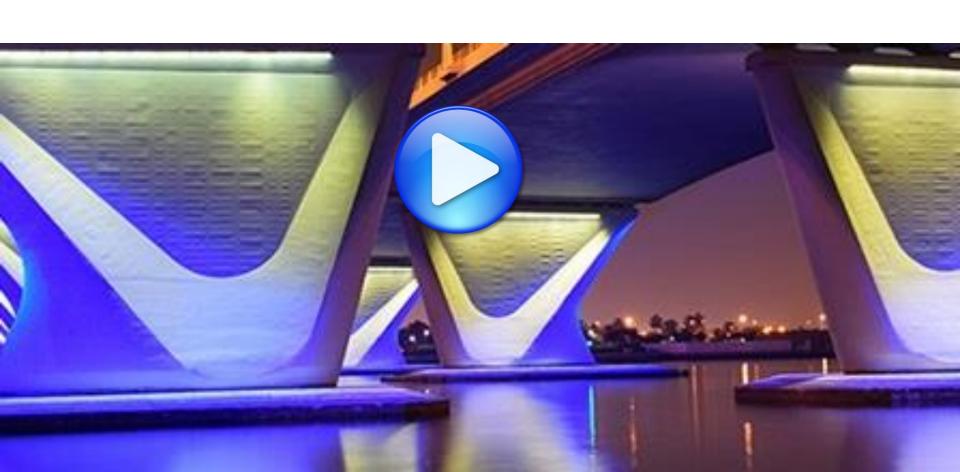
Baker McKenzie.

Qatar Diplomatic Crisis Webinar

Navigating the uncertainty of doing business with Qatar

Wednesday 19 July 2017





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Introduction

- Scope of the Qatar boycott: (i) severing diplomatic relations; (ii) imposing restrictions on the movement of goods and people; (iii) prohibition on dealings with individuals, organizations listed on the updated terrorist watch list, and (iv) enhanced due diligence on transactions with certain Qatari banks.
- Does not prohibit doing business with Qatar generally.
- From a policy perspective the UAE, Saudi Arabia and Bahrain are aligned in their actions and announced positions. Egypt has taken a broadly consistent approach, but has not aligned entirely. Other states have implemented certain measures but with very limited impact on trade with Qatar (e.g. Jordan revokes broadcasting license of Al Jazeera).

Key issues facing businesses

- 1. Supply chain movement of goods
- 2. Finance movement of funds
- 3. Employment movement of people
- 4. Commercial contracts
 - Performance challenges
 - Force Majeure
 - Negotiating Contractual Protections

Supply chain – movement of goods

- Restrictions imposed on the movement of goods from and to Qatar according to the UAE Federal Transportation Authority Circular relating to movement of goods by land and sea. Saudi Ports Authority has issued similar orders.
- Air corridors: UAE and Saudi Civil Aviation Authorities.
- Developing practice: Indirect shipments of goods to Qatar irrespective of the country of origin of the goods.
- Egyptian position: Suez Canal and Qatar flag vessels.
- Position of the Qatari Chamber of Commerce: Products of boycotting countries are not allowed entry to Qatar even through indirect shipments.

Finance – movement of funds

- KSA: The Saudi Arabian Monetary Authority (SAMA) verbally instructed all financial institutions to stop dealing with Qatari banks, and dealing in Qatari Riyals.
- UAE: UAE Council of Ministers Resolution and UAE Central Bank Circular to financial institutions as applied by the financial free zones (DIFC and ADGM). Enhanced due diligence on funds remitted through six Qatari banks.
- Terrorist Lists: Saudi Arabia, the UAE, Bahrain and Egypt updated their list of designated terrorist organizations and individuals, naming 59 individuals and 12 groups as Qatar-linked supporters of terrorism.
- Credit Rating: Standard & Poor's lowered Qatar's long-term rating from 'AA' to 'AA-' and placed the rating on CreditWatch with negative implications.

Employment – movement of people

- Employment of Qatari nationals in boycotting countries: Expulsion of Qatari nationals from boycotting countries (subject to humanitarian considerations) has resulted in employers of Qatari nationals in the embargoing countries having to put alternative working arrangements in place and/or terminating employment.
 - Nationals of the boycotting countries residing in Qatar have been ordered to return by their home states — Qatar has stated that it will not force these individuals to leave.
- Mobility of Employees: Restrictions may apply to individuals travelling to and from Qatar.
- Travel disruption: It is no longer possible to travel directly to Qatar from the boycotting countries.
- Misleading reports: Despite reports in the press to the contrary, in practice Qatar is not preventing its citizens and residents from leaving the countries.

Commercial contracts

Performance

- Atlhough there is no outright ban on conducting business with Qatari counterparties, restrictions on the movement of goods, funds and people are likely to make the performance of contractual obligations extremely difficult or impossible, especially as the crisis continues.
- Authorities such as the Ministry of Commerce and Investment in Saudi Arabia are refusing to process routine corporate transactions which may over time effectively force such entities to cease operations.

Force majeure

- Gulf legal systems including Qatar have adopted a Civil law approach.
- Many commercial contracts are governed by English law.
- Government entities are likely to be very resistant to FM claims.

Lessons learned and additional considerations

Practical lessons from past experience: a US and EU perspective

- Dealing with boycotts in practice
- Compliance concerns
- 'Facilitation' and related parties
- Possible application of US antiboycott regulations

Q&As

Thank you

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