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## Introduction

As travel restrictions ease and business returns gradually to a pre-pandemic normal, comments follow on commonly-raised questions on entering the Saudi market in a post-covid environment.

### 1. ***What should a new investor consider in assessing commercial opportunities?***

*Date Before you Marry.* Saudi business culture diverges radically from what global investors have learned to expect from their experience in the U.S., Europe, China, Southeast Asia, the UK and its commonwealth partners; before moving beyond offshore sales and services, best to consult experts and experience the market firsthand.

*Legal Idiosyncracies.* Unique in the world, the supreme law of the Kingdom is the Islamic *shari'a*. While many laws and regulations have been issued over recent decades addressing not only companies and labor but also competition, capital markets, bankruptcy, arbitration and much more, Saudi judges are trained in Islamic seminary, generally inexperienced in the world of commerce, and trained to prioritize *shari'a* principles where these conflict with administrative and commercial norms from other jurisdictions.

*Feeling and Flexing New Regulatory Muscle.* Given the novelty of the regulatory regimes coupled with a generally low level of experience or checks and balances, Saudi regulators exercise broad investigative and prosecutorial powers with few clear limits or protections for perceived offenders. This makes for a plethora of surprises, and a much lower level of predictability than elsewhere.

*Doors Opening Slowly.* Entry into the modern industrial economy having unlike in other more diversified emerging markets been greased most importantly by oil, the Saudi private sector continues to rely heavily on trading, a still heavily protected sector. Though compelled in joining the WTO to partially open its markets, trading and other sensitive areas remain substantially reserved for wholly Saudi-owned entities. Trading was partially opened albeit subject to onerous conditions including forced joint ventures and heavy capital requirements, though it is now possible for the biggest suppliers to register wholly foreign-owned trading companies.

*Foreign Investment vs. Aggressive Protectionism.* While the government has announced ambitious plans to privatize publicly-owned healthcare, educational, utility and industrial assets, implementation has been delayed by forced technology transfer and local equity requirements in some ways similar to controversial Chinese import substitution and protectionism.

## **2. *What are the most common mistakes?***

*“Catholic Marriage” Syndrome.* Foreign investors are often pressured to deepen relationships with local agents into “Catholic marriage” partnerships prematurely or unnecessarily in an economic environment where doors are opening meaningfully for foreign investors to participate more independently than in earlier times, and

suffering often dire consequences when seeking to disengage on reasonable terms.

*Saudiization.* To satisfy extremely aggressive localization quotas applied by the Ministry of Human Resources not always in harmony with the realities of available talent, investors should verify at the outset what quotas will apply in their field of activity and determine whether and how it may be possible to satisfy these requirements.

*The Taxman Cometh.* The Tax Authority has in an era of often rising budget deficits and “revenue enhancement” campaigns been aggressive in assessing sometimes unreasonable taxes on foreign investors, who unlike their Saudi competitors (who pay a much lower zakat or religious tax) are subject to a 20% corporate income tax. In this context, it is best to work closely with experienced local tax advisors to anticipate and preempt potential areas of liability, and prepare to defend against unreasonable assessments.

*Logistics: Slow off the Mark.* While the leadership has established ambitious goals to exploit its pivotal location between Europe, Africa and Asia to build a regional logistics hub, the reality continues to lag in the reliability and efficiency of customs, postal service and regulatory licensing and oversight.

*Intellectual Property.* In a *shari'a* law environment in which intellectual property has traditionally been seen as wisdom to be shared rather than owned, Western-style patent and copyright protections has been slow to evolve and worrisome infringements have occurred involving piracy of software and broadcast content and pharmaceuticals patent infringement giving rise to placement on the U.S. priority watch-list for intellectual property violations, though a new Intellectual Property Authority promises improvements.

*Heads I Win, Tails You Lose.* The Tenders Regulations remain in many ways one-sided in favor of government agencies, including in treating suspension of work as a breach even in the face of nonpayment and barring claims until final completion, putting contractors in the position of financing their own work as a condition for ever being paid. Relief may however be on the way in the context of privatization of government-owned entities and treatment of new giga-projects as commercial rather than public entities, with the prospect of impartial arbitration, with the prospect of a better quality of contractual fairness and accountability.

**3. *How has Covid impacted access to market intelligence, and how can businesses make fully informed investment decisions in the context of continuing covid disruptions?***

*Flying Blind.* Saudi Arabia remains a laggard in commercial transparency, with no private business information services of the quality of Dunn & Bradstreet or, other than basic commercial registration data, access to information filed with government agencies. While the ratings agencies do issue reports on major banks and listed entities, only S&P has a presence here.

*High Walls.* In a culture where privacy is highly valued and protected, trading families and other privately-held entities are often reluctant to share financial information, leaving prospective investors largely in the dark regarding prospective counterparties' financial profile.

*Know Your Market.* Feasibility studies are possible through global consultants with a presence either in Saudi Arabia or nearby offshore services centers most importantly

Dubai, though again available data is more limited than elsewhere.

4. ***How can businesses identify and overcome barriers to commercial success in a new market, from cultural and language differences to competitors and other new market entrants?***

*It Takes a Chain.* While Saudi Arabia has advanced significantly over recent decades both culturally and commercially, it continues to rely heavily on Lebanese, Syrian, Jordanian, Egyptian and other third country Arab nationals to bridge the very substantial cultural and regulatory barriers and differences; such third country Arab expatriates are often well-qualified to do so based on common language, religion and culture, coupled with an understanding of Western business culture based on long histories in their birth countries of European colonization and economic integration.

5. ***Top Tips to Scoping a New Market***

*When in Doubt, Fly Solo.* Given the radically divergent business culture, an unusually high level of joint ventures fail, hence our general advice to establish an independent local presence if at all possible, at least until getting to fully understand the local commercial culture and know potential partners.

*Know your Partner.* If going solo is not feasible, investigate the commercial reputation of any prospective partner through direct inquiry and follow-up with references, ideally Western professionals with long-term direct experience working with the candidate. Where a joint venture proves the best option, best to start slow and formalize a relationship only after working together less formally long enough to understand a prospective partner's strengths and weaknesses.

*Different Horses for Different Courses.* However insistently partnership candidates may claim to be masters of all trades, this is typically unrealistic; foreign investors are better served to screen local partners for capabilities relevant to each separate activity and product line.

## 6. **Concluding Reflections**

*Ex Tenebris, Lux.* While many of the above cautions suggest a risky and frustrating market, many of our long-term clients, having learned the culture, built up an effective organization, and successfully navigated the eddies and shallows over a period of years, find the Saudi market to be among the most rewarding and lucrative of any in the world.

### ***Upcoming Holidays, Events, Webinars, and Conferences***

- **USSBC Program:** For a schedule of upcoming U.S.-Saudi Business Council (USSBC) events and webinars see [here](#).
- **National Day:** September 23
- **Red Sea Film Festival:** December 6-15

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

- **Status:** Saudi Arabia [reports](#) as of September 16, 2021, a sustained [decline](#) in COVID cases, with:
  - 88 new coronavirus cases daily, led by Riyadh, Jeddah, and Makkah;
  - 2,351 active cases, 546,251 cumulative;

- 70 recoveries daily, 535,260 cumulative (>98% recovery rate);
- 7 deaths daily, 8,640 cumulative (<2% fatality rate);
- 40,224,990 vaccine doses administered (17,292,000 fully vaccinated).
- **Vaccines:** Saudi Arabia has approved the Pfizer, Oxford-AstraZeneca, Johnson and Johnson, and Moderna vaccines for [import and use](#). Health authorities have initiated a major vaccination campaign, which consists of [several phases](#) scheduled to be completed by late 2021. The stated goal is to reach [80% population immunity](#). The Ministry of Health has affirmed the safety of the mixing of vaccines [approved in the Kingdom](#). The Ministry of Health also allows those who have recovered from COVID to receive [two doses of a vaccine](#).
  - **Registration:** Vaccines are available for [citizens and residents](#). To register, use the “Tawakkalna” app.
- **Pfizer and AstraZeneca MoUs:** Saudi Arabia has signed MoUs with Pfizer and AstraZeneca on vaccine research and development including a pact with the latter to set up [clinical research centers](#).

### ***Public Sector Updates***

- **Corruption Investigations:** The head of the Kingdom’s Public Security First Lieutenant General Khaled al-Harbi has been removed from office and is [under investigation for corruption](#). The National Anti-Corruption Commission (Nazaha) is investigating a number of other [corruption cases](#).

- **Minister Controls:** An amendment to a Saudi Arabian ministerial decree prohibits government ministers from joining or chairing [company boards](#).

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

- **USSTG Updates:** For the latest updates from the US-Saudi Trade Group (USSTG), see [here](#).
- **Employer Transfer:** Domestic workers can now change their sponsor through a new mechanism in the [Absher Afrad \(Absher Individuals\) platform](#).

### ***Legal***

- **Al Tamimi Legal Magazine:** For Al Tamimi Law's latest magazine issue (July 2021, focus is on family business, real estate, and construction), see [here](#).
- **Personal Data Law:** The Saudi Cabinet has approved the Personal Data Protection Law which implements certain protections for the [privacy of individuals' data](#).
- **E-Commerce Legislation:** The E-Commerce Council is working on measures to develop e-commerce infrastructure, enabling payment systems, postal and logistic services, and providing a package of services [to SMEs](#).

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

- **Travel Resumes:** Saudi Arabia has lifted its ban on travelers from all countries except Ethiopia, Vietnam, Afghanistan, Egypt, Lebanon, Turkey, Brazil, India, Indonesia, and Pakistan.

- **Travel Guidelines:** For an outline of travel guidelines to and from Saudi Arabia, see [here](#). For Saudia's travel guidelines, see [here](#).
- **Visa Extensions:** The General Directorate of Passports (Jawazat) has clarified that exit and reentry visas of expatriates who are outside the Kingdom can be extended electronically through the employer's Absher or Muqem platform, after paying fees through the [SADAD payment system](#).
- **Saudi Citizens:** Vaccinated Saudi citizens may also resume international travel, though they are banned from direct or indirect travel without prior permission to Libya, Yemen, Armenia, Afghanistan, Syria, Iran, Somalia, Belarus, India, Lebanon, Turkey, Democratic Republic of the Congo, [and Venezuela](#).
- **Tawakkalna Requirements:** The General Authority of Civil Aviation (GACA) requires airlines operating in the Kingdom that boarding passes can only be issued to passengers who have either been vaccinated or have not been infected as registered in the [Tawakkalna application](#). GACA said that Tawakkalna is mandatory for entering airports and [boarding flights in the Kingdom](#).
- **Health Insurance Requirements:** Foreign visitors who come to Saudi Arabia are required to have health insurance coverage [against COVID-19 infection](#).
- **Institutional Quarantine Requirement:** All non-Saudi unvaccinated arrivals in the Kingdom must undergo a week-long institutional quarantine [starting May 20](#). Foreign visitors arriving by air from most countries are exempted from the quarantine [if they have been vaccinated](#). Approved vaccines are [Johnson & Johnson, Moderna,](#)

[Pfizer, and AstraZeneca](#). Recipients of the Sinopharm and Sinovac vaccines require [booster doses](#).

- **COVID Test Requirement:** Non-Saudi travelers over eight years old must show a negative PCR Covid-19 test result [less than 72 hours old](#).
- **Immunization Portal:** Saudi Arabia has launched an online portal for travelers to [register immunization data](#).
- **Updated Entry Protocols:** Saudi Arabia has updated its entry requirements for unvaccinated and partially vaccinated [travelers](#).
- **UAE, Argentina, South Africa Travel Resumption:** Saudi Arabia removed the UAE, Argentina, and South Africa from its entry-banned country list and re-allowed citizens to travel [to the three countries](#).
  - **Emirates Flight Resumptions:** Emirates has announced that it will resume services to Saudi Arabia [from September 11](#).

### ***Business / Economy***

- **General:**
  - **GDP Growth:** Saudi Arabia's economy posted a 1.8% annual growth in Q2 2021, according to official GDP estimates, though the [non-oil sector lost steam](#).
- **Finance, Insurance, Investment, and Sovereign Wealth:**

- **Alwaleed Four Seasons Stake Sale:** Bill Gates's investment firm Cascade Investment LLC will pay Saudi billionaire Prince Alwaleed bin Talal \$2.2 billion to raise its stake in [Four Seasons Holding Co.](#)
- **Softbank Unifonic Investment:** SoftBank has made its first direct investment in Saudi Arabia, co-leading with government-owned Sanafil Investments a \$125 million financing round in [communications company Unifonic.](#)
- **Real Estate, Construction, Infrastructure, and Megaprojects:**
  - **Jeddah Revival:** Crown Prince Mohammed bin Salman has launched a 15-year plan to develop Jeddah's [historic district.](#)
  - **Construction Materials Price Jump:** Construction material prices in Saudi Arabia jumped to record levels [ranging from 4-40%.](#)
- **Industry, Utilities, Desalination, and Logistics:**
  - **Lucid Motors Manufacturing:** The electric-vehicle maker Lucid Group unveiled plans to start manufacturing its cars in Saudi Arabia [in 2024.](#)
- **Defense:**
  - **Potential Israeli Missile Purchases:** Saudi Arabia has reached out to Jerusalem about the possibility of procuring Israeli-made [missile defense systems.](#)
- **Tourism, Hospitality, Culture, and Entertainment:**
  - *No significant recent developments.*

- **Retail, Luxury, and E-Commerce:**
  - *No significant recent developments.*
- **Religion:**
  - **Expanded Umrah Access:** Saudi Arabia now allows holders of tourist and visit visas to [perform Umrah](#).
- **Education:**
  - **Private School Withdrawals:** Over 300,000 students have withdrawn from Saudi private schools following the decision to continue remote learning for [kindergarten and elementary school students](#).
- **Healthcare:**
  - **Biotech Ambitions:** The recent Riyadh Global Medical Biotechnology Summit emphasized Saudi ambitions to become a regional hub in [biomedical technology](#).
  - **Private Sector Healthcare Opportunities:** The Ministry of Health has released further details of its progress and plans to grow the private sector's contribution to the healthcare market from 25% to 35% by 2030, via a mix of privatization, public-private partnerships (PPP), and other [incentives for investors](#).
- **Technology and Telecom:**
  - **Zain Towers Sales:** Zain Saudi Arabia accepted offers from the PIF and two other investors to sell stakes totalling 80% of its towers infrastructure [valued at \\$807 million](#).

- **Food and Agriculture:**
  - **Wheat Tender:** the Saudi Grains Organization (SAGO) HAS issued an international tender to purchase about 360,000 tonnes of [milling wheat](#).
  - **Brazilian Beef Banned:** Saudi Arabia has banned the import of Brazilian beef due to fears of [mad cow disease](#).
- **Natural Resources, Mining, and Environment:**
  - **Steel Plate Factory:** Baoshan Iron & Steel Co Ltd (Baosteel), China's largest listed steelmaker, has signed an initial pact to study building a steel plate factory [in Saudi Arabia](#).
- **Oil and Energy:** *Oil prices most recently [stood](#) on September 16 at \$73.28 pbb for Saudi oil (Arab Light) and \$72.43 pbb for West Texas Intermediate (WTI).*
  - **Arabian Sun:** For Aramco's most recent weekly newsletter (September 8) see [here](#).
  - **Potential Foreign Investment in Gas Field:** Aramco is reportedly in early-stage talks with potential investors to help fund a massive \$110 billion project to develop the [Jafurah unconventional gas field](#).

### ***Geopolitical***

- **United States:**
  - **Drone Task Force:** The US Navy's Mideast-based 5th Fleet has stated it will launch a new task force that incorporates airborne,

sailing, and underwater drones, likely to counter the [maritime risk from Iran](#).

- **Missile Defenses Removed:** The U.S. has removed its most advanced missile defense system and Patriot batteries from Saudi Arabia [in recent weeks](#).
- **Greek Patriot Missiles:** Greece has supplied Saudi Arabia with [two Patriot missile systems](#).
- **Yemen:** Houthi forces continue to target Saudi Arabia with [drones and missiles](#).
  - **Missile Defense Failure:** A Saudi surface-to-air missile (SAM) allegedly failed to intercept a [Houthi missile](#).

## GCC

- **Arab League Presidency Transfer:** Qatar has handed over the Arab League's presidency [to Kuwait](#).
- **UAE:**
  - **Economic and Legal Revamp:** The UAE has announced a major plan to stimulate its economy and liberalize stringent [residency rules for foreigners](#).
  - **Projects of the 50:** The UAE has announced the “Projects of the 50”, a series of developmental and economic projects including new flexible “green” visas for qualified expats, data protection laws, industrial projects, and [economic partnerships](#).

- **Foreign Talent Campaign:** The UAE has launched the new “United Global Emirates” international campaign to attract [foreign investment and talent](#).
- **Emiratization:** The UAE has announced that private sector companies will have to fill 10% of their positions with Emirati nationals [within five years](#).
- **Anti Money Laundering:** The UAE central bank has issued new guidelines to financial institutions on [anti-money laundering practices](#). A committee tasked with fighting money laundering meanwhile endorsed a regulatory framework for [virtual assets](#).
- **Afghanistan Aid:** The UAE is one of the few countries supplying [aid to Afghanistan](#).
- **Israel Trade Ambitions:** The UAE aims to raise the value of economic activity with Israel to over \$1 trillion [in the next 10 years](#).
- **Qatar:**
  - **Raytheon Probe:** US authorities are investigating whether payments by Raytheon to a consultant for the Qatar Armed Forces [may have been bribes](#).
- **Kuwait:**
  - **Return to Normalcy:** An official stated that Kuwait plans to implement its fifth phase to return to normal life in mid-October amid a decline in [infection and death rates](#).

- **Expat Population Decline:** The number of expatriates in Kuwait dropped by 56,300 in the first half of 2021, according to [official figures](#).
- **New Entry Requirements:** Civil aviation authorities now allow unvaccinated expatriates under the age of 18 to enter the country under [certain conditions](#).
- **Bahrain:**
  - **Political Prisons Released:** Bahrain has conditionally released 30 political prisoners under new rules allowing electronic monitoring and [home detention instead](#).
  - **Gulf Air Flights to Israel:** Bahrain's national carrier, Gulf Air, will begin operating twice-weekly flights from Israel [starting October 4](#).
- **Oman:**
  - **IMF Growth Forecasts:** The IMF predicts Oman's economy will recover in 2021 after contracting 2.8% in 2020, with 2.5% overall growth, 1.5% growth in non-oil activity, and a -2.4% decline in the [fiscal deficit](#).

### ***Other***

- **Miscellaneous:** For earlier developments, see [here](#).

## **Resources**

- [Previous Newsletters](#)
- [Ministry of Health Dashboard](#)
- [Ministry of Health Coronavirus Guidance](#)
- [New Companies Law \(English\)](#)
- [Chamber of Commerce Global Policy Dashboard](#)
- [Ministry of Investment Guide to Business Continuity](#)
- [US-Saudi Business Council](#)
- [Saudi-US Trade Group](#)
- [American Community of Saudi Arabia Newsletters](#)
- [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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