Research on the New Trends and Compliance of Saudi Arabia's 2024 Investment Law

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Abstract: This paper analyzes saudi arabia's economic and legal background to examine the changes and developments in saudi arabia's 2024 investment law and analyses how the new law promotes foreign confidence by eliminating the unequal status of foreign and local investors, simplifying the registration process, and lifting the ban on foreign investment in makkah and madinah. The new law clarifies investor rights, establishes a transparent complaints-handling mechanism, and encourages dispute resolution through international arbitration. In addition, while the new law has brought about positive changes, there are still potential operational problems and uncertainty about the recognition of foreign judgments. The article notes that the saudi reforms aim to promote economic transformation through investment diversification and enhance competitiveness with global investors. The article also provides legal and compliance advice to investors to help them better manage risk and pursue opportunities in saudi arabia, especially in medina and mecca.

1 GENERAL INSTRUCTIONS

The global economic landscape has been marked by rapid changes and intensifying international capital competition in recent years (Niu et al., 2022). Against this backdrop, the Middle East, as a key energy hub and an emerging market, is witnessing unprecedented development opportunities. As a leading nation in the region, Saudi Arabia has long relied on oil revenues to drive its economic growth (Alzubair, 2021).Saudi Arabia has undergone significant economic and legal transformations as part of its ambitious Vision 2030 initiative (Grand & Wolff, 2022).The country has been striving to diversify its economy beyond oil dependency, foster private sector growth, and attract foreign direct investment (FDI), which is of fundamental importance in the roadmap drawn up by Saudi Arabia through the Kingdom's Vision 2030 (Council of Economic and Development Affairs, 2016) .

In line with these goals, the Ministry of Investment of Saudi Arabia introduced the latest 2024 Investment Law, a major legislative overhaul to create a more transparent, efficient, and competitive investment environment. The new law replaces the previous Foreign Investment Law issued in 2000 and aims to provide equal treatment for domestic and foreign investors while improving regulatory clarity and investment protections (Ministry of Investment for Saudi Arabia, 2024).

The research objectives are: firstly, to systematically map out the background and new trends introduced by the 2024 Investment Law and analyze its role in enhancing the investment environment, optimizing legal governance, and promoting economic diversification; secondly, to explore the opportunities and challenges that overseas investors face under the new regulatory framework. Ultimately, this study seeks to contribute both theoretical insights and legal suggestions that will support foreign investors in Saudi Arabia.

The significance of studying the new trends and compliance issues of the 2024 Investment Law is both theoretical and practical. Theoretically, the reform offers a fresh case study in the modernization of international investment law and in enhancing global competitive standards. Practically, understanding the law's impact on overseas investors and exploring its compliance requirements can aid both policymakers and market participants in adapting to the evolving Saudi landscape, thereby fostering multifaceted cooperation in legal, economic, and cultural domains.

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This research focuses on several key areas: Using the characteristics revealed by Saudi overseas investment data and domestic economic data to analyze the background of Saudi investment law, which includes the distinctive features and desperate need of the new law in terms of optimizing the investment environment, increasing transparency, and safeguarding investor rights. A special emphasis is placed on examining how the new law affects overseas investors—addressing issues such as simplifying approval processes, broader investment scopes, and changes in investors' rights—with the aim of offering targeted policy recommendations. This research aims to compare the old and the latest Saudi Investment law by explaining the social background of this amendment and the impact of the new law on foreign investors, eventually providing updated, feasible compliance advice to foreign investors in Saudi Arabia.

2 THE BACKGROUND OF SAUDI ARABIA'S 2024 INVESTMENT LAW

2.1 The General Background of Saudi Arabia's Investment Law Status Quo

Saudi Arabia's economic prosperity and geopolitical influence in the Gulf region largely depend on its oil resources. The oil industry remains the backbone of the country's economy and the primary source of its wealth, with oil revenues making up 90% of export earnings and 42% of the GDP (Alotaibi et al., 2024). However, political and economic instability has strained Saudi Arabia's public finances over the past decade. These developments have heightened the need for structural reforms to reduce reliance on oil resources. However, ambitious projects like Neom, nicknamed “the Saudi Silicon Valley,” require massive financial support (Algumzi, 2022). With public finances under pressure, Saudi Arabia has acknowledged the importance of attracting FDI. Multiple data sources indicate that the Kingdom's efforts to improve its business environment, optimize its legal framework, and promote economic diversification have begun to attract an increasing amount of FDI to its market.

Another serious structural problem is the steep increase in public debt. According to IMF data, Saudi Arabia's public debt has increased from 1.5% of the GDP in 2014 to 26.2% of the GDP (World Bank Group, 2024), thanks to massive public projects such as Neom and high-speed railway projects between Jeddah, Mecca, and Medina (Aljehani, 2023). In recent years, the global financial market environment has tightened, interest rates have risen, and the cost of international financing for Saudi Arabia has also risen. Government debt growth means that more interest costs need to be paid, and attracting foreign investment into the country can effectively alleviate this pressure.

In 2000, the previous Investment Law was published, aiming to standardize FDI. The implementation effect was positive yet still needed improvement. In 2016, the Saudi government published its ambitious Vision 2030, which mentioned “Investing for long-term” in the “A Thriving Economy” section. As part of the commitment of the Saudi government, it promised to raise the country's FDI from 3.8% to the international level of 5.7% of GDP. In the legal section, the Saudi government also promised to “laws and regulations thoroughly, remove obstacles, facilitate access to funding.” (Council of Economic and Development Affairs, 2016) However, according to the latest data from the Saudi Ministry of Investment and the World Bank, Saudi Arabia's FDI net inflows (% of GDP) were 1.2% in 2023, with SAR 85,513,118,000. This is much lower than what was promised in its 2030 Vision (Council of Economic and Development Affairs, 2016) (Ministry of Investment for Saudi Arabia, 2024).

In addition, in Saudi Arabia's effort to liberalize its market to complete the shift from the state-owned oil industries to private sectors, in its Vision 2030, Saudi Arabia has outlined an ambitious plan to increase the private sector's contribution to GDP from 48% to 65% (Council of Economic and Development Affairs, 2016).

It is worth noting that Saudi Arabia is also known for its distinctive Shariah law, whose main sources include the Qur'an and the traditions of the Prophet Muhammad (Sunnah). In addition, scholarly consensus (Ijma) and analogical reasoning (Qiyas) are also considered sources of law. This has likewise influenced the direction and specific measures taken in legislating and reforming the law. On March 1, 1992, Saudi Arabia enacted the Basic Law of Governance, which formally established the primacy of Shariah. Article 7 of the law states, “The authority to rule the Kingdom of Saudi Arabia derives from the

Qur'an and the Sunnah, both of which take precedence over this law and all other laws of the country." Under the system of foreign investment law discussed in this paper, the specific influence of Islamic law is reflected in the fact that both the old and new versions of the investment law refer to the fact that the areas available for foreign investment must be determined by the Council of Ministers, and that foreigners are not permitted to invest in specific areas. This is in line with the spirit of article 14 of the Basic Law: All God's bestowed wealth, be it underground, on the surface, or in national territorial waters, on the land or maritime domains under the State's control, all such resources shall be the property of the State as defined by the Law. The Law shall set forth the means for exploiting, protecting, and developing such resources for the benefit, security, and economy of the State. 2. The Saudi Basic Law also guarantees the sanctity of personal assets. The Saudi Basic Law also guarantees the inviolability of personal property: "The State shall guarantee private property and its inviolability. No one shall be deprived of his property except for the public interest, provided that the owner is fairly compensated." This provides the most basic guarantee for foreign investment (Agil, 2013).

2.2 The Main Obstacles Currently Faced by Foreign Investors in Saudi Arabia

The implementation of the 2000 Foreign Investment has failed to significantly improve the attractiveness of FDI. Many foreign investors are unsure whether they can participate in joint ventures and are unclear about their rights and obligations in such ventures. For example, the law requires foreign companies to obtain a license before entering into a joint venture agreement, and the granting of a license is dependent on the company's expertise, but 'expertise' is not specified, leaving the approval process entirely in the hands of the Foreign Investment Committee (Royal Decree No M/1., 2000).

In addition, foreign investors face problems such as the possibility of expropriation of foreign firms' assets by the Government without compensation or the transfer of invested capital, which may be affected by changes in law and policy (Royal Decree No M/1., 2000). Saudi regulators tend to favour local firms, which puts foreign companies at a competitive disadvantage. The code also restricts foreign investors from entering into joint ventures with local firms in key sectors such as energy, health care, insurance, and communications, which remain under State control.

3 THE NEW TREND OF SAUDI 2024 INVESTMENT LAW

Unlike the 2000 Foreign Investment Law, the new investment law applies to both local and foreign investors, which means that now, both foreign and local investors enjoy equal rights and legal status (Ministry of Investment for Saudi Arabia, 2024). This significantly increased foreign investors' confidence in FDI and continues to show Saudi Arabia's ambition and willingness to adopt foreign capital. This will help create a competitive environment among investors of different backgrounds and sizes, thereby diversifying Saudi Arabia's existing investment and experience and providing better quality services to beneficiaries at competitive prices through competition.

In addition, one of the main changes in the new investment law is the elimination of investment licenses. This is crucial to the simplification of the Investment Process. According to article 2 of the old foreign investment law (Royal Decree No M/1., 2000): Without prejudice to the provisions of the laws and agreements, the authority shall issue a license for foreign capital investment in any investment activity in the Kingdom, whether permanent or temporary. This requires all foreign investors to go to the Ministry of Investment for Saudi Arabia (MISA) to obtain an investment license before investing, but under the new investment law, A foreign investor shall register with the Ministry prior to engaging in any investment, as specified in the regulations. This is symbolic of the fact that foreign investors no longer need to go through the cumbersome process of obtaining a foreign investment license, while Saudi government agencies are required to set up platforms and provide necessary information to investors to help them register quickly. What sets this law apart from the Foreign Investment Law is the establishment of a comprehensive service center. This center plays a crucial role by highlighting its importance and the responsibilities it holds, which are focused on improving services for investors. It also aims to provide continuous innovative solutions to enhance and develop these services, ensuring their effectiveness (Ministry of Investment for Saudi

Arabia, 2024).

One of the most significant reforms of this amendment of law is the lift of restrictions of foreign investment in the two holy cities-Mecca and Medinah(Capital Market Authority for Saudi Arabia., 2025).Both the old and the new laws granted the Supreme Economic Council the power to issue a list of activities excluded from foreign investment, which usually included investment in the medical field, the military, and the two holy cities. Before 2025, to protect the Islamic creed and the sanctity of holy sites, foreign investors were prohibited from conducting investment activities in the areas of Mecca and Medina. Additionally, they cannot own real estate in these cities. Yet, since January 27, 2025, foreign investors are officially allowed to invest in publicly traded companies that own real estate in Mecca and Medina. Mecca and Medina are the two most frequently visited cities and hubs for Muslim pilgrims in Saudi Arabia, with more than 1.4 million visitors in Mecca alone in 2024 (Pintér, 2014). This reform not only opens up a giant market and a golden opportunity for FDI but also the Saudi government's willingness and determination to lift up traditional legal obstacles to embrace foreign investment.

The new law also clarified investors' rights and violations. Investors' right is ensured through the establishment of a clear and transparent process for handling complaints (Ministry of Investment for Saudi Arabia., 2024). Local and foreign investor rights are aligned with international investment standards and policies. Investors have the freedom to conduct their activities and transfer capital without unnecessary delays. The law also places a strong emphasis on safeguarding intellectual property and confidential business information. Additionally, provisions are made to address both direct and indirect investment protections. The new law also followed the principle of gradual application of penalty by setting specific standards for penalties. These changes significantly filled the vacancies left by the previous investment law and prevented unequal status between foreign investors and government agencies by clarifying the investors' right and penalty standards, which again solidified foreign investors' confidence. It also encourages the use of international arbitration, specialized commercial courts, and other channels to resolve disputes in a timely manner. Foreign capital may not be expropriated or nationalized without due process of law, and if necessary, in the public interest, reasonable, prompt, and fair compensation must be provided. This effectively solved one of the main obstacles faced by investors under the regulation of the 2000 Investment Law.

In general, the new law simplifies the redundant registering procedure, claims the equal right and status between local and foreign investors, lifting traditional and religious obstacles on FDI on the promising real estate industry in the two holy cities and give clear definition of investors' rights and penalty system to enhance foreign investors' confidence and shows Saudi Arabia's ambition in attracting FDI and providing a reliable legal environment for it.

4 COMPLIANCE ADVICE FOR FOREIGN INVESTORS IN SAUDI ARABIA

4.1 Risk Management

Although the new law has been announced, the scope of restrictions on some sensitive industries have yet to implement the final landing of the rules; investors need to pay attention to the follow-up 'Negative List', whether the full disclosure, as well as the operability of the approval process (Capital Market Authority for Saudi Arabia., 2025). The unified registration mechanism requires the effective cooperation of multiple departments, and if local governments or industry authorities have not yet adapted to the requirements of the new law, foreign investors may still face obstacles at the operational level. Although the new law encourages foreign investors to resolve disputes through arbitration, the jurisprudence of local Saudi courts on certain foreign-related disputes and the efficiency of enforcement remains to be seen. Foreign investors should pay attention to dispute resolution clauses at the contract signing stage. Saudi Arabia has stated that it does not accept the jurisdiction of International Centre for Settlement of Investment Disputes (ICSID) over disputes related to its natural resources, public policy, or sovereign acts, as per a provision in the ICSID Convention (International Centre for Settlement of Investment Disputes., 2020).In international law, issues involving a state's governmental functions typically fall under domestic law, but in practice, distinguishing between governmental actions and commercial activities can be challenging (Alshahrani & Subedi, 2022). Furthermore, although Saudi

Arabia is a party to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, it utilizes a "safe harbor" clause in the Convention to reject foreign judgements or awards that are deemed to violate public policy (Roy, 1994). Additionally, the Riyadh Convention stipulates that any award contradicting Islamic Shariah law or public order will not be recognized. This creates uncertainty for investors, as it is not clear under what circumstances a Saudi court may lawfully refuse to recognize foreign awards.

4.2 Possible Investing Opportunities

The liberalization of the ban on foreigners investing in Makkah and Medina within the framework of the new Saudi Investment Law has led to a significant increase in investment opportunities in these two cities. The two holy cities are known for their large mobile populations and tourism, and investors can focus more on the real estate and hotel and entertainment sectors in the holy cities.

5 CONCLUSION

Hence, the research illustrated the background of Saudi Arabia's investment law and explained how the economic status, religious traditions, and Saudi Vision 2030 affect the introduction of the new law. The research analyzed Saudi Arabia's incentives for getting rid of oil industry reliance, reducing public debt, and fulfilling its ambitious promises in its Vision 2030.By comparing the old and the new law, the research elaborates on how the new law fixes the problems of unequal status between local and foreign investors, over-complicated registration and expropriation of foreign capital, etc. With regards to providing compliance advice to possible firms willing to invest in Saudi Arabia, the research also pointed out that the details of the law are still yet to be confirmed and the risks of arbitration award not being recognized by the Saudi government still widely exist. There are numerous investing opportunities in Mecca and Medinah. Generally, the new amendment of the Saudi Investment law displayed Saudi Arabia's determination to embrace FDI by providing a trustworthy investing environment and legal framework, which includes a precise definition, faster registration procedure, and transparent monitoring mechanism. More implications will be seen after the law is finalized.

However, the study has limitations. By the time the study was completed, the specific provisions of some of the sub-laws under the investment law framework had not been published to provide investors with the most up-to-date compliance advice.

Existing studies have focused on the background of the introduction of the investment law, the specific changes, and the impact on investors. As mentioned in this paper, the lifting of the ban on investment in Mecca and Medina is a very important change. The religious and historical specificities of these two cities have long held a mystique for the non-Muslim world. There must be a deeper reason behind this lifting of the investment ban. The history of Shariah law and its religious origins under this subject have much more to offer.

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