U.S. Department of Commerce  
Contact: Tyler Hoffman, Desk Officer, MAC/ANESA/ONE, Room 2029b  
14th & Constitution Ave, NW  
Washington, DC 20230  
Phone: (202) 482-1860  
Fax: (202) 482-0878

TPCC Trade Information Center  
Phone: 1-800-USA-TRADE

U.S. Department of Agriculture  
Foreign Agricultural Service  
Trade Assistance and Promotion Office  
Phone: (202) 720-7420  
Fax: (202) 690-4374

U.S. Department of State  
Office of the Coordinator for Business Affairs  
Phone: (202) 746-1625  
Fax: (202) 647-3953

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