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PUMP IN
ASSOCIATION WITH
AL-SHARIF LAW**

**AN INTERNATIONAL
FIRM WITH SAUDI
ROOTS**

Introduction

Changing Times: Nationalism vs. Globalization

Following a liberalizing trend in Dubai, which still requires licenses to purchase, transport, or possess alcohol in homes, alcohol will now be available in Abu Dhabi for all adults over 21, including Muslims, without licenses. Except for Sharjah, all seven emirates now allow alcohol to be sold, partially offsetting declining oil tax revenues.

Combined with its order to hotels to offer Kosher food in preparation for closer ties with Israel, this liberalization reflects a deep-seated shift in priorities from affirming national religious and cultural identity to aligning practices with liberal and tolerant global norms.

While Saudi Arabia remains dry, many question whether the Red Sea and other gigaprojects reliant on tourism can hope to compete with the Seychelles and others as European vacation destinations without loosening restrictions on alcohol.

Whether the Kingdom follows the Emirati lead or maintains its traditional prohibition within the boundaries of these new projects will provide important clues on how far it is prepared to go in accommodating global norms and expectations on other fronts, including allowing public practice of non-Islamic religions, loosening requirements for traditional dress and allowing stores to remain open during prayer.

Welcome Mat or Exit Only?

The Kuwaiti parliament seeks to reduce expatriate numbers in an effort to address a perceived “demographic imbalance,” having empowered the Cabinet to establish quotas for expatriates by nationality and by profession, while exempting diplomats, military delegations, medical and educational professionals, civil aviation, construction workforce, and domestics.

While hard data is hard to find, anecdotal evidence suggests a substantial crisis-induced expatriate exodus caused by downsizing in affected industries, emotional burdens of isolation and suspension of international flights, and a rising nationalist tide as governments plan for a post-oil economy prioritizing private sector employment opportunities for their own citizens.

The Saudi Ministry of Human Resources and Social Development has demonstrated zeal in limiting expatriate arrivals by denying applications for new visa blocks, and steadily raising Saudiization quotas, repatriating ever widening circles of expatriates to make way for Saudi replacements.

While such policies are not unique to the Kingdom and only natural given high unemployment, Vision 2030 also seeks substantial foreign investment, and unless potential investors are permitted to recruit their own senior managers and control operations in their own way, chances of attracting foreign capital will suffer.

Just as Silicon Valley owes its success to its welcome mat for talent from all countries and cultures, only by opening doors to the best from all over can the Kingdom hope to compete effectively in a dynamic global market. Hopes to develop a dynamic entrepreneurial business culture will depend on striking the right balance between protectionism and open borders for managerial and professional talent.

Rankings vs. Economic Wins

Vision 2030 is replete with targets for progress in ease of business, the better to energize the private sector as the post-oil economic driver, including advancing to top 10 most competitive economies by 2030. Most impressively, the Kingdom has this year advanced

- 103 ranks in the World Bank's Ease of Doing Business Index, from 141st in 2019 to 38th in 2020;
- from 141st to 136th in the IMD 2020 Competitiveness Yearbook Report; while ranking
- 1st in business environment reforms, and in supporting and enabling entrepreneurship (2019 Global Observatory report);
- 24th among the 63 most competitive countries;
- among the top 10 countries in the United Nations E-commerce Index; and
- most reformed in empowering women (Women Business and Law).

While government agencies have clearly been challenged and energized by a young, aggressive and ambitious leadership to achieve Vision 2030 KPIs and objectives, the issue arises to what extent these efforts will be matched by entrepreneurial spirit and capital, both local and foreign, on which the success of the plan so critically depends; are these reforms real, or has the Kingdom focused too much on improving its rankings and too little on developing holistic and effective solutions to economic challenges and targeting inhibiting factors unique to its business culture, such as work ethic and creative thinking?

In advanced economies the business environment is a “seamless web,” in which economic, political, social, and cultural principles work together to generate growth and mobilize manpower.

Have the economic planners and public sector leaders who conceived Vision 2030 fully appreciated to what degree, in addition to ambitious goals and administrative reforms, real and sustained economic growth also requires a strong work ethic, creative thinking, and entrepreneurial risk-taking?

Speech and Press: Defining Freedoms and Limits

One challenge of practicing law in the Kingdom derives from often vague provisions of local law, leaving wide discretion for interpretation by administrators.

Saudi press law for example requires publications to respect shari'a principles, maintain “objective and constructive criticism” and avoid any “breach of public security, public policy, or serving foreign interests that conflict with the national interest.”

Terms such as “constructive” or “breaches public interest,” in the absence of a written criminal code, provide only limited guidance to prosecutors and courts; in one widely-publicized and discussed instance the Ministry of Culture and Information confiscated books from coffee shops.

In a play by Sophocles, Antigone buries her dead brother Polyneices in defiance of King Creon’s order that he be left as carrion for birds as punishment for disloyalty; should Creon feel restrained in applying his justice as Antigone believes by principles of natural law, or is “the will of the prince is the law of the land?”

Principles embodied in the 1948 Universal Declaration of Human Rights and the 1966 International Covenant on Civil and Political Rights, in reaction to abuses in these areas in the 1930s, limit the power of governments by establishing

international counterparts to our American Bill of Rights. While nominally embraced by most nations, the effectiveness of such principles on a national level depends on checks and balances, accountability and transparency, for which freedom of speech and press play pivotal roles.

Since innovation is a seamless web requiring free and creative thinking in all corners of society, chances of achieving Vision 2030 goals will depend on meaningful commitment and progress on all fronts.

Upcoming Events, Webinars, and Conferences

- September 30: [SABIC's NUSANED Initiative for Localizing Opportunities in KSA \(Webinar\)](#)
- October 2: [IMPACT20](#)
- October 21-22: [Global Artificial Intelligence Summit \(GAIS\)](#)
- November 9-11: [Virtual Business Development Mission To Saudi Arabia](#)

COVID-19 Status, Restrictions, Aid, and Enforcement

- **Status:** Saudi Arabia [reports](#) continued declines in coronavirus cases. As of September 28, 2020 there were:
 - 403 new cases daily, led by Riyadh, Hufuf, and Dammam;
 - 333,193 cumulative cases, 11,505 active;
 - 769 recoveries daily, 317,005 cumulative;

- 28 deaths daily, 4,683 cumulative;
- 34,300 daily tests, 6,348,385 cumulative.

Public Sector and Government Aid

- **Ministry of Commerce Restructuring:** The Council of Economic and Development Affairs (CEDA) will help oversee the transfer of oversight of agencies under the Ministry of Commerce to other authorities. These include the Saudi Council of Engineers, the Saudi Authority for Accredited Valuers, the Saudi Contractors Authority, the Saudi Society of Internal Auditors, the Saudi Authority for Intellectual Property, and the Estate Contributions Committee (Tasfiah). A new chairperson will be appointed to oversee each [agency](#).

Corporate / Employment

- **Worker Housing Rules:** The Ministry of Municipal and Rural Affairs stated that those who violate licensing requirements for housing 20 or more employees face up to 30 days imprisonment and a fine of up to [SAR1 million](#).

Legal

- **Companies Law:** For an English language draft of the new Companies Law, see [here](#).
- **New Mining Law:** For a summary of the new Mining Law announced on June 9, 2020 see [here](#).

Visas, Travel, and Repatriation

- **Resumption of International Flights:** Flights to and from Saudi Arabia partially resumed on September 15 for holders of most non-tourist visas. The Kingdom will further reopen land, sea, and airports to various classes of international travelers on January 1. For traveler guidelines, see here.
 - **Clarification:** The General Directorate of Passports announced further details on groups allowed to travel, and the requirements travellers must follow.
 - **Tourist Visa Resumption:** The Minister of Tourism stated that the Kingdom will likely reopen tourism visas early next year.
- **India Flights Suspended:** Saudi Arabia has reportedly suspended flights to and from India, with some exceptions.

Economy

- **General:**
 - **Outlook:** The Institute of International Finance (IIF) stated that the Saudi economy contracted 11% in Q2 2020 year-on-year, up from a 1% contraction in Q1 2020. It forecasts an overall contraction of 5.2% in 2020, but growth of 2.3% in 2021.
 - **USSBC Overview:** For the US-Saudi Business Council's most recent economic update, see here.

- “**Assessing All Options**”: The Minister of Commerce and Investment stated the Kingdom is “assessing all options” to stimulate the [economy](#).
- **Finance, Investment, and Sovereign Wealth:**
 - **FDI Slowdown**: The Investment Minister stated that Saudi Arabia has experienced a decline in Foreign Direct Investment this year, though he did not provide [figures](#).
- **Retail:**
 - **Bindawood IPO Delay**: Saudi retailer Bindawood Holding has postponed its [IPO](#).
- **Real Estate:**
 - **Rental Payment**: Investors have been exempted from paying 25% of the rental value of municipal real estate leases for this year, equivalent to a three-month rent. The approval includes an exemption for all investors with the secretariats and municipalities in coronavirus-affected [economic activities](#).
- **Defense:**
 - **Interceptor Boat Deliveries**: The Saudi Navy received delivery of fast interceptor boats from France’s [CMN Group](#).
- **Projects:**
 - **Pressing Ahead**: The Kingdom’s ambitious megaprojects, including the \$500 billion Neom City, are pressing ahead and have so far escaped [budget cuts](#).

- **Tourism, Hospitality, Culture, and Entertainment:**
 - **Domestic Tourism Boom:** Saudi Arabia's recent domestic tourism boom might be setting the groundwork for the Kingdom's ambitious international tourism [goals](#).
- **Education:**
 - **English Language:** The Ministry of Education stated that English will now be taught starting in the first grade of primary school. Curriculum will also have an increasing focus on [science and math](#).
- **Healthcare:**
 - **Pharma Plant:** Janssen, a branch of Johnson and Johnson, recently signed an MoU with Saudi Pharmaceutical Industries & Medical Appliances (SPIMACO) to establish pharmaceutical manufacturing [in the Kingdom](#).
- **Technology:**
 - **AI Summit:** The Saudi Data & Artificial Intelligence Authority (SDAIA) will host the Global Artificial Intelligence Summit (GAIS) on [October 21-22](#).
- **Agriculture:**
 - *No significant recent developments.*
- **Transportation and Infrastructure:**
 - *No significant recent developments.*

- **Industry:**
 - **KACST Manufacturing:** The King Abdulaziz City for Science and Technology (KACST) has signed an MoU with the Ministry of Industry and Mineral Resources to build high-tech manufacturing [capabilities](#).
 - **Chemical Company Merger:** The Saudi Industrial Investment Group and the National Petrochemical Co. have begun talks on a merger, which will potentially result in an \$11 billion [petrochemical company](#).
- **Natural Resources:**
 - *No significant recent developments.*
- **Oil and Energy:** Oil prices [stand](#) on September 28 at \$41.32 pbb for Saudi oil (Arab Light) and \$40.35 pbb for West Texas Intermediate.
 - **Standoff:** The IEA and OPEC have both cut their forecasts for 2020 oil demand. Policy tensions over output cuts continue to simmer between [Saudi Arabia and Russia](#).
 - **IAEA:** Saudi Arabia has been elected to head the main committee of the International Atomic Energy Agency (IAEA) [General Conference](#).
 - **Blue Ammonia Shipment:** Saudi Aramco in cooperation with SABIC exported 40 tons of blue ammonia to Japan for use in [clean energy](#).

Geopolitical

- **Israel Normalization:** The US is now pressing for Sudan to normalize relations with Israel, offering [cash aid](#). Saudi Arabia has yet to agree to a deal, adopting a policy of "[soft normalization](#)".

- **Iran:** Tensions with Iran continue. The US Navy has deployed two aircraft carriers and other vessels off the coast of Iran, amidst Iran's Revolutionary Guards announcement of a new base on the Strait of Hormuz. The US also enacted new sanctions on Iran's defense and nuclear industries. In a speech before the UN last week, King Salman meanwhile called for a united front against Iran and its nuclear ambitions.
- **Yemen:** Houthi forces continue to target Saudi Arabia with drones and missiles.

GCC

- **UAE:**
 - **Equal Pay:** The UAE introduced a law providing for equal pay for men and women in the private sector.
 - **Regional Reopening:** The UAE has reopened all seven of its emirates to international visitors.
- **Qatar:**
 - **Qatar Airways Losses:** Qatar Airways has stated that losses have reached \$1.9 billion due to the regional boycott and coronavirus.
- **Kuwait:**
 - **Economic Troubles:** Moody's Investors Service downgraded Kuwait's sovereign credit rating to "A1" last week, amidst deadlock in parliament over a proposed debt law.

- **Expat Termination:** Expatriates in Kuwait continue to face pressure to leave. The Ministry of Public works terminated 600 foreign [employees](#), while 2,000 expatriate teachers also face [sacking](#).
- **Bahrain:**
 - **Coronavirus returns:** Bahrain seems to be experiencing a second wave of [coronavirus infections](#).
- **Oman:**
 - **Expat Reforms:** Oman is reducing fees for renewal of expat work permits, and will also allow private sector workers to transfer from one employer to [another](#).

Other

- **Miscellaneous:** For earlier developments, see [here](#).
- **Umrah Resumption:** Saudi Arabia is resuming the *Umrah* pilgrimage and travel to Makkah and Madinah holy sites on [October 4](#). Religious tourism is seen as key to reviving the [economy](#).

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.

Christopher H. Johnson, Managing Attorney

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.

**Al Mousa Commercial Centre, Tower 2
5th Floor, # 259
Riyadh 11413, Saudi Arabia
Tel: +966 11 462 5925
<https://www.alshariflaw.com/>**

Chris@alshariflaw.com