

## MENA Countries Sever Ties with Qatar

### IN SHORT

**The Situation:** Over the course of this week, nearly a dozen countries throughout the Middle East/North Africa ("MENA") region have severed diplomatic ties with and, in certain cases, imposed restrictions on Qatar.

**The Result:** These countries have, to varying degrees, severed or reduced diplomatic ties with Qatar, closed their airspace and borders to traffic and shipping to or from Qatar, ejected Qatari nationals and residents, and imposed limited financial restrictions.

**Looking Ahead:** This rift represents the most significant diplomatic dispute within the Gulf Cooperation Council since its inception, and early signs indicate that the dispute may be prolonged.

On Monday, June 5, 2017, Bahrain, Egypt, Libya's eastern region-based government, the Maldives, Saudi Arabia, United Arab Emirates ("UAE"), and the internationally recognized government of Yemen severed ties with Qatar, alleging Qatari support for international terrorism and regional instability. These countries were subsequently joined by the Comoros, Mauritius and Mauritania, and Jordan. As a result of this week's announcements, these countries have, to varying degrees, (i) cut or reduced diplomatic ties with Qatar; (ii) closed their airspace and borders to traffic and shipping to or from Qatar; (iii) ejected Qatari nationals and residents; and (iv) imposed limited financial restrictions.

The rift between Bahrain, Saudi Arabia, UAE, and Qatar represents the most significant diplomatic dispute within the Gulf Cooperation Council since its inception. Although Qatar reportedly has welcomed mediation, early signs indicate that the dispute may be prolonged.

### Restrictions on Qatar

The Comoros, Jordan, Libya, the Maldives, Mauritania, Mauritius, and Yemen have reduced or severed diplomatic relations with Qatar. Bahrain, Egypt, Saudi Arabia, and the UAE, in addition to severing diplomatic ties, have also imposed more expansive restrictions on Qatar, including the following.

#### Diplomatic Missions

Bahrain, Egypt, Saudi Arabia, and UAE have required Qatari diplomatic missions to leave the country within 48 hours and withdrawn their own diplomatic missions from Qatar. Qatar has also been ejected from the Saudi-led military coalition operating in Yemen.

#### Closure of Borders and Airspace

As of June 6, 2017, Bahrain, Egypt, Saudi Arabia, and UAE, to varying degrees, closed their airspace and borders to transport and shipping to and from Qatar. Bahrain, Saudi Arabia, and UAE closed their airspace and borders to virtually all transport and transshipments to and from Qatar. Egypt has stated that it closed its airspace and ports in respect of "all means of Qatari transport," but it is important to note that it has not yet expressly indicated whether it will close its territorial waters to shipping destined for or coming from Qatar or vessels that are Qatari-flagged or owned by Qatari persons.

Egypt, Saudi Arabia, and UAE have specifically indicated that they will quickly impose "legal procedures" on international companies subject to their jurisdiction to halt Qatar-related transport activities, and Saudi regulators have already taken steps to cease the movement of passengers and goods to and from Qatar. In addition, as of June 6, 2017, several international shipping carriers have suspended operations involving Qatar, and certain regional airlines have indefinitely suspended flights to and from Qatar.

#### Travel, Transit, and Residence Restrictions

In addition to closing their airspace and borders, Bahrain, Saudi Arabia, and UAE now prohibit: (i) their nationals from traveling to, residing or staying in, or transiting Qatar; and (ii) Qatari nationals from traveling to, residing or staying in, or transiting through their respective countries. They also have also required Qatari nationals and residents to leave the country within 14 days.

## Financial and Business Restrictions

While Saudi Arabia has instructed banks not to accept Qatari currency, it is not yet clear whether Bahrain, Egypt, or UAE will impose financial and banking restrictions on dealings with Qatar. These countries (and their central banks) have not yet issued specific guidance for financial institutions in the region, and thus financial transfers involving Qatar remain available.

As of the date of this publication, the UAE Central Bank has stated that payment and remittance transactions involving Qatar are operating as normal, but regional banks are reportedly postponing Qatar-related transactions until they receive further guidance from their respective central banks.



In light of these events, regional and multinational companies operating in the Gulf region should begin to assess the potential impact of these restrictions and possible future restrictions on their business operations in the region.



## What Should Companies Do?

In light of these events, regional and multinational companies operating in the Gulf region should begin to assess the potential impact of these restrictions and possible future restrictions on their business operations in the region. This should include, but is not limited to, reviewing and assessing any potential impact on:

- Supply chains for Qatar-related projects and transactions;
- Transit and shipping routes for Qatar-related projects;
- Employees and subcontractors from relevant countries, who might be required to leave or return to Qatar;
- Contracts in respect of Qatari projects and transactions under which they might incur liability in the event of delay, suspension, or termination;
- Financial relationships and structures that might be exposed in the event of further financial restrictions on Qatar; and
- Insurance coverage for Qatar-related projects and transactions to ensure continued coverage and protection.

Jones Day will continue to monitor developments and will provide further updates as the situation unfolds to assist our clients with their ongoing business activities in the region.

## FOUR KEY TAKEAWAYS

1. Bahrain, Egypt, Saudi Arabia, and UAE have, to varying degrees, closed their airspace and borders to transport and shipping to and from Qatar, which has already led certain airlines and shipping companies to suspend Qatar-related operations.
2. Payment and remittance transactions involving Qatar are currently operating as normal, but regional banks are reportedly postponing Qatar-related transactions until they receive further guidance from their respective central banks.
3. Companies active in the region should assess their operations and contracts in light of these restrictions to identify potential impacts.
4. Interested parties should monitor evolving national policies throughout the MENA region for impacts on their operations.

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