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AN INTERNATIONAL
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ROOTS

Overview

As we return from home isolation to offices, thoughts turn to new economic and commercial realities, fallout from the shutdown, and likely short and longer term consequences of momentous changes in health risk, work and cultural behaviors, and changing economic and commercial activities and prospects.

Health

Many if not most of our clients returned yesterday to the office, under new policies designed to detect and isolate coronavirus victims and minimize contagion risks. While teamwork has been greatly enhanced by the ability to visit face-to-face, interactions with clients and others are much more commonly conducted via videoconference.

The hospitals have not been flooded, and public health officials remain cautiously optimistic that any second wave of infection will be modest and that mobility restrictions may continue to be eased.

While repatriation flights have continued to the U.S. and elsewhere, those who leave have no assurance of when they will be free to return, pending restoration of regular commercial flights and approval of return travel for expatriates.

Energy

While Saudi Arabia held strong trump cards going into the crisis, including a leadership position in oil markets and relatively deep financial reserves, it also faces unique vulnerabilities, including heavy dependence on oil revenues and continuing slack in energy demand.

On the positive side, this was understood and addressed in Vision 2030, whose implementation has become more urgent as the timeline for transition from a carbon-based economy is compressed by falling demand and changing consumer attitudes and habits.

Commerce

Commercial activity has and will continue to be impacted not only by official restrictions, but also by social perceptions and attitudes.

While domestic air travel has been restored and international flights resumed in limited ways, it remains to be seen how quickly and extensively we return to the air, and under what restrictions. Will staff willingly return to the office, will some remain at home, and will full productivity be restored?

While food, drugs and other consumer essentials remain in strong demand, spending on fashion, electronics, restaurants, public entertainment, transportation and other discretionary items may be adversely affected by the economic downturn, prospective reductions in government spending and changes in consumer attitudes. In the context of government cutbacks, a rising VAT, and new culture of austerity, the expatriate workforce may drop significantly, along with spending on retail, travel, entertainment, transportation and housing.

Foreign Investment

Given the fall in oil revenues and doubtful prospects for near term price recovery, expect accelerated privatization and deregulation of government-owned assets in agriculture, water and power, along with sale of pipelines, power grids and the like. Saudi ARAMCO may yet find its international listing, despite adverse markets. Vision 2030 aims at making the Kingdom a logistics hub for the GCC and beyond, and regulatory reforms and inducements may attract global players in industry, trading, entertainment, online shopping and social media to establish regional headquarters and manufacturing centers here.

Social

During the curfew mosques, malls and services such as beauty salons and fitness centers with high risks of contagion were closed; as other sectors gradually reopened, many if not most stores operated throughout non-curfew hours including through prayer times, as people honored their religious obligations in other ways.

In the context not only of coronavirus restrictions but also Saudi Arabia's G20 chairmanship and Vision 2030 reforms, we have witnessed many reforms that align more closely with global norms, including women's rights, limits on capital and corporal punishment, religious freedom and entertainment and gender separation. Has the trend peaked, and what further liberalization in rules and attitudes can we expect?

Video Seminars

We have in the course of the crisis been hosting video seminars on a range of topics, and will be happy to arrange seminars on topics of special interest to you and your team.

COVID-19

- **Status:** Saudi Arabia reports
 - -83,384 coronavirus [cases](#) to date, 24,021 active (population 34 million);
 - -58,883 recoveries;
 - -480 deaths;
 - -806,569 tests; and
 - 1,618 new cases daily, mostly in Riyadh, Makkah, and the Eastern Province.
 - Daily recoveries exceed new cases.
- **Testing:** The Ministry of Health announced a three starting stage testing plan, focusing first on Makkah and Medina, then Riyadh, and finally all other regions. The final stage includes testing people in [cars](#).

Restrictions

- **Lockdown:** On May 31 curfews were [eased](#) Kingdom-wide, except in Makkah where a 24-hour lockdown continues. Movement within cities and between regions is now allowed, curfews extend from 8 pm - 6 am, and private and government offices have reopened. Gatherings of 50+ are prohibited, with mandatory social distancing. Malls, retail stores and cafes are now reopen, while beauty salons, barbershops, sports and health clubs, recreational centers and cinemas remain closed. Curfews may lift by June 20, infection rates and treatment capacity permitting.
- **Offices:** Business headquarters and [main offices](#) may now reopen, subject to Ministry of Human Resources and Social Development (MHRSD) warnings of return to strong precautionary measures should healthcare [capacity](#) be exceeded.
 - **Specific guidelines:** The MHRSD has [released](#) health guidelines for businesses, effective May 31 - June 20 ([found here](#)).

- **Flights:** While domestic flights resumed May 31, international flights remain suspended; see [here](#) for General Authority of Civil Aviation (GACA) passenger guidebook.
- **Gatherings:** The Ministry of Interior now allows up [to 50](#) family and non-family members to gather in homes, as well as for weddings and memorials.
- **Precautions:** Violations of safety protocols risk heavy fines, including SR1,000 for failure to wear safety masks or follow social distancing guidelines, and SR10,000 [in fines](#) for failure to provide sanitizer or disinfectant or properly sanitize facilities.
- **Railways:** Railways resumed passenger service on May 31, operating 6 am - 8 pm until at least [June 21](#).

Employment/Corporate

- **Summary:** For past and current employment rules and developments, see [here](#).
- **VAT:** The General Authority of Zakat and Tax ('GAZT') issued guidance on its recent 15% VAT hike with a transitional period of May 11 - June 30, and guidelines on government contracts, agreements signed before and after May 11, 2020, and the VAT treatment of supplies after July 1, 2020 where tax invoices have been issued prior to this date (see [here](#) and [here](#)).
- **Bankruptcies:** Saudi Arabia's bankruptcy committee has received 381 liquidation, reorganization, and settlement [requests](#).
- **Banks:** Banks and money transfer centers resumed normal operations May 31, with opening procedures at the bank's [discretion](#).
- **Leases:** Many landlords are allowing [tenants](#) some months of free rent.
- **Closures:** 21 firms were closed Thursday for health [violations](#).

Government

- **Work resumption:** Public sector employees began returning to work May 31, and will be at full capacity by [June 14](#). Appointments are required for government agency visits and applications. Ministry of Interior, Baladia, and GOSI online systems are working normally.

Visas/Repatriation

- **Visas:** The General Directorate of Passports (Jawazat) is automatically extending tourist visas expiring due to the travel suspension for [three months](#).
- **Umrah:** The Ministry of Hajj and Umrah has helped repatriate up to 450,000 Umrah [pilgrims](#).

Courts

- **Overview:** Courts are currently accepting online appeals and submissions and holding hearings remotely, and will allow visitors and in-person hearings in two weeks.

GCC

- **UAE:**
 - **Curfew:** The UAE effective [May 30](#) reduced curfew hours, previously 8 pm - 6 am, to 10 pm - 6 am.
 - **Dubai:** Dubai allowed businesses to reopen at 50% staff capacity beginning May 27, while health procedures must be [followed](#).
 - **Abu Dhabi:** A 1-week ban on travel to and from Abu Dhabi will take effect [June 2](#).
 - **Emirates Airlines:** Emirates has restored flights to 12 Arab countries (including Saudi Arabia, Kuwait, Bahrain, Oman, Iraq, Egypt, Algeria, and Tunisia) starting [July 1](#) subject to precautionary measures, and [terminated](#) redundant staff.
- **Qatar:**
 - **Cases:** Qatar's total coronavirus infections have reached [52,907](#).
 - **Qatar Airways:** Qatar Airways has expanded market share during the crisis, and added new [destinations](#).
- **Kuwait:**
 - **Curfew:** Kuwait will on May 30 reduce its [curfew](#) from full to partial.
 - **Kuwait Airlines:** Kuwait Airways will cut 1,500 of 6,000 jobs, due to crisis [strains](#).
- **Bahrain:** Bahrain faces a 12% fiscal deficit, up from 4.6% in 2019, and the prospect of a 5% [2020](#) economic contraction.
- **Oman:**
 - **Curfew:** Muscat's lockdown was lifted May 29, and public employees returned to work [May 31](#).
 - **Spending:** Oman announced spending cuts including non-renewal of contracts for at least 70% of foreign experts and consultants, and retiring 70% of government employees with 30+ years of service and consultants and experts with [25 years](#) service.

Economy

- **Overview:** Saudi Arabia's trade balance fell to SR7.8 billion in March, with exports declining over 43% year on year. Oil exports fell 50%, while non-oil exports fell 23%. The Kingdom's treasury bond holdings declined by 6.5% in March to SR41.3 billion. 348 foreign investment licenses were issued in Q1 2020, up 19% from [last year](#). The Kingdom's nascent tourist industry may [slump](#).

- **New airports:** Saudi Arabia's General Authority for Civil Aviation (GACA) announced the completion of Al Jouf and Arar airports, raising domestic destinations [to 13](#).
- **Government reserves:** The Saudi Arabian Monetary Authority (SAMA) expects resilience in the face of economic difficulties, given substantial reserves; and moderate impact on insurance, a minor decline in banking, and higher [inflation](#).
- **Reserves:** SAMA transferred \$40 billion from currency reserves to [PIF](#), as foreign reserves fell from \$500 billion to [\\$449 billion](#).
- **Liquidity:** SAMA injected SR50 billion into local banks, whose assets rose 14% in Q1 [2020](#).
- **Oil:** Prices [stand](#) at \$31.58 pbb for Saudi oil, and \$35.32 pbb for West Texas Intermediate.
 - **Cuts:** Saudi Arabia and other OPEC members may extend oil production cuts to the end of the [year](#).

Geopolitical

- **United States:**
 - **Pentagon commitment:** The Pentagon has emphasized its "long-term commitment" to defense contracts with [Saudi Arabia](#), as the two countries carried out naval exercises near the Kingdom's Karan and Kurayn islands last [week](#).
- **Yemen:**
 - **Drones:** On May 27 the Arab coalition intercepted suspected Houthi drones over [Najran](#).
 - **Aid:** The UN's aid program in Yemen, the largest worldwide, urgently needs [funds](#).
 - **Aid:** Saudi Arabia has donated \$25 billion to the Yemeni government during the [crisis](#).
- **Russia:** Vladimir Putin spoke with Crown Prince Mohammed bin Salman on May 27 regarding oil [market](#) stabilization.

Other

- **Miscellaneous:** For relevant excerpts from earlier newsletters, see [here](#).
- **Religion:**
 - **Mosques:** Over 90,000 mosques reopened across the Kingdom on May 31 after being sanitized and subject to health precautions, while Makkah mosques remain [closed](#).
 - **Madina:** Medina's Prophet Mosque reopened May 31 at 40% [capacity](#).

- **Golf:** The Saudi Golf Federation (SGF) will reopen golf courses May 31, with strict health and safety guidelines to be [followed](#).
- **Divorce:** Divorces rose 30% following the coronavirus [outbreak](#).

Resources

- [Previous newsletters](#)
- [Force Majeure](#)
- [New Commercial Courts Law](#)
- [New Procurement Law Implementing Regulations](#)
- [Ministry of Health dashboard](#)
- [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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