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Saudi Arabia as a Foreign Direct Investment Destination in the GCC: Current Position, Future Prospects, and Policy Imperatives

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Research Background

- Foreign Direct Investment is important for capital formation, employment, technology transfer, productivity, and integration into global value chains.
- Within the GCC, Saudi Arabia has significant structural advantages, including a large domestic market, strategic location, natural resources, and the reform momentum created by Vision 2030.

Research Objectives

- Assess Saudi Arabia’s position as an FDI destination compared with other GCC countries and identify the major factors influencing FDI inflows.
- Propose policy measures to strengthen Saudi Arabia’s FDI attractiveness in a sustainable and diversified manner.

Theoretical Framework

- The study is grounded in Dunning’s Eclectic OLI Theory, which explains international investment through ownership, location, and internalization advantages.

- The literature identifies market size and growth, institutional quality, taxation, human capital, infrastructure, technology, and international integration as important location-specific determinants of FDI.

Research Methodology

- The study adopts a comparative, multi-country research design covering all six GCC countries and relies entirely on secondary data.
- Data for 2020 to 2024 were obtained from sources including UNCTAD, the World Bank, IMF, WIPO, IMD, and Saudi government institutions, enabling comparison of FDI performance and major competitiveness indicators.

Key Findings

- Saudi Arabia ranked second among GCC countries in cumulative FDI inflows, attracting approximately USD 95.2 billion during 2020 to 2024.
- The study identifies Saudi Arabia's market size, economic growth, digitalization, innovation, strategic location, and Vision 2030 reforms as important strengths
- While institutional maturity, talent attraction, regulatory consistency, and investor experience remain areas requiring further development.

Academic Contribution

- The study contributes a GCC-wide comparative perspective on Saudi Arabia's FDI attractiveness by integrating macroeconomic, institutional, technological, labour-market, and fiscal dimensions within the OLI framework.
- Also develops policy-oriented recommendations covering regulatory modernization, tax competitiveness, talent attraction, innovation, sectoral diversification, and investment aftercare.