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FOREIGN DIRECT INVESTMENT AND EMPLOYMENT IN SAUDI ARABIA: REALITY AND CHALLENGE OF THE SAUDI VISION 2030

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Abstract
Foreign direct investment (FDI) has a significant impact on the Saudi economy, both directly and indirectly, through the key role in stimulating economic growth and promoting economic stability Saudi Arabia is considered the third largest FDI recipient in Western Asia. The objective of this paper is to examine the contribution of FDI to the employment of Saudi Arabia (KSA) through descriptive and empirical analysis over 1981-2016 period. This paper shows the importance of FDI in the employment of Saudis and the importance of the measures taken since 2000 to improve the investment climate. This paper recommends more actions in an investment environment that will increase Saudi Arabia's competitiveness in attracting FDI.

Keywords: FDI, Employment, Openness, Saudi Vision 2030, Productivity, Spillovers, Labor Market

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INTRODUCTION

The economic openness to the world is not limited to trade, but also includes FDI that can play an important role in the economic growth, employment, transfer of technology, etc.

In the economic literature, there is no a consensus on the effect of FDI on host countries. This controversy is explained by the specific factors of the host countries as the technological gap, the level of the human capital, institutional factors and the nature of the FDI. Some studies such as those of Caves (1974) and Blomstrom and Person (1983) show that the FDI is beneficial for the host countries. According to these studies, FDI improves productivity of local firms in host countries. Other studies (Aitken H and Haddad M (1993), Aitken H and Harrison (1999) find no evidence on the spillovers generated by FDI and have shown that foreign firms can even exert negative effects on the productivity of domestic firms.

The purpose of this paper is to examine the effect of FDI on employment in Saudi Arabia by using descriptive and empirical analysis over 1981-2016 period. This paper is organized as follows: the first section reviews the effects of FDI on the labor market of the host countries. Specifically, it analyzes the mechanisms and specific factors of host countries that allow FDI to influence the labor market. The second section uses a descriptive analysis to examine Saudi Arabia's experience with FDI by focusing particularly on the contribution of FDI to employment in KSA. The third section devotes to the estimate the effects FDI on employment in KSA. In the last section, some main results will be presented as well as some useful recommendations in terms of policy implications.

EFFECTS OF FDI ON LABOR MARKET

Given the diversity of experiences of host countries in terms of FDI gains, the effects of FDI on labor market differ from one country to another. In line with the purpose of this paper, we are interested to the factors that influence productivity and employment.

The Effect of Competition

The presence of FDI creates a worry for domestic companies to lose their share of the local market. This threat forces them to react to protect their market share and profit. Among the mechanisms that allow companies to compete FDI, we find the need to improve the productivity of workers through training courses, as well as employing highly qualified workers and the improvement of the environment work at the material and moral levels such as increasing salaries, social coverage and others incentives. Also domestic companies are forced to use more modern and productive technologies to resist to the competition. This behavior of

domestic companies thus represents an important source of technological spillovers which come from the technological content of imports.

In addition, FDI increases and diversifies the number of activities in the host countries. They provide domestic firms with new intermediate goods which has a positive effect on local productivity and specialization (Feenstra and Markuzen (1994)). If FDI activities are mainly for host country markets, then spillovers are larger in industries targeting local demand than in export industries. The competitive process of FDI in the domestic market results in a more efficient allocation of resources. Foreign companies have a competitive edge not only because they use a specific technology that is their comparative advantage, but also because they have significant external input. Indeed, FDI requires very high standards of quality and commercialization: this is another aspect of competition that domestic firms must follow.

In general, the mechanism of competition implies that new technologies used by FDI or inevitably imported by domestic firms, represent an important factor to improve labor productivity. Nevertheless, this effect depends on the level of human capital in the host countries.

The Movement of Workers

Spatial interactions of human skills represent an important source of flows of ideas, information and positive externalities. Generally, FDI allows relatively large training for managers and local operators through internal training plans or learning-by-doing. Thus, externalities will occur if skilled workers with interesting responsibilities in foreign companies or who are active in joint-ventures move to domestic firms. These externalities are important if domestic firms use technologies comparable to those used by foreign firms. But if the technological gap between the two types of firms is very important or if the degree of learning from foreign firms is low, so the spillovers are also weak. Therefore, it is important to intensify relations between foreign and domestic companies.

The Effect of Learning- by- Watching

Domestic firms can improve their productivity even by observing foreign companies (Learning-by-Watching). According to Findlay (1978), foreign firms exert a contagion effect on that of local firms. "Learning-by-Watching" means that spillovers depend on the geographical distance between local and foreign companies. FDI spillovers are first received by their neighbors before being distributed to other companies. Whether workers move to domestic businesses or joint ventures unveil their products and technologies, the benefits are first captured by neighbors and gradually spread to other, more distant companies. This Learning-by-Watching effect is a form

of wild imitation that allows domestic firms to benefit from new products, new technologies, new techniques and methods of production, marketing, introduced into the home market by FDI (Teece (1977), Ait Ken and Harrison (1999)).

In reality, spillovers depend on intellectual property rights regime. In fact, FDI generally protects their technologies against local competitors. This behavior reduces the risk of imitation and therefore horizontal or intra-industrial spillovers. On the other hand, in complementary sectors vertical or inter-industry spillovers are important because FDI has an interest to intensify their upstream and downstream relationships with domestic firms (Kugler (2006)).

Generally, the economic policies used to attract FDI are based on the idea that the production and R&D activities of FDI benefit host country firms through positive technological externalities.

The Effects of Host Country Specific Factors.

The empirical works on FDI effects on host countries does not always confirm the positive effects of FDI. Indeed, some studies show that FDI improves the labor productivity of local firms. In other studies, this effect is absent and FDI creates an eviction effect on domestic firms. (Aitken and Harrison (1999), Abdellaoui K and Grimal. L (2006), etc.)

FDI Spillovers are explained by several factors specific to host countries, such as human capital, the technological gap between domestic and foreign firms, the degree of cooperation and competition in the local market, the geographical proximity between domestic firms and FDI. In the following our purpose is to highlight the importance of these specific factors.

The Effect of Human Capital

It has been known since the works of Findlay (1978), Wang. J (1990), Lucas (1988) that human capital plays an important role in the transmission of FDI spillovers to domestic firms and in the contribution of FDI to employment in host countries. FDI can play their role only when the level of human capital is high. This catalytic role can be explained by several reasons: Foreign companies usually use modern and sophisticated technologies that require high labor skills. FDI employ only local workers that can respond to their needs. The higher is the level of the human, the more foreign companies contributed to reducing unemployment in the host countries. Also, human capital enables domestic firms to understand the technical configurations of the technologies used by foreign companies and facilitates the processes of imitation and learning. By-Watching. Then, if spillovers are transmitted through labor mobility, then these spillovers can be important only if the level of human capital is also important. In addition, if spillovers arise from cooperative practices and strategies, then domestic firms can access to cooperative

agreements only if they possess adequate skilled labor. Human capital, which is a factor of attraction of FDI, also acts indirectly on these spillovers (effect level). This role of human capital is confirmed by several empirical studies. Indeed, Blomstrom and al. (1992) studied the effect of FDI on growth and labor productivity using cross-sectional data for a sample of 78 LDCs. These authors consider human capital as a factor in internalizing FDI spillovers. The results show that the effect of FDI on economic growth depends on the level of the human capital in the host countries: these countries must have a threshold level of this factor to benefit from FDI.

Borensztein, De Greguerio and Lee (1998) tested the effects of FDI on economic growth of 69 developing countries during the 1970s and 1980s decades. Particularly, they test the interaction between FDI and human capital in host countries. The main results of this study are as follows: (i) FDI contributes more to economic growth if the level of human capital is higher: FDI has a positive effect only in the range of (0.45, 0,83) of secondary school enrollment rate. (ii) FDI has a positive and significant effect on domestic investment, leading to the conclusion that there is a complementarity rather than a substitution effect between the two types of investment. Aitken and Harrison (1999) consider that the weakness effect of FDI on productivity in host countries can be explained by the inadequacy of skilled labor and low labor mobility.

The Effect of The Technology Gap between Domestic and Foreign Firms

Technological gap hinders the positive effect of FDI in host countries. Indeed, the domestic technological capacity does not allow to internalize and to absorb all FDI positive effects. Then, in the presence of a deep technological gap the competition is strong and the imitation, the learning process, and the worker mobility between FDI and domestic firms are very weak. Aitken and Haddad (1993) studied the effect of FDI on the productivity of Moroccan firms using panel data for the manufacturing industries during the 1985-1989 period. The results show a positive effect of FDI on productivity only for firms near the efficiency frontier. The authors explain this result by the importance of the technological gap between Moroccan and foreign companies. Following Aitken and Harrison, Bouoiyour J and Toufik S. (2003) estimated the effect of FDI on the productivity of Moroccan manufacturing industries by taking into consideration the technological gap between foreign and Moroccan firms. This study shows that FDI has a greater effect on productivity in low technology sectors where technological gap between FDI and domestic firms is low. Kokko. A (1996) proves the negative effect of technological gap in Mexico. The author shows that FDI exerts a crowding out effect on domestic firms. He explains this result by the large technological gap between foreign companies and Mexican firms and the measures taken by foreign companies to protect their technologies. Blomstrom M. and Fredirik S (1998) estimated the effects of FDI on exporting and

non-exporting firms in Indonesia. They find that the former benefit less from technological spillovers than the latter. This result is explained by the fact that non-exporting firms use less important technologies than exporting firms that use more modern technologies to meet the international quality standards.

Xu. B (2000) estimated the effects of FDI spillovers on the productivity growth of 40 host countries during the 1966-1994 period. The results show that productivity growth in host countries is positively correlated with FDI. This correlation is more important in developed countries than in less developed ones. He considers that the technological gap hinders countries to benefit more from FDI. Indeed, if the technological gap is important then the processes of imitation and learning are less important.

The Effects of other Factors

In reality, FDI spillovers do not only depend on the above factors, but also on other factors such as, R&D of host countries, the structure of the financial market, proximity between domestic and foreign firms, the economic freedom, democracy, openness, learning process, public infrastructure, the degree of cooperation between FDI and domestic firms and the importance of joint ventures, etc. Some empirical works have investigated the relationship between FDI and financial markets: in countries with developed financial markets, it is empirically shown that the effect of FDI on productivity is positive and significant. Kinoshita (2000) extended the study of Djankov and Hoekman (2000) by adding the R&D expenditure of Czech domestic firms over 1995-1998 period. He showed that FDI spillovers only exist if these R&D expenditures are taken into consideration. Thus, FDI spillovers depend on the local absorptive capacity measured by investment in R&D.

In conclusion, the empirical studies that have focused on effect of FDI in host countries find varying effects. In some cases, FDI has a positive effect, but in other studies FDI has no significant effect. In this case, the authors estimate the interaction effects between FDI and specific factors of host countries such as human capital, degree of openness, technological gap, R & D expenditure, etc. Generally, interaction effects exist only if the specific factors are favorable.

EFFECT OF FDI ON EMPLOYMENT IN KSA

In this section, we examine the contribution of FDI to the employment in Saudi Arabia (KSA) through descriptive and empirical analysis over 1981-2016 period.

FDI Incentives in KSA

Saudi Arabia represents a vital and important destination for FDI for several economic and political reasons such as:

- The Kingdom of Saudi Arabia is a major economic power in the world as it belongs to the Group of Twenty and ranks first among the countries of the Middle East and North Africa and has a significant growth rate of GDP.
- The Saudi economy is one of the most important economies with wealth. The Kingdom has the largest global oil reserves, which helps investors to benefit from energy at low prices in addition to the decline in the prices of raw materials and semi-finished materials.
- The Kingdom enjoys excellent infrastructure of highways, airports, communication, ports and electronic management, which contributes to improve the productivity of domestic and foreign investment. It also has abundant land and industrial cities in many areas equipped with all facilities and logistics for investment. The cost of renting industrial land is very low and symbolic.
- Saudi Arabia is a big and attractive market due to its membership in the GCC countries where the investor benefits from low customs taxes due to the customs union system which allows free movement of goods between GCC countries. The Kingdom's economic openness to Asia, Europe and Africa represents an opportunity for large foreign markets for each investor. In addition, the Saudi citizen has a high purchasing power, with average per capita income projected to reach 33,500 $ USA in 2020.
- The Kingdom is characterized by lower taxes compared to many other countries due to the lack of taxes on income and the reduction of customs taxes and value added tax (which started only in 2018). Corporate taxes account for 20% of net profits. It also allows the transfer of losses for future years in respect of taxes. The foreign investor may enjoy the customs exemption on imports of machinery, equipment, raw materials and spare parts imported for his project.
- The Saudi Riyal is considered a stable currency as its exchange rate does not change much. Moreover, the Kingdom does not impose large restrictions on foreign currency exchange and transfer of capital and profits abroad. In addition, Saudi Arabia has a well-regulated banking system.
- The economic and political stability play a crucial role in attracting FDI. This stability is important for confidence in the business environment.
- The Kingdom has a low rate of inflation compared to many other countries.

In addition to these factors, the Kingdom has adopted a number of important and attractive policies and reforms to increase its competitiveness in attracting foreign investment. This is important in bringing technology and diversifying the economy and contributing to providing job opportunities for Saudis and helping them to acquire the skills and expertise necessary to open

their own investments. These reforms aim to provide a flexible and stable investment environment and limit the constraints and actions that hinder FDI.

The most important advantages and reforms enjoyed by foreign investors are:

- Adoption of the foreign investment system in 2000 and the establishment of the Saudi General Investment Authority (SAGIA), which was given the main role and great powers in taking care of FDI such as investment licenses and other services in coordination with the competent government agencies.
- There are many bilateral treaties between the Kingdom and a number of countries in the field of encouraging and protecting FDI
- The Kingdom helps foreign companies to finance their projects through loans provided by some specialized local and international financial institutions such as Arab Monetary Fund, Arab Fund for Economic and Social Development, Saudi Industrial Development Fund and other financing mechanisms.
- Foreign investors are allowed to repatriate their money and can sponsor foreign employees, subject to certain criteria. The foreign investor has the right to the full ownership of his project without having a local Saudi partner. It also allows him to own the necessary real estate for the project, its own housing and staff accommodation. The property and investments of foreigners can not be expropriated except by a fair judicial decision.
- The speed of deciding on investment licenses for foreigners, since the General Authority for Investment must decide to grant or refuse a license within 30 days of receiving an application from an investor. In addition, any foreign investor can obtain more than one license and invest in different sectors.
- The General Investment Authority assists the foreign investor and provides him with all the services, information and statistics he needs.
- Since the Kingdom is a member of the Multilateral Investment Guarantee Agency (MIGA), the foreign investor enjoys almost the same incentives and guarantees as the local investor
- The Kingdom gives foreign investors additional tax incentives and privileges when they invest in less developed regions, such as deducting 50% of the annual training costs of workers.
- Saudia Arabia has created the Centre for commercial arbitration to protect foreign investors in case of commercial arbitration.

In 2016, the KSA adopted Saudi Vision 2030 which is a very ambitious development strategy and represents very important opportunities for foreign investors in several sectors such as education, housing, health and energy.

All these factors have given the Kingdom a great competitive edge to make it ranked 20th globally in terms of ease and performance of business according to the Global Competitiveness

Report issued by the Scientific Economic Forum in 2013. This competitiveness has been the cause of an important flow of foreign direct investment during the last decade as will be explained in the following paragraph

Table 1 : Guide index to invest in KSA

	KSA	MENA Region	USA	Germany
Index of Transaction Transparency*	8.0	6.0	7.0	5.0
Index of Manager's Responsibility**	8.0	5.0	9.0	5.0
Index of Shareholders' Power***	4.0	4.0	4.0	8.0
Index of Investor Protection****	5.8	4.5	6.5	6.0

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action. **** The Greater the Index, the Higher the Level of Investor Protection.

Source: Doing Business, 2018

Evolution of FDI in KSA

Statistics from many international organizations show that Saudi Arabia is a major destination for FDI in the world and is considered the most important in the countries of West Asia, the Middle East and North Africa and exceeds many European and American countries. According to UNCTAD's World Investment Report 2018, the value of foreign direct investment in Saudi Arabia amounted to 232.23 billion dollars in 2017. Since the accession of Saudi Arabia to the World Trade Organization in 2005, the foreign investment inflows towards Saudi Arabia have increased continuously. Statistics show that the balance of foreign direct investment in the Kingdom increased from 17.57 billion dollars in 2000 to 176.378 billion dollars in 2010 and reached 232.28 billion dollars in 2017. In 2017 and 2018, foreign direct investment in the Kingdom declined compared to 2016. The decline in the Kingdom was not different from the general decline that characterized FDI inflows in the world, which declined by 23% in 2017 compared to only 2% in 2016 (World Investment Report 2018). According to UNCTAD, this decline is largely explained by lower rates of return on investment in all regions of the world, albeit at varying rates. The weak growth of capital-exporting countries in recent years and some global geopolitical conditions also had a negative impact on FDI flows.

FDI inflows to the Kingdom are expected to increase in the coming years as Saudi Arabia has adopted a strategic vision (Vision 2030) since 2016 aimed at achieving a diversified economy and reducing dependence on oil. This strategic vision aims to increase FDI flows

during the coming years through the improvement of the investment environment and by the elimination of the bureaucratic procedures that hinder the flow of FDI. The Kingdom's Vision 2030 aims to change some regulations and allow foreign investors to invest in more sectors. In this context, the National Transition 2020 program, which is considered a mechanism of Vision 2030, aims to increase foreign direct investment from $ 8 billion to $ 18.6 billion. The vision also aims to increase the contribution of domestic FDI to GDP from 3.8% to 5.7% % in 2030 (National Transformation Program Document)

As part of the Kingdom's efforts to achieve the vision of the Kingdom of Saudi Arabia 2030, the General Authority for Investment issued in the first quarter of 2018 to foreign investors 127 investment licenses compared to 48 licenses in the first quarter of 2017. The Saudi Investment Authority's report for the third quarter of 2018 showed an increase in the number of licenses granted to foreign and local companies invested in the Kingdom by more than 90% in the number of licenses issued during the same period in 2017. Saudi Arabia has also allowed four new economic activities for foreign investment. These sectors include voice and video services, land transport services, real estate brokerage services, services and workers' services.

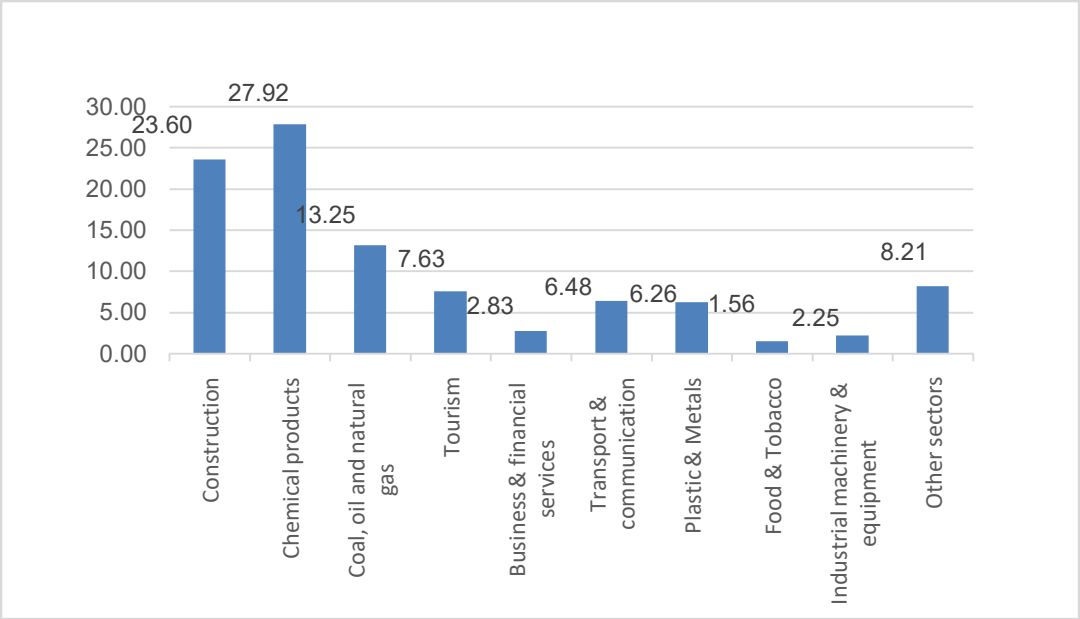
Table 2 : FDI Evolution in KSA (2013-2017)

Foreign Direct Investment	2013	2014	2015	2016	2017
FDI Inward Flow (million USD)	8865	8012	8,141	7,453	1,421
FDI Stock (million USD)	207,897	215,909	224,050	231,502	232,228
Number of Greenfield Investments			92	90	89
FDI Inwards (in % of GFCF)			4.2	4.5	n/a
FDI Stock (in % of GDP)	27.8	28.5	34.4	36.2	n/a

Source: UNCTAD, Latest available data.

Concerning the distribution by sector of FDI in the Kingdom, the sectors of industry, energy, transport, communications and information technology are among the most important sectors representing the destination of foreign investments in the Kingdom. It should be noted that the investment laws adopted by the Kingdom had a clear impact on the distribution of FDI between sectors from 2000 to 2017.

Figure 1: Volume of FDI by sector 2011-2017



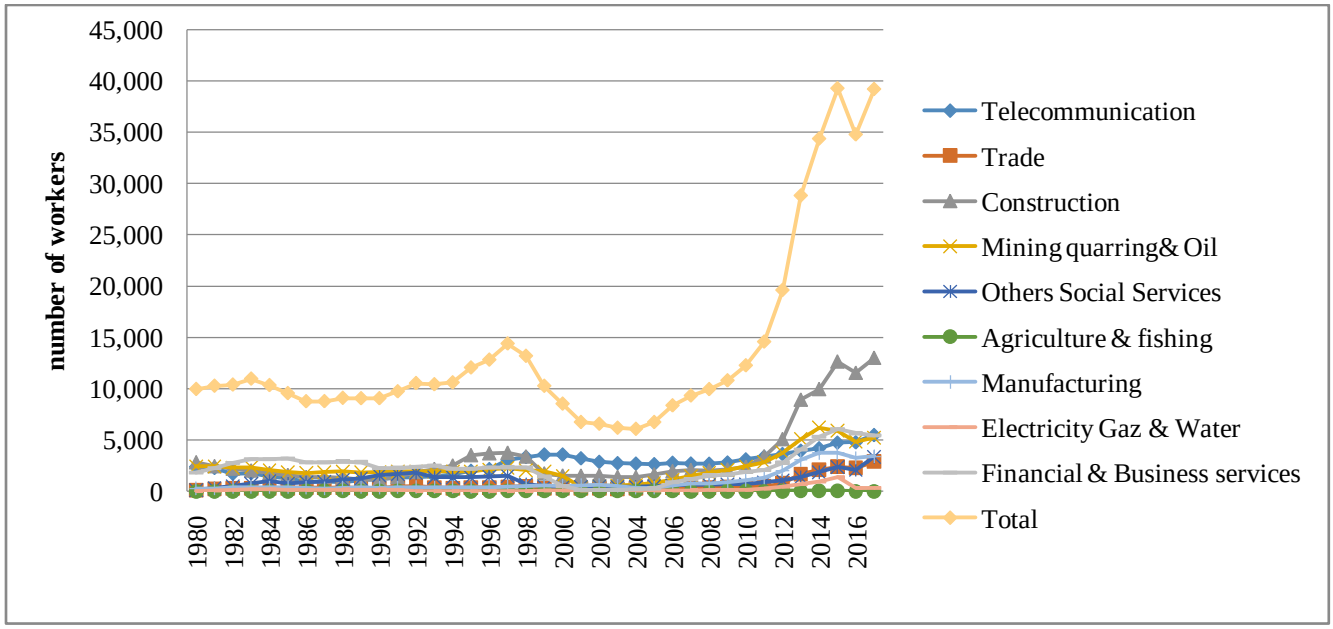
Source: General Investment Authority

Concerning the geographical distribution of FDI, the statistics indicate that major cities such as Riyadh, Jeddah and Dammam have the largest share, although Saudi Arabia has provided many incentives to encourage investment in less developed areas and cutting them with industrial zones, and paying 50% of the cost of training workers and 50% of the wages of Saudis who work in foreign companies that meet certain conditions. Foreign investors in the less developed regions also have more access to loans from development funds.

FDI and Employment in KSA

Employment of Saudis by FDI in all sectors was fluctuating during the period 1980-2016. It was weak from 1980 to 1995 and sometimes fell in some sectors to 2006. Then, the employment of Saudis in foreign companies increased but at a low rate until 2012. The construction sector is one of the most important sectors contributing to the employment of Saudis. This importance is explained by the interest of the KSA in infrastructure and its attraction of FDI in this sector. From 2012 to 2016, Saudis employed by foreign companies increased in all sectors but did not exceed 25000 employers in any sector. This development is linked to the inflows of FDI in Saudi Arabia, which has increased gradually, especially since the adoption of the new investment law since 2000, which gave important incentives to foreign investors.

Figure 2: Number of Saudi workers in non-saudi companies 1980-2016



Source: General Authority for statistics (2018)

METHODOLOGY

Effect of FDI on Employment in KSA: Empirical analysis

In this section, we study the effect of FDI on Saudi employment using annual data over 1981-2016 period. The choice of this time series is explained by the fact that we are interested in macroeconomic data for a single country (variation only over time). The period 1981- 2016 is chosen due data availability.

Empirical model and data

The empirical model used is the following.

$$L_t = f\left(FDI_t, GDP_t, H_t, FL_t\right) \quad (1)$$

Where:

- L_t is the number of Saudi workers in non-Saudi companies. Data are from General Authority of Statistic (2018), (KSA).
- FDI_t is the stock of FDI flows in KSA. Data are from UNCTAD (2017)
- GDP_t, the Gross Domestic Product at constant prices (2010=100). Data are from Saudi Monetary Authority.
- H_t is the Human Capital, approximated by the number of university graduates. We took only the graduates from the technical and scientific fields that can be recruited by FDI. Data are from Ministry of Education.

- FL_t is the foreign workers in KSA approximated by the foreign population in KSA. Data are from Saudi Monetary Authority.
- The index t refers to the year t. The logarithmic form of the previous equation is:

$$\log L_t = c + \alpha_1 \log FDI_t + \alpha_2 \log GDP_t + \alpha_3 \log H_t + \alpha_4 \log FL_t + \varepsilon_t \quad (2)$$

ANALYSIS AND RESULTS

Sationarity of variables

To avoid getting false results, the sationarity has tested for all used variables in the model. We used the Augmented Dickey–Fuller test (ADF) which is the most widely used to test the sationarity. Table 3 shows the results.

Table 3 : Sationarity test

First difference			Level			
No one	Trend & intercept	Intercept	No one	Trend & intercept	Intercept	
1.95	**3.54**	**2.94**	**1.95**	**3.54**	**2.94**	%5
5.30	4.73	5.17	0.25	1.52	1.60	L_t
4.28	5.34	5.13	0.55	3.03	1.54	GDP_t
3.74	4.72	3.91	1.49	1.41	1.11	H_t
3.28	4.23	3.76	0.30	0.24	1.88	FDI_t
3.16	4.12	4.32	0.22	0.32	1.43	FL_t

These results indicate that all variables are stationary at the first difference. For this reason, we use the logarithmic specification. Results of estimation of this equation are in the table 4.

Table 4 : Results

Dependant variable : $\log L$				
Explanatory variables	Coefficient	Std. Error	t-Statistic	Prob.
C	-30.42985	17.27892	-1.761097	0.0888
LOG(GDP(-1))	2.324598	0.939333	2.474732	0.0194
LOG(HK)	0.162310	0.078150	2.076904	0.0468
LOG(FDI(-2))	0.476402	0.111643	4.267176	0.0002
LOG(FPOP)	-2.077866	0.653606	-3.179078	0.0035
R2= 0.74, N =34				

The results show that FDI plays a positive role in employment in KSA. In effect, the coefficients of the variable FDI is positive and significant. These results confirm those of other theoretical and empirical literature which emphasize the importance of FDI on employment. In terms of economic policy, our results justify the importance of the measures adopted by KSA to encourage and attract FDI. Indeed, KSA has invested a lot to improve the attractiveness of FDI and the Saudi legislation does not cease to encourage FDI by several measures.

The effect of human capital is positive and significant. This implies that the higher the level of human capital, the more foreign firms recruit Saudi. This is due to the need of foreign firms for skilled workers to improve their productivity. Thus, to have more FDI contribution to Saudi employment, the Saudi educational system must take into consideration the current and future needs of the labor market in general and the needs of FDI in particular. It is important to orient the educational system towards the technological and technical sectors that characterize the international labor market.

The effect of GDP on the employment of Saudis in FDI is positive and significant. This can be explained as an indirect level effect. Indeed, among the reasons for FDI flows to Saudi Arabia is its oil wealth which allows FDI to benefit from several advantages such as infrastructure, lower prices, low taxes, the possibility of bank credit, etc.

The effect of the foreign population in KSA on Saudi employment in FDI is negative and significant. This means that immigrants compete with Saudis to be recruited by FDI. If the number of foreign residents increases then Saudis will have less chance of working in FDI. This can be explained by several reasons, such as: i) Saudis demand higher wages than foreign residents ii) Saudis refuse certain jobs iii) In some cases, FDI found their need only in foreign residents.

CONCLUSION

The effects of FDI on employment depend on several socio-economic factors of the host countries such as the technological gap between FDI and domestic firms, the level of domestic human capital, the intellectual property rights regime, FDI strategies, etc.

The economic literature identifies a significant number of work related to the effects of FDI on the employment in the host countries. In this work, we tried to estimate the effect of FDI on employment in KSA. This study shows the importance of FDI in the employment of Saudis and the importance of the measures taken by the Kingdom since 2000 to improve the investment climate.

This paper recommends more actions in an investment environment that will increase Saudi Arabia's competitiveness in attracting FDI. One of the most important actions can be mentioned as follows:

- The need to encourage large companies that have greater operational potential for Saudis and exploitation of natural resources in the Kingdom. This is what the Kingdom's Vision 2030 and the National Year 2020 Program aim to achieve by attracting high quality FDI and gaining the confidence of foreign investors (Strategic Objective No. 3.1.6, according to the National Transition Program 2020). The target is that FDI flows equal 1.46 of GDP in 2020

- Review education programs to be in line with the requirements of the current and future labor market and produce human capital that responds to the needs of foreign companies. In this regard, the vision of the Kingdom 2030 aims at strengthening the capacity of the education system and training to reduce the gap between the outputs of education and the requirements of the labor market.

- The need to reduce dependence on the government sector and encourage the private sector, which is a strategic objective of the vision of the Kingdom 2030 where the Kingdom decided to privatize some government services to raise their financial returns.

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