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## Introduction

### *Vision 2030 or Mirage 2050?*

In Vision or Mirage, David Rundell suggests that to understand the Saudi economy we must first unlearn everything we thought we knew about economics: pegging its currency to the dollar delegates monetary policy to the U.S. Federal Reserve, financing expenditures from oil profits rather than taxes abandons classical fiscal principles, and treating government employment as social welfare ignores government's role as servant of the people. For these reasons, retooling from rentier to entrepreneurial models poses unique challenges, requiring new economic, political and cultural architecture beyond what Western consultants weaned on World Bank models can readily conjure.

Stalin's Volga Valley steel mills, like the Melanesian [cargo cults](#), crashed on the rocks of mistaken understandings of technology, institutions, economics, and culture; and oil revenue-funded Potemkin villages in the sand cannot by themselves a Silicon Valley make.

Facing dual corona/energy crises, the Kingdom remains nominally committed to its December budget, while tripling VAT, suspending cost of living allowances and cutting government spending, delaying more drastic remedies in hopes of a rebound in oil revenues.

This approach shadows responses to earlier crises, leaving fundamentally novel solutions more in the realm of promise than reality.

Just as developed economies arose organically from seamless webs of integrated cultural, political, economic, and social institutions and values, not easily transplanted to strange soils, must any transition from rentier to free market principles remain the work of decades, and of sustained levels of genius, discipline and perseverance?

### *Times a-Changing?*

While less dramatic than Nasser's Arab nationalism, the Black Wave of 1979 and the Arab Spring of 2011, can signs of meaningful political, social and economic change be discerned in the recent recognition of Israel by two Gulf Arab states, [Sudan's separation of mosque and state](#), and the innovatively disruptive social and economic reforms of Vision 2030?

And do international principles of tolerance, human rights, capitalism, liberal social contract, and open societies represent the best chance for moderate Arab states in geopolitical competition with a continuing Black Wave from Iran, Hezbollah, Turkey and elsewhere?

### *OPEC+10+1?*

Combinations in restraint of trade have been out of favor since the breakup of Standard Oil, though more recently an exception has been made for OPEC, founded in 1960 to promote the interests of its oil producing members.

While the concept of a producer's cartel violates essential competition principles, after 60 years OPEC [continues to drive energy prices](#).

Changes in strategy and objectives may however be reflected in the defection of long term members (Indonesia, Qatar, Ecuador), the addition of Russia and nine others as occasional partners of convenience, and the leadership of Saudi Arabia working in concert with U.S. policy and interests.

Are world energy markets and overall global economic interests better served by the same free market antitrust principles that have expanded global prosperity so broadly over recent decades, or will OPEC + 10 “coalition of the willing” + the U.S. help balance supply and demand in an industry historically prone to wild swings and unpredictable disruption to economic planning?

#### *Economy: Stiff Winds Ahead?*

Does last week’s 1% decline in point of sale (POS) transactions to SR8.45 billion foreshadow similar moves in the Consumer Price Index and the stock market, and was June’s CPI spike more anticipation of July’s 15% VAT hike than a [trend](#)?

#### *Share Options: Better Days?*

Legal experts are encouraged by the provision in Art. 28 of the draft new Companies Law for share options, which could give substance and meaning to provisions in shareholder agreements for put and call options in the event of default; while previously of dubious enforceability and value, will chances of business survival in the face of deadlock between partners now improve?

#### *International Flights*

The Ministry of Interior [announced](#) that international flights, along with land and sea ports, will resume January 1, subject to update in December.

From September 15 international flights will resume for:

- Saudi government employees, civilians, and active duty military.

- Members of diplomatic and consular missions (and families) and governmental or other international organization employees.
- Expatriates employed inside Saudi Arabia and currently outside the Kingdom.
  - Businessmen seeking to travel into Saudi Arabia for commercial and industrial activities, export, marketing, sales management, and client development and service.
  - Saudi patients whose treatment requires travel abroad (supported by medical reports), especially cancer patients and patients in need of organ transplants.
  - Saudi students on scholarship or self-financed, and medical fellowship trainees whose studies or training require foreign travel.
  - Saudis with humanitarian concerns, including:
    - Reunification for a Saudi citizen with relatives abroad.
    - Death abroad of husband, wife, parent, or child.
  - Saudi nationals residing abroad showing proof of such residence.
  - Saudis participating in regional and international sporting events (including players and technical and administrative staff).
  - Gulf Cooperation Council (GCC) citizens may enter and exit with negative COVID test results from reliable authority, within 48 hours of arrival.
  - Expatriates holding the following visas: exit / re-entry, business, visit, and iqamas. Negative COVID test results are required from a reliable foreign authority within 48 hours of arrival.

### ***Upcoming Events and Conferences***

- September 21: [Update on the SABER System with SASO \(Webinar\)](#)
- September 21-22: [2020 C3 US-Arab Healthcare and Business Summit](#)
- October 2: [IMPACT20](#)
- 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 14, 2020 there were:
  - 607 new cases daily, led by Makkah, Jeddah, and Hufuf;
  - 326,258 cumulative cases, 18,023 active;
  - 1,060 recoveries daily, 303,930 cumulative;
  
  - 37 deaths daily, 4,305 cumulative;
  - 44,025 daily tests, 5,766,502 cumulative.
- **UN Pandemic Resolution:** The UN adopted a Saudi-initiated resolution calling for a global coordinated response to [coronavirus](#).

### ***Public Sector***

- **KSRelief Donation Clarification:** The King Salman Humanitarian Aid and Relief Center (KSrelief) released a statement reinforcing that it is the sole authority in the Kingdom with the authority to receive and send donations [abroad](#).
- **Misk Foundation Review:** Saudi leadership is reportedly reviewing Crown Prince Mohammed bin Salman's flagship [Misk Foundation](#).

### ***Corporate / Employment***

- **Dress Codes:** Minister of Human Resources and Social Development requires written dress codes for male and female [employees](#).
- **Regional Business Councils:** The Minister of Commerce approved the Saudi Foreign Business Councils Bylaw, allowing joint regional business councils under the Council of Saudi Chambers of Commerce, a MoC entity, across the [Kingdom](#).

### ***Legal***

- **Companies Law:** For an English language draft of the new Companies Law, see [here](#).
- **Money Exchange Regulations:** The Saudi Arabian Monetary Authority (SAMA) has issued new rules for money exchanges, effective in a [month](#).
- **Traffic Fine Payments:** Traffic fines must be paid in whole rather than in installments, and license renewal guidelines and penalties were [clarified](#).

- **Electronic Marriage Registration:** An electronic marriage registration [system](#) has been launched.
- **Intellectual Property:** Saudi Arabia ranks according to WIPO among the top ten countries benefiting from intellectual property [training programs](#), as the Kingdom seeks to boost IP knowledge and enforcement.

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

- **Resumption of International Flights:** Saudi Arabia will reopen land, sea, and airports to various classes of international travelers, including businessmen, on [January 1](#).
  - **Rules:** For a list of this act's rules and requirements, see [here](#).
- **Expat *Iqamas*:** *Iqamas* of expatriates abroad will be automatically extended for [one month](#).

### ***Economy***

- **WEF Participation:** The Minister of Finance is participating in the World Economic Forum's "Great Reset" virtual dialogue, highlighting plans for digital transformation, economic diversification and structural [reforms](#).
- **Outlook:** The Kingdom's economic outlook is "[uncertain](#)" while the Saudi economy returns to pre-crisis levels with [non-oil economy](#) growth, while the IMF predicts a 6.8% annual contraction.
  - **USSABC Overview:** For the [US-Saudi Arabian Business Council's \(USSABC\)](#) latest economic overview, see [here](#).

- **Finance, Investment, and Sovereign Wealth:**
  - **Ant Investment:** The Public Investment Fund (PIF) is reportedly weighing an investment in China's dominant mobile payment company, [Ant](#).
  - **Investment Fund Assets:** Value of assets held by Saudi investment funds rose 9% year-on-year to SR380.7 billion in [Q2 2020](#).
  - **GCC Asset Manager Pressure:** Asset managers will face moderate-to-high pressure on profitability in the next 18 months due to oil price and coronavirus [crises](#).
- **Retail:**
  - **POS Transaction Declines:** Data from the Saudi Arabian Monetary Authority (SAMA) showed that point-of-sale (POS) transactions fell by 1% to SAR8.45 billion in the first week of [September](#).
  - **Bindawood Holding IPO:** Saudi Arabian supermarket retailer BinDawood Holding is planning to offer 22.86 shares worth up to \$585 million in its [IPO](#).
- **Real Estate:**
  - **Growth:** The value of Saudi Arabia's real estate transactions rose 2% (SAR2.7 billion) year-on-year (YoY) to SAR 160.1 billion, the sector's first rise in [six years](#).
- **Defense:**
  - *No significant recent developments.*
- **Projects:**

- **Neom:** Saudi Arabia is looking to UK tech companies to partner and invest in [Neom](#).
- **Tourism, Culture, and Entertainment:**
  - **Overview:** For an overview of Saudi Arabia's development of its tourism sector and its future plans, see [here](#).
  - **UNESCO Appointment:** Saudi Arabia was selected as a member of UNESCO's [Intangible Cultural Heritage Committee](#); and the Saudi Heritage Preservation Society obtained accreditation as an advisory body to the organization's [Intangible Cultural Heritage Committee](#).
  - **Lawrence of Arabia:** A home used by TE Lawrence on the Red Sea near Yanbu is being restored as a [tourist destination](#).
  - **Riyadh:** The Minister of Culture will restore urban heritage sites in [Riyadh](#).
  - **"Black Gold" Museum:** A 'Black Gold Museum' showcasing oil in art will be launched in [July 2022](#).
- **Education:**
  - *No significant recent developments.*
- **Healthcare:**
  - **Dr. Mohamed Alfaqih Hospital:** Dallah Healthcare builds a new hospital in [Riyadh](#).
- **Technology:**

- **Zain 5G Network:** Zain completes rollout of a 5G network in the [Kingdom](#).
- **Startup Investments:** Falak Investment Hub commits SR5 million for tech [startups](#).
- **Digital Competitiveness:** Saudi Arabia ranked first of 140 countries in digital competitiveness by the [World Competitiveness Report](#).
- **Agriculture:**
  - **SAGO Wheat Tender:** The Saudi Grains Organization (SAGO) issued a tender to import 715,000 tons of [wheat](#).
- **Transportation and Infrastructure:**
  - *No significant recent developments.*
- **Industry:**
  - **New Factories:** 71 new factories worth SAR1.6 billion were licensed [last month](#).
- **Natural Resources:**
  - *No significant recent developments.*
- **Oil and Energy:** Oil prices [stand](#) on September 14 at \$39.17 pbb for Saudi oil (Arab Light) and \$37.18 pbb for West Texas Intermediate.
  - **Continued Production:** Saudi Arabia reportedly plans to keep oil output steady to discourage other OPEC states from increasing [production](#).

- **Nuclear Energy:** The International Atomic Energy Agency (IAEA) is reportedly supporting the Kingdom's civil [nuclear energy program](#).
- **Green Energy:** \$212.5 million will be invested to connect 4.17 gigawatts (GW) of renewable energy projects to the Kingdom's grid by [2021](#).

### ***Geopolitical***

- **G20 Summit:** Saudi Arabia is preparing for November's G-20 summit in [Riyadh](#).
- **WTO Framework:** Saudi Arabia's candidate to head the World Trade Organization (WTO) released a six-axis-framework to inform his program if [selected](#).
- **U.S. Mideast Shifts:** Important shifts in the U.S.'s Middle East policies include:
  - **Troop Drawdowns:** CENTCOM will draw down its presence in Iraq to 3,000 troops and in Afghanistan to 4,500 by [November](#), and withdraw from the strategic Incirlik Air Base given Turkish naval actions in the [Eastern Mediterranean](#).
  - **Space Force:** U.S. Space Force deployed 20 airmen to Al Udeid Air Base in [Qatar](#).
  - **Taliban Talks:** Secretary of State Mike Pompeo will attend Afghan peace negotiations in [Doha](#).
- **Israel:** Following the UAE, Bahrain will establish full diplomatic relations with [Israel](#). Saudi Arabia has opened airspace to Israeli flights and has tacitly

approved Bahrain's [move](#). The UAE and Israel will formally announce their new relations at the White House this [week](#), and Chad is reportedly planning its own diplomatic presence in [Jerusalem](#).

- **Yemen:** Houthi forces launched drone attacks in Saudi Arabia this [week](#), with Abha Airport reportedly [hit](#); while coalition forces responded by striking a drone production [facility](#).
- **Sudan:** Sudan declared a state of emergency this week due to currency [troubles](#), also announcing that it will separate church from state, after 30 years of [Islamic law](#).

## GCC

- **UAE:**
  - **Fines:** The UAE has updated its list of fines for violators of coronavirus [rules](#).
- **Qatar:**
  - **Potential Resolution:** US officials have reported [progress](#) in resolving the dispute between Qatar and its Gulf [neighbors](#). For a legal analysis of recent International Court of Justice air restrictions judgment, see [here](#).
- **Kuwait:**
  - **Budget Cuts:** Kuwait has cut over \$3 billion from its 2020/2021 budget, stating that workers' rights, benefits, and subsidies will not be [affected](#).

- **Blue Collar Expats Pushed Out:** Kuwait will not renew visas for expatriate workers over 60 lacking university degrees due to oil and coronavirus economic pressures. Roughly 5% of the country's 1.4 million citizens work in the [private sector](#).
- **Bahrain:**
  - **Fitch Lowers Rating:** Fitch Ratings downgraded Bahrain's long term foreign-currency issuer default rating (IDR) over oil and economic [pressures](#).
- **Oman:**
  - **Air Travel:** Oman has announced guidelines for international arrivals, including a PCR test and health [insurance](#).
  - **Israel:** Oman welcomes Bahrain's and the UAE's normalization of [Israel](#) relations.

### **Other**

- **Miscellaneous:** For earlier developments, see [here](#).
- **Umrah Violations:** ~300 companies were fined SR600 million for *Umrah* overstay of [visits](#).
- **Camel Clinic:** The world's largest camel hospital/research facility opens in [Al Qassim region](#).

## **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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