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## Introduction

*Narrow Corridors and Channels.*

In The Narrow Corridor, Daron Acemoglu and James Robinson highlight the role of social restraints in maintaining the order on which economic growth depends; a chapter on Saudi Arabia addresses the role of Islam in assuring such constraints.

Following 1979's Black Wave, new Saudi policies drew heavily on the Kingdom's religious heritage in addressing perceived pressures for a stricter brand of Islam, including an enhanced role for the religious police, Islamization of educational curricula, and funding of foreign mosques and madrassas along strict Hanbali lines.

Social norms are now being reformed to align with contemporary concepts of human and civil rights, including women's rights, openness to foreign entertainment and sports, curriculum reform, and greater acceptance of free speech and press via social media and otherwise, raising expectations of more to come.

If Acemoglu is correct in viewing traditional Islam as critical to assuring legitimacy and social restraint, successfully navigating the narrow channel between the Scylla of modernization and the Charybdis of post-Arab Spring experience of Egypt and others will require a high degree of wise and deft leadership.

*Commercial Fraud, or Protectionism vs. Free Trade?*

A new anti-concealment law has been issued to limit “the sources of concealment and eliminate the shadow [economy](#),” with penalties of up to five years in jail and fines of SR5 million, rewarding whistleblowers with up to 30% of fines collected; while a new ministerial new committee will pursue commercial fraud, including foreign nationals doing businesses under Saudi cover.

Business owners must henceforth in renewing licenses present Saudiization certificates from the Ministry of Human Resources and banks will monitor expatriate accounts for deposits exceeding reported income, all to reduce offshore remittances, promote private sector growth, and encourage investment by Saudis.

Like other countries in times of economic uncertainty and change, the Kingdom is torn between WTO free market principles of national treatment for foreign investors, and a populist agenda favoring locals over foreign investors. While Vision 2030 leans towards free trade, as befits the Kingdom’s heavy dependence on oil export revenues, food, and other consumer imports, the Ministry of Human Resources aggressively favors local over foreign interests.

As with the tripling of VAT to 15%, policies among agencies with overlapping horizontal jurisdiction over domestic and foreign business should be harmonized to attract the foreign investment on which the success of economic transformation plans so critically depends.

#### *2020 Elections: Middle East Perspectives*

Without addressing the pros and cons of competing agendas for the upcoming U.S. presidential election in November, the outcome will be crucially important for the Middle East. A second Trump term will likely continue a policy of containing Iranian ambitions in concert with a broadening coalition of the willing, while a Biden administration may emphasize human rights and the geopolitical strategy of regional

withdrawal in a pivot to Asia. Both seek to reduce American military commitments in Iraq and Afghanistan.

### ***COVID-19 Status, Restrictions, and Enforcement***

- **Status:** Saudi Arabia [reports](#) continued declines in coronavirus cases. As of August 24, 2020 there were:
  - 1,175 new cases daily, led by Makkah, Ha'il, and Jeddah;
  - 308,654 cumulative cases, 22,075 active;
  - 2,745 recoveries daily, 282,888 cumulative;
  - 42 deaths daily, 3,691 cumulative;
  - 58,535 daily tests, 4,733,485 cumulative.
- **MERS:** In positive pandemic news, Saudi Arabia has not experienced a case of MERS in [60 days](#).

### ***Government / Government Aid***

- **International Property Disclosure:** Saudi Arabia is requiring government agencies to disclose overseas property holdings to the [Saudi Property Authority](#).
- **Return to Work:** The Ministry of Human Resources and Social Development is requiring all public employees to return to work from [August 30](#). Flexible working hours and work from home will continue for 25% of employees, including those at risk of [infection](#). Health precautions will be [enforced](#).

## ***Corporate / Employment***

- **Saudiization in Retail:** The Ministry of Human Resources and Social Development has begun enforcing 70% localization of nine (mostly niche) wholesale and retail [activities](#).
- **Tax Fines and Penalties:** The General Authority of Zakat and Tax (GAZT) has announced the extension of dropping fines and penalties for taxpayers until [September 30](#).

## ***Legal***

- **New Companies Law:** For a summary of notable features in the new Companies Law, please see [here](#).
- **Anti-Concealment Law:** The Cabinet has approved and the Ministry of Commerce confirmed a new anti-concealment law that includes strict [penalties](#). Whistleblowers will be protected and rewarded with up to 30% of fines [collected](#). Efforts against commercial coverup (*tasattur*) will be overseen by a ministerial [committee](#).
- **Financial Fraud:** The Saudi Arabian Monetary Agency (SAMA) has issued a guide on mitigating financial fraud in banks. Banks will be required to establish administrative units for combatting financial [fraud](#).
- **Intellectual Property:** The Saudi Authority for Intellectual Property (SAIP) is coordinating with the General Authority for Audiovisual Media to enforce intellectual property laws online. The SAIP recently began a campaign to monitor websites and platforms for [violations](#).
  - **Sound Trademarks:** The SAIP has issued the Kingdom's first trademark on a sound. In addition to sounds, the Kingdom provides

trademark protection for colors, words, drawings, pictures, shapes, and [signatures](#).

- **Punishment:** The Attorney General has specified 25 crimes that mandate arrest and detention under Article 112 of the Code of Criminal Procedures. These include crimes against national security, stealing vehicles, trafficking alcohol, and embezzling public [funds](#).
- **Cyber Security Law:** Ministry of Communications and Information Technology has drafted a cybersecurity law regulating digital identities, contracts, and transactions. Forging a digital record, signature, or stamp is punishable by a fine of up to SAR2 million and up to two years imprisonment. Five punishable offenses are outlined, including hacking a digital system, impersonating a digital identity, and falsifying a digital [record](#).

### ***Visas, Travel, and Repatriation***

- **Residency Renewal:** The General Directorate of Passports stated that in order for depends over the age of 25 to renew their residency permits (Iqamas), they must first transfer their [sponsorship](#).
- **Citizens Return:** The General Directorate of Passports is allowing the return of citizens and their non-Saudi family members (spouses and children) and domestic workers residing in the Kingdom accompanying them, to return to the Kingdom through land ports of neighboring [countries](#).
- **Repatriation of Indians:** Over 87,000 Indians have been repatriated from [Saudi Arabia](#).

## ***Economy***

- **Finance and Sovereign Wealth:**
  - **ROSHN:** The Public Investment Fund (PIF), Saudi Arabia's chief sovereign wealth fund, announced the formation of ROSHN, a company that will develop urban centers across the [Kingdom](#).
  - **Technology Investment Fund:** The Saudi Venture Capital Company (SVC) signed an investment contract with Merak Technology Investment Fund, a tech VC, to establish VC funds and stimulate SME growth in the [Kingdom](#).
  - **US Treasury Holdings:** Saudi Arabia reduced its holdings in US Treasuries by 30.46%, or roughly \$54.7 billion, to \$125 billion in June 2020. The Kingdom is the world's 16th largest holder of US Treasuries and is the largest in the [Middle East](#).
  
- **Retail:**
  - **E-Commerce Violations:** The Ministry of Commerce fined 44 stores and shut down another five for breaking e-commerce laws protecting customer data [security](#).
  
- **Defense:**
  - **New SAMI CEO:** Saudi Arabian Military Industries (SAMI), the Kingdom's chief state-owned defense company, appointed Walid Abukhaled as its new [CEO](#). Mr. Abukhaled previously served as the CEO for Northrop Grumman's Middle East branch, in executive positions for BAE and General Electric, and as the deputy minister of Industrial Affairs at the Saudi Ministry of Commerce and Industry.

- **F-35 Deal:** The Trump administration is seeking to sell F-35 stealth fighters to the [UAE](#).
- **Projects:**
  - **Neom Energy:** The Ministry of Energy has signed a number of deals with Neom. The city aims to produce 15 gigawatts in renewable energy by 2030 at peak [times](#).
- **Tourism and Entertainment:**
  - **Ministry Shakeup:** A number of senior officials at the Ministry of Tourism were sacked on corruption charges in connection with Red Sea projects after investigation by the Kingdom's anti-corruption agency [NAZAHA](#).
  - **Domestic Boom:** Domestic tourism has boomed during coronavirus, particularly in Asir and along the [Red Sea](#).
  - **Airport Infrastructure:** The General Authority for Civil Aviation (GACA) is seeking to develop airport infrastructure across the Kingdom to boost tourist [numbers](#).
  - **Religious Tourism:** Colliers International reports that declines in religious tourism due to coronavirus have hit the hospitality industry in Makkah and Medinah [hard](#).
- **Education:**
  - **Oxford Agreement:** King Abdulaziz University has signed a cooperation agreement with Oxford University to pursue scientific partnerships in various medical and life science [fields](#).

- **Healthcare:**
  - **Maternity and Children's Hospital:** A \$126 million maternity and children's hospital will be built in Riyadh later this year. It will function as a branch of the existing Gharb Al-Takhassusi [Hospital](#).
- **Technology:**
  - **Drones:** The General Authority of Civil Aviation (GACA) has issued thousands of permits for drones in entertainment and commercial uses. Drone regulations and a registration system will apparently soon be [issued](#).
- **Agriculture:**
  - *No significant recent developments*
- **Transportation and Infrastructure:**
  - **Tanker Purchase:** Saudi Arabia's principle shipping company Bahri signed an agreement with South Korea's Hyundai Heavy Industries (HHI) to purchase ten Medium Range chemical tankers worth a combined [\\$410 million](#).
- **Natural Resources and Mining:**
  - *No significant recent developments*
- **Oil and Energy:** Oil prices [stand](#) on August 24 at \$45.20 pbb for Saudi oil (*Arab Light*) and \$42.69 pbb for West Texas Intermediate.
  - **China Refinery Cancelled:** Aramco has suspended a \$10 billion refinery project in China's Liaoning Province due to spending [cuts](#).

- **Kuwait Neutral Zone Agreement:** Saudi Arabia's cabinet has approved an agreement with Chevron Saudi Arabia (SAC) to operate in the Neutral Zone between the Kingdom and [Kuwait](#).
- **OPEC Cuts:** Saudi Arabia is lobbying OPEC+ members to adhere to upcoming scheduled cuts in August and [September](#).
- **Renewables:** The US-Saudi Business Council (USSBC) released a new report indicating Saudi Arabia's renewable sector will create up to 750,000 jobs over the next 10 years as a result of increased investments. Vision 2030 aims for the sector to be 40-45% localized by [2028](#).

### ***Geopolitical***

- **UAE-Israel Normalization:** The recent normalization of relations between the UAE and Israel has continued to reverberate throughout the region. Sudan is apparently close to signing a similar [deal](#), while Kuwait has refused to normalize ties, stating that its stance "has not [changed](#)." Iranian leaders and outlets stated that normalization was a "huge mistake" that makes the UAE "a legitimate and easy [target](#)." Saudi Arabia's foreign minister has cautiously welcomed the [deal](#), though the Kingdom has stated it will not sign on until Israel signs an internationally-recognized peace accord with the [Palestinians](#).
  - **Direct Flights:** Israeli Prime Minister Benjamin Netanyahu stated that Israel will soon commence direct flights to the UAE, flying over Saudi [airspace](#).
- **Combined Task Force 150:** The Royal Saudi Navy has taken command of the Combined Task Force 150, a maritime security partnership of 33 nations

that carries out anti-terrorism and security operations in the Red Sea, the Gulf of Aden, Indian Ocean, and [Gulf of Oman](#).

- **Yemen:** The conflict in Yemen continues to spill into Saudi Arabia. The Arab coalition recently intercepted a drone and ballistic missile over Jazan launched by Houthi [forces](#).
- **Pakistan Schism:** Tensions between Saudi Arabia and Pakistan, allegedly following Saudi Arabia taking the side of India in the Kashmir dispute, has opened the door for China to extend its [influence](#).
- **Pompeo Regional Tour:** US Secretary of State Mike Pompeo is due to visit the region this week to discuss relations with Israel and tensions with Iran. He is expected to meet with UAE, Israeli, Sudanese, and Bahraini [leaders](#).

## GCC

- **Ashura:** Saudi Arabia, Kuwait, and Oman will allow their Shi'a citizens to follow Ashura celebrations to take place on [August 28-29](#).
- **UAE:**
  - **Return:** UAE residents may now return to the country upon receipt of a coronavirus PCR test giving a negative [result](#).
  - **Curfew:** The UAE is considering re-implementing overnight curfews in parts of the country after coronavirus cases spiked last [week](#).
- **Qatar:**
  - **Economic Contraction:** The Qatari central bank expects the country's economy to continue to contract this [year](#).

- **Kuwait:**
  - **Budgetary Woes:** Kuwait expects its budgetary deficit to widen to \$46 billion in fiscal year 2020/2021, nearly double the amount of a prior [forecast](#). The country has just \$6.6 billion in liquidity in its treasury, and might not be able to cover basic state salaries beyond [October](#).
  
- **Bahrain:**
  - **Self-Isolation Protocol:** People entering Bahrain will no longer be required to [quarantine](#).
  - **Anti-Money Laundering and Terrorism Committee:** Bahrain will set up a ministerial committee to combat terrorism, extremism, and [money laundering](#).
  
- **Oman:**
  - **Political Revamp:** Oman's new Sultan, Sultan Haitham bin Tariq al-Said, will maintain the titles of prime minister, defense minister, and armed forces chief, though he will not serve as minister of foreign affairs, minister of finance, and chairman of the central bank; these positions will be filled by separate ministers as part of a power [revamp](#).

### ***Other***

- **Miscellaneous:** For earlier developments, see [here](#).
- **SAMA ISO Certificate:** The Saudi Arabian Monetary Authority (SAMA) has obtained an ISO Certificate in Information Technology Service Management as a result of digital [transformation initiatives](#).

### **Resources**

- [Previous Newsletters](#)
- [Ministry of Health Dashboard](#)
- [Ministry of Health Coronavirus Guidance](#)
- [Chamber of Commerce Global Policy Dashboard](#)
- [Ministry of Investment Guide to Business Continuity](#)
- [US Embassy in Saudi Arabia](#)
- [US State Department Travel Information](#)

We will be happy to provide more specific advice in the context of particular circumstances, concerns, and priorities; please let us know.

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*Disclaimer: While the above information was gathered from sources believed to be accurate at the time, we cannot be responsible for errors due to human or technical error.*

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