U.S. – ARAB CHAMBER SUPPORTS “DOING BUSINESS IN SAUDI ARABIA” WORKSHOP IN TEXAS

Dallas-Area Mayor, Following Visit to the Kingdom, Lauds “Networking and Relationship-Building Opportunity” in Support of Local Economic Development

The National U.S. – Arab Chamber of Commerce (NUSACC) recently supported a U.S. Commercial Service workshop in Dallas, Texas, on “Doing Business in Saudi Arabia.” The workshop included a delegation of 12 businessmen from Saudi Arabia who stopped off in Dallas for three days en route to the World of Concrete exhibition in Las Vegas. NUSACC, in addition to presenting at the workshop, sponsored a reception for upwards of 100 local and international business leaders in Dallas.

“Our Chamber was privileged to support this Commercial Service event, which provided a good overview of business opportunities in the Kingdom, the largest economy in the Middle East,” said David Hamod, President & CEO of NUSACC. “We were also pleased to welcome the Saudi delegates to the United States, which is poised to play a key role in Saudi Arabia’s building boom.”

This message was highlighted by the Mayor of Irving, Texas – Hon. Beth Van Duyne – who opened the workshop. “As Mayor, I want to reach out and learn all I can to assist our corporate partners,” she said. “This was a networking and relationship-building opportunity with the goal of supporting Irving corporations in Saudi Arabia, as well as bringing additional economic development to Irving, both of which build greater value for our residents.”
Mayor Van Duyne was one of seven American mayors who visited Saudi Arabia in December 2013. The trip was organized by the U.S. Conference of Mayors, a non-partisan organization that coordinates policy among the 1,309 U.S. cities with populations of 30,000 or more. Mayor Van Duyne noted, “We had many conversations regarding oil and gas, water and immigration. The industries and issues are similar to ours. The Saudis were interested in holding robust dialogue regarding possible solutions to our shared issues, some unique to both countries, some more global in nature.”

“How to Do Business” Workshop

The workshop, held at DeVry University, was organized by the U.S. Commercial Service, which put together the week-long “Saudi Arabian Buyer Mission” to the United States. Leading the delegation was Charles Ranado, Commercial Consul at the U.S. Consulate in Jeddah, who noted, “Saudi Arabia is a fast growing market with numerous opportunities related to infrastructure. From housing to roads, rail to health care, the Kingdom of Saudi Arabia has announced significant investments in each sector. This business-to-business (B2B) mission clearly demonstrates the robust resources that Texas has in such areas, and I am confident that the mission will result in significant successes between Texas and Saudi firms.”

Organizing U.S. companies on the ground in Texas was the responsibility of the North Texas U.S. Export Assistance Center, led by Director Daniel Swart and championed by Matt Baker, Senior International Trade Specialist. Said Baker, “Bringing qualified buyers and sellers together is pivotal to success for our activities, both in product categories and services. Through the U.S. Consulate in Jeddah and support from the National U.S. – Arab Chamber of Commerce, we were able to encourage and create an environment conducive for international trade. We directly matched U.S suppliers to the needs of Saudi buyers, and I am optimistic that this matchmaking will lead to enhanced business for North Texas.”

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Commitment to Infrastructure Development

According to the U.S. Commercial Service, Saudi Arabia has budgeted $385 billion for roads, airports, and energy projects for the five-year period ending in 2014. Some of the growth in the infrastructure sector is being driven by the Kingdom’s ambitious rail plans, with $30 billion worth of contracts under way or at the bidding stage. Major projects include the North – South railway, the Saudi Land Bridge, and the Mecca – Medina railway.

Deloitte, the international consulting firm, estimates that construction in the Kingdom is increasing at a real value annual growth rate of 4.5 percent. Government-led activity is driving demand in Saudi Arabia’s construction sector – the largest in the Middle East – and efforts are being made to increase private investment, which will create additional opportunities for U.S.-based contractors.

Saudi Government officials have stated that the Kingdom will spend an estimated $400 billion on large infrastructure projects over the next five years. This expansion will be driven in part by public sector building programs, including 800 new factories, 742 new schools, and a doubling of the Kingdom’s desalination capacity.

Housing will also be an important driver of this expansion. With the Kingdom’s population growing at three percent per year, more than one-and-a-half million new homes will be needed by the end of next year to meet Saudi Arabia’s growing demand. According to the U.S. Commercial Service, private and public developers will need to build about 375,000 units per year for a total of 2.25 million homes over six years.
The U.S. Commercial Service notes that construction will also play a large part in the Kingdom’s industrial expansion through the National Industrial Cluster Development Program. This market will be stimulated by $300 billion worth of contracts yet to be awarded in the construction, petrochemicals, power, and water sectors. In power generation alone, according to some estimates, the Kingdom is expected to invest between $80 billion and $100 billion by the year 2020 to generate at least 30 GigaWatts of additional power.

The healthcare sector is one of the largest in the region in terms of expenditures, size, activity, and potential, according to the U.S. Commercial Service. Annual spending on healthcare was estimated to be $26.4 billion in 2012, with more than 85 percent of this expended by the government. More than $18 billion has been committed to Saudi Arabia's healthcare construction over the next five years, including 5 new medical cities, 190 new hospitals, and 1,400 primary healthcare centers.

Like construction itself, the equipment market for construction in Saudi Arabia is booming, with anticipated growth to $4.1 billion by the end of next year, according to World Market Intelligence. There is strong demand for such heavy equipment as concrete pumps, tunneling machines, patch plants, crushers, and earth-moving machinery, as well as handling materials, ceiling materials tools, and hardware equipment.

U.S. – Saudi Commerce: Breaking All Records

From a commercial point of view, the U.S. – Saudi relationship is breaking all previous records, with U.S. exports to the Kingdom roughly doubling every four years. According to research conducted by the National U.S. – Arab Chamber of Commerce (NUSACC), exports of U.S. goods and services to the Kingdom are on track to rise to $46.17 billion by the end of 2016. Market share for U.S. goods is expected to grow from 14 percent in 2013 to 16 percent in 2016, and market share for U.S. services is also slated to rise, from 12 percent in 2013 to 15 percent in 2016.
In 2012, the most recent year for which data are available, Saudi Arabia was America’s largest trading partner in the Middle East and, based on overall trade volume, the ninth largest trading partner for the United States. Saudi Arabia represents over 20 percent of the combined GDP of the Middle East and North Africa (MENA) region, according to the U.S. Department of Commerce, and GDP growth in the Kingdom is projected to reach 4.6 percent this year.

The workshop covered an overview of the MENA regional opportunities by David Hamod, NUSACC President & CEO; export financing options by Kelly Kemp, ExIm Bank; a welcome introduction by Saundra Lohr, Devry University (speaker); and U.S. Commercial Service support in Saudi Arabia by Charles Ranado, Commercial Consul, Jeddah, and in Dallas by Matt Baker, Senior International Trade Specialist.

Saudi Arabia has been one of the best performing G-20 economies in recent years and has played a key stabilizing role in global oil markets. Real GDP growth averaged 6.25 percent per annum during the 2008 – 2012 period, third behind only China and India.

Moreover, the United States is the #1 source of Foreign Direct Investment (FDI) in Saudi Arabia, and the Kingdom is the 23rd largest source of FDI in the United States. In recent years, U.S. subsidiaries of Saudi Arabian firms have employed over 6,800 U.S. workers, recorded over $67.8 billion in total sales, and held over $34 billion worth of assets in the United States. The U.S. Embassy estimates that more than 1,000 U.S. companies are represented in the Saudi market.
Dallas: The Destination

Dallas – the ninth-largest city in the United States and the third-largest city in the State of Texas – was a logical destination for the Saudi Buyer Mission. Over the years, Dallas has developed a strong industrial sector, with the Dallas Logistics Hub positioning itself as the largest new logistics park in North America with 6,000 acres master planned for a potential 60 million square feet of distribution, manufacturing, office and retail development. The Dallas area is an important inland hub, in large part because of the presence of Dallas/Fort Worth International Airport, one of the largest and busiest airports in the world.

Dallas is home to the third largest concentration of Fortune 500 companies in the nation, and it is the third most popular destination for business travel in the United States. Some of this can be attributed to the fact that Dallas is home to two of America’s most important airlines – American Airlines and Southwest Airlines. This also helps to explain why Forbes magazine in 2013 ranked Dallas thirteenth in the USA on its list of the “Best Places for Business and Careers.”

The Dallas-Fort Worth Metroplex area has one of the largest concentrations of corporate headquarters for publicly traded companies in the United States, including such firms as Texas Instruments, ExxonMobil, Kimberly-Clark, Fluor Corporation, Radio Shack, Neiman Marcus, 7-Eleven, Mary Kay Cosmetics, Frito Lay, HP Enterprise Services, and JC Penney. Dallas is sometimes referred to as “Silicon Prairie” because of the high concentration of
telecommunications companies in the region, the epicenter of which lies along the Telecom Corridor, home to more than 5,700 companies.

One of these companies, International Chem-Crete Corporation, served as a sponsor of the Saudi Arabian Buyer Mission visit to Dallas. The firm’s President & CEO, Mr. Radi Al-Rashed, characterized the visit as an opportunity “for North Texas companies to meet face-to-face with Saudi companies and the Commercial Specialist in Saudi Arabia to discuss opportunities in that increasingly important region.” The visiting delegation had an opportunity to make site visits to leading construction and engineering firms in Texas, including CP&Y, a firm with 25 years of innovative expertise in this field.

Companies like International Chem-Crete and CP&Y are strong prospective partners for Saudi firms, according to Principal Commercial Officer and delegation leader Charles Ranado. “American businesses have a great deal of experience and expertise to share with Saudi Arabia, and the private sector representatives from Saudi Arabia have invaluable insights to share about their country. The Saudi market offers tremendous opportunity, and the United States wants to be a partner in the Kingdom’s efforts to diversify its dynamic economy.” Ranado concluded, “Now is the time to build on past commercial success between our two countries to ensure that this fruitful partnership continues well into the future.”