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Briefing note

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Foreign manufacturers may soon be allowed to distribute their products in Saudi Arabia through wholly-owned subsidiaries

Saudi Arabia has announced that major foreign companies can establish wholly-owned subsidiaries in Saudi Arabia to sell their products.

On 5 September 2015, pursuant to a Royal Order, the government of Saudi Arabia announced that it would allow foreign investors to fully own wholesale and retail companies in Saudi Arabia. This is a major policy shift for the government, which until now has required wholesale and retail companies in Saudi Arabia to have at least 25% of their shares owned by Saudi companies or nationals. The new policy was announced by the Governor of the Saudi Arabian General Investment Authority (SAGIA) and the Minister of Commerce and Industry in the context of King Salman's visit to Washington.

The new policy could have a major impact on the wholesale and retail sector in Saudi Arabia. Until now, most foreign investors have been using a Saudi agent or have set up retail joint ventures with Saudi partners. The new policy would enable foreign investors to establish wholly-owned wholesale or retail subsidiaries in Saudi Arabia, without Saudi partners.

SAGIA, with this policy change, is clearly targeting foreign multinational companies who are willing to invest heavily in Saudi Arabia. Although the details and relevant eligibility criteria are yet to be published by SAGIA, official press releases indicate that a number of conditions will be imposed on foreign investors wishing to take advantage of this new policy. For example, comments from the Minister of Commerce and Industry, Dr. Tawfiq Al-Rabee'a, and the Governor of SAGIA, Eng. Abdullatif bin Ahmed Al-Othman, suggest that the conditions will include, among other things, the recruitment and training of Saudi nationals.

We will monitor any developments in relation to this announcement and provide additional information when available.

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