July

There has been limited activity on the economic front for the past few months as the political situation has taken center stage. The political and economic boycott of Qatar, which began on 5 June 2017 when Saudi Arabia, the United Arab Emirates (UAE), Egypt and Bahrain imposed a blockade against Qatar, continues to evolve. South Africa, which has diplomatic relations with Qatar, has recently said that it will not join the boycott. "South Africa remains committed to the stability and prosperity of our region and will continue to maintain good diplomatic relations with our neighbors," the country's president said.

In Egypt, many companies have noticed increased scrutiny of their transactions with Qatar. On 11 June 2017, the Egyptian government announced that it would no longer accept payments in Qatari Riyals or accept goods from Qatar. This coincided with a UAE law firm issuing a circular that instructed all port authorities in the UAE not to allow vessels (regardless of whether they are Qatari flag vessels, vessels owned by Qatari companies or vessels owned by Qatari individuals) to transit through the UAE ports. This was followed by the issuance of a similar circular in Bahrain.

The effects of these measures have varied across industries and countries. While some companies have been able to navigate around the restrictions, others have faced challenges. For example, Saudi Arabian and Emirati banks have been instructed by the government to stop dealing with Qatari banks in Qatari Riyals and not to increase the possibility of a delays in the payment process. Bahrain has taken similar measures.

With respect to contractual obligations, to date, there are no comprehensive legal restrictions on doing business with Qatar (akin, for example, to the measures implemented in Iran). The political and economic boycott of Qatar has, however, resulted in practical restrictions on dealing with Qatar, including limits on direct shipping of goods from boycotting countries to Qatar. In practice, companies have faced issues with customs when attempting to route goods through a boycotting country to Qatar. There is no express prohibition on indirect shipping of goods from boycotting countries through non-boycotting countries.

With respect to financial institutions, the United Arab Emirates (UAE)’s leading financial institutions have been instructed to stop dealing with Qatari banks in Qatari Riyals and not to increase the possibility of delays in the payment process. Bahrain has taken similar measures. The impact of these measures on payment flows, although there is some risk that funds flows could be scrutinized more closely and hence lead to delays, has been limited.

With respect to real estate transactions, there are no legal restrictions on investing in real estate in Qatar. However, the practical impact of the political and economic boycott of Qatar has resulted in the suspension of new investments and the withdrawal of existing investments from Qatar. This is particularly true for investments made by companies in the UAE, Saudi Arabia and Bahrain.

The political and economic boycott of Qatar has had a significant impact on the Qatari stock market. Qatar's stock market index has fallen by over 50% since the implementation of the boycott. This has had a knock-on effect on the economies of the countries that have imposed the boycott, particularly in the United Arab Emirates (UAE) and Saudi Arabia, where the stock markets have also experienced significant declines.

With respect to harbor transactions, the UAE has issued a circular that instructs all port authorities in the UAE not to allow vessels (regardless of whether they are Qatari flag vessels, vessels owned by Qatari companies or vessels owned by Qatari individuals) to transit through the UAE ports. This has resulted in the suspension of new investments and the withdrawal of existing investments from Qatar. This is particularly true for investments made by companies in the UAE, Saudi Arabia and Bahrain.

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