

# lex arabiae

## Legal News of the Gulf

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### Meyer-Reumann & Partners

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Egypt

## After the Egyptian Revolution, will an Economic Revolution follow?

### Guiding Principle

*This article is discussing the status of the Egyptian economy after the 25<sup>th</sup> of January 2011 revolution and the expectations for the Economy after such hold back.*

To avoid losing directions, following the outbreak of the Egyptian Revolution of January 25, 2011 a new mainstream should be created for society; a mainstream conscious of the need to put an end to the old economic system, which was based on organized corruption; and which protected monopoly and covered up for illicit gains.<sup>1</sup> A new system is now required to encourage investment, prioritize productivity and promote private citizens' profits while ensuring society's earnings. Egypt suffers from a stagnant economy and it should not be surprising that a lack of economic opportunity contributed to the unrest. A very important question – above all for Egyptians, but also for other developing countries (and for development experts) – is the economic impact of its revolution.<sup>2</sup>

There's no doubt that the economic development will underpin the various

<sup>1</sup> [www.sis.gov.eg/en/Story.aspx?sid=54286](http://www.sis.gov.eg/en/Story.aspx?sid=54286)

<sup>2</sup> [www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html](http://www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html)

conversations about how to improve the lives of Egypt's many impoverished citizens.<sup>3</sup> The center of national debate should be the legitimacy of the economic system, simply because without being able to allocate resources to the various production and services sectors, the various provinces and the various generations of society, it would be impossible to achieve any of the system's basic goals. The system's basic goals include economic and national security; modernizing Egypt's industry and economy; generating intensive-production and high-salaried job opportunities; promoting competitiveness; fighting monopoly; ensuring fair distribution of income and wealth; controlling price increases; supporting the weak and countering foreign economic threats.<sup>4</sup>

Economic growth and the distribution of that growth offers a better picture of an economy's health and, importantly, the political economy of a country.<sup>5</sup>

However and as others have noted, not everything is well in the land of the pharaohs. Poverty has crept up in the last few years and unemployment is skewed. The United Nations says that 90 % of unemployed Egyptians are under the age of 30. In a consumer survey released last month, Credit Suisse found that citizens across every strata of wealth expect shrinkage in household income in 2011. Double-digit food inflation has hit Egypt hard, especially since food comprises an

<sup>3</sup> [www.investmentu.com/2011/February/can-egyptian-revolution-unlock-hidden-economic-potential.html](http://www.investmentu.com/2011/February/can-egyptian-revolution-unlock-hidden-economic-potential.html)

<sup>4</sup> [www.sis.gov.eg/en/Story.aspx?sid=54286](http://www.sis.gov.eg/en/Story.aspx?sid=54286)

<sup>5</sup> [www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html](http://www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html)

astonishing 40 % of household spending. Most important, Egypt's economic structure does not appear particularly conducive to individual economic initiative. The country ranks No. 96 in the Index of Economic Freedom (out of 179 states), and No. 94 in the Doing Business rankings (out of 183 countries). As measured by the World Bank, Egypt's "entry density" (new ventures registered per 1,000 people of working age) is 0.13, meaning it has among others the lowest start-up rates in the world.<sup>6</sup>

The absence of economic efficiency in Egypt has been reflected in recent international competitiveness reports. The figures of the Ministry of Economic Development show a rise in real estate investment in the five-year plan at the expense of industry and agriculture. In addition, and according to the quarterly report published by the Ministry of Industry and Trade and the indicators noted in the World Bank's annual World Development Report, industrialization in Egypt is declining.<sup>7</sup>

Egypt's new economic system should have a social dimension through highlighting production-oriented investments. It should be furthermore pointed out that associating economic efficiency with social justice under globalization and information economy; which is a term that characterizes an economy with an increased emphasis on information activities and information industry, requires us to multiply information products and exports, while

maximizing the added value of tourism, services and the diverse sectors of Egypt's economy.<sup>8</sup> Whatever type of political regime succeeds, there may be no doubt concerning the nature of the economy that has to be developed in Egypt. It should be a political regime that is premised on entrepreneurship as it is the driver of economic growth. Karl Marx famously insisted that a society's workers, not the bourgeoisie, must own the "means of production." But for broadly shared growth to take hold for entrepreneurial capitalism to develop the people must own the economy in a different manner. They must have the opportunity and the motivation to start and grow new companies.<sup>9</sup>

Hence, how can the country end this severe dearth of entrepreneurship and get itself on the right path?

The country may begin by making it easier to start and operate a business. In Egypt, it takes only six steps and seven days to start a company. However the cost for the incorporation is uneven. Seen Egypt in its entirety it, e.g. costs just 6 % of one's annual per capita income to start a business, meaning just above the 5 % cost in most advanced economies. So far in Cairo, the metropolitan area in which roughly 25 % of the country's entire population lives, budding entrepreneurs may need to spend more than 25 % of their annual income to launch a business; residents of Alexandria face a similar cost barrier. Far from being engines of economic growth, Egypt's leading cities are

<sup>6</sup> [www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html](http://www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html)

<sup>7</sup> [www.sis.gov.eg/en/Story.aspx?sid=54286](http://www.sis.gov.eg/en/Story.aspx?sid=54286)

<sup>8</sup> [www.sis.gov.eg/en/Story.aspx?sid=54286](http://www.sis.gov.eg/en/Story.aspx?sid=54286)

<sup>9</sup> [www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html](http://www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html)

stultified.<sup>10</sup>

Once a new company manages to become well-established the environment is not nearly as friendly as it needs to be. Egypt gets extremely poor marks in four categories of the World Bank indicators, dealing with construction permits; paying taxes; enforcing contracts; and closing a business. Egypt gets extremely poor marks. The requisite time for complying with the tax code is twice as long as other countries in the Middle East and North Africa, not to mention in developed nations. Start-ups need improved access to financing as well. In surveys, far fewer Egyptian companies report the use of credit, loans and banks than in neighboring countries. To be sure, entrepreneurship cannot solve all Egypt's problems and on several indicators tracked by the World Bank, the country looks not worse than any other nation. Nevertheless without the ability to start and grow a business and to allow it to fail, no country will enjoy either economic growth or political stability. That is why economic freedom is the handmaiden of political freedom. If Egypt's next government wants to satisfy its citizens, it will start with entrepreneurship.<sup>11</sup>

The Egyptian revolution is political, but not yet economic. In case the revolution leads to a more open, democratic, middle-class-oriented political system, in which enough people believe that they have a stake in the government's

<sup>10</sup> [www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html](http://www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html)

<sup>11</sup> [www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html](http://www.inc.com/articles/201102/egypt-entrepreneurial-revolution.html)

continuity, the economic benefits for Egyptians could be large. Financial markets will more likely flourish and more rapid and equitable development will more likely follow.

*Mansour Elaraby,  
Meyer-Reumann & Partners –  
Alexandria*

GCC

## 2017: Railways Network Connecting the GCC States

### Guiding Principle

*Despite the existence of a railways network all over the world, the GCC states are almost the only countries in the world, which have not established railways network. However, it seems that this fact is going to change by 2017 as the GCC states have finally decided to establish a network which will link all the 6 states of the Gulf together.*

### A. Introduction

In order to start the implementation steps for the establishment of the first railways network linking the six states of the GCC<sup>12</sup> altogether, the Saudi cabinet has

<sup>12</sup> GCC refers to the *Cooperation Council for the Arab States of the Gulf*. The GCC is the regional organization with its head office in Riyadh, Saudi Arabia, that brings together the Arab countries of the Gulf, excluding Yemen. The member countries of the GCC are (Saudi Arabia, Bahrain, Oman, Qatar, UAE and Kuwait). Jordan and Morocco have been invited to join the GCC and already have accepted to join the Council. Recently, it was declared in the news that there are talks between the

assigned its Ministry of Transport (MoT) to prepare the required engineering blueprint for the establishment of the network.

Saudi Arabia is acting based on the mandate from the rest of the GCC state, which was granted to the Kingdom in the Ninth meeting of the GCC Ministerial Committee on Transport to prepare the ToR<sup>13</sup> for the establishment of the network. This mandate was granted to Saudi Arabia based on its leading position in the Council, as well as being the owner of the first railway line amongst the GCC countries<sup>14</sup>

The Saudi MoT was assigned also to observe the implementation steps of the project in all the participating states in cooperation with the competent authorities in each state.

## **B. The Route**

The proposed route of the project is to start from the coastal side of Kuwait to pass through the geographical territory of Saudi Arabia, Bahrain and Qatar with possible extension through Bahrain to Qatar directly, followed by entering UAE with proposed stations in Abu Dhabi, Dubai and Fujairah, after that to the city of Sohar in Sultanate of Oman and finally it will reach to its final station in Muscat the Omani capital. The overall distance of the project is estimated by 2,117 km long.

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GCC's officials and Egypt to invite it to join the Council as well.

<sup>13</sup> Term of Reference.

<sup>14</sup> October 20, 1951 G was the opening date of the railway line linking the Saudi capital city of Riyadh to the coastal city of Dammam.

Since Saudi Arabia already have a railway linking the Saudi capital Riyadh with the city of Dammam on the eastern coast of the Kingdom which intersect with the proposed route of the new network, it is expected to link this line as well with the network.

## **C. Future Expansion**

Moreover, the GCC officials are already thinking to link this network in future with other Arab countries outside the GCC, based on the agreement between the Arab countries of the Levant and the GCC countries to be connected by railways within the ESCWA region in order to find a transport system linking railways networks in the countries of the two groups (ESCWA and GCC). This expansion is expected to reach till Turkey from the west, and to reach to China from the east through linking the network to the former republics of the Soviet Union.

## **C. The Project Cost**

The total cost of the project was estimated by US\$ 15.4 billion, in addition to the cost for acquiring the land, which was estimated by US\$ 3.1 billion and buying the trains and the trailers which was estimated by US\$ 1.8 billion. The costs are meant to be distributed amongst the member states based on the cost of construction in each state.

Field work is expected to start in 2012, where the project shall operate by 2017.

**Hany Kenawi,**  
**Meyer-Reumann & Partners –**  
**Saudi Arabia**

Iran

## Legal Procedure and Information on Obtaining Iranian Work Permit and Business Visa

### Guiding Principle

*A foreign national may not be authorized to work in Iran, unless he obtains the entry visa with the right of working and work permit from the General Bureau of Aliens' Occupation of Iran. Before the arrival of the foreign national in Iran, it is advisable that the employer of foreign national applies for the issuance of an entry visa with the right of working. Upon the issuance of the said visa and the arrival of the foreign national, the employer should apply for work permit within 7 days.*

### A. Introduction

With the exception of diplomatic and consular staff and accredited foreign correspondents, all foreigners working in Iran, such as the representative or the managing director of an Iranian company, experts carrying out a project in Iran and the employee of a company contracted by the Iranian government are in principle required to have a work permit.

The procedure begins before entry into the country with the application for the entry visa with the right of working. Whether or not the visa is granted depends on whether the sought-after profession is required in Iran, which is regularly only considered to be the case

when there is a lack of appropriate skilled personnel in Iran.

### B. The Iranian Laws and Regulation

The laws and regulations for obtaining a entry visa with the right of working and issuance of work permit of foreign nationals are as follows:

- (1) IR-WPFN - On Obtaining Entry Visa with the Right of Working and Issuance, Extension and Renewal of Work Permits of Foreign Nationals, published in Official Gazette No.16938 dated April 26, 2003 (06.02.1382);
- (2) IR-LL - Iranian Labour Law, published in Official Gazette No. 124356 dated 03.01.1990.

### C. Applying for Entry Visa with the Right of Working

For obtaining the entry visa with the right of working and work permit, hereinafter the following procedures should be observed before the General Bureau of Aliens' Occupation (abbrev. GBAO):

Before the arrival of the foreign national in Iran, the respective Iranian employer should apply for the issuance of a entry visa with the right of working before the GBAO located in the workplace of the foreign national. For example, if the foreign national's workplace is located in the city of Tehran, the application should be submitted to the GBAO at No. 8, Eastern-Sepand St., Nejat Allahi St. (Villa), Tehran.

The following documents shall be submitted for the issuance of the entry visa with the right of working:

- (1) The written request of the employer for the issuance of an entry visa with the right of working bearing the authorized signature;
- (2) Completing a copy of questionnaire regarding the Primarily Information of Employers (The form is available at GBAO);
- (3) Completing three copies of the "Aliens' Occupation Application Form" (The form is available at GBAO);
- (4) Completing two copies of the questionnaire regarding Personal Information (The form is available at GBAO);
- (5) The photocopy of the announcement of company's establishment and its recent changes published in the Official Gazette (Companies already having a record in the said Bureau have to attach the photocopy of the announcement concerning company's recent changes as well).
- (6) Any one who has married an Iranian national should submit the photocopy of the marriage license issued by the Ministry of Interior Affairs and/or one of the governor general offices of the country, ID card, marriage deed and they should present the original copy of ID card as well.
- (7) Completing the questionnaire regarding Employer's Obligation (The form is available at GBAO).

It should be noted that the foreign nationals entering Iran for installation and maintenance of equipment in private industries and factories or in ones which are under coverage of government should submit the following documents in addition to the above documentation:

- A photocopy of the "Equipment Purchase Contract";
- A photocopy of the Equipment Clearance Certificate issued by the customs;
- A copy of the Principled Agreement and/or Exploitation License.

The executive procedures for obtaining the entry visa with the right of working is as follow and may take up to three working weeks.

- (1) The employer's representative shall file the application form attached with all documents as stated above with the office concerned, have them checked and initialed after completed.
- (2) The application shall be registered with the computer.
- (3) The application shall be transmitted via the computer network to the concerned department.
- (4) The expert must review the case and decide on the eligibility of each application. Those applications which require the approval of the Technical Board of GBAP must be forwarded to the Board for necessary approval.
- (5) The form of entry visa with the right of working shall be issued and send to the Office of Management for sealing and signature.
- (6) The Secretariat shall register and send the form of the entry visa with the right of working to the Consular Section of the Ministry of Foreign Affairs or to the representative office of the above said Ministry in the Province.

It is advisable to submit the application for entry visa with the right of working by the Iranian employer before foreign

national's arrival to Iran. The request will be examined by the said Bureau and in case of approval, the entry visa with the right of working will be issued. Thereafter, the foreign national can enter Iran with the said visa and apply for a work permit from the said Bureau.

Nevertheless, it is possible for foreign nationals to enter Iran on a 15-day tourist visa, but without the authorization and permission to work based on Art. 120 IR-LL:

*“Foreign nationals may not work in Iran unless they initially hold an entry visa with the right to engage in a specific job, and secondly obtain a work permit under relevant laws and by-laws.”*

In order to be authorized to work in Iran, within 7 days after the foreign national's arrival, the respective employer should apply for entry visa with the right of work before GBAO and upon obtaining the respective visa, the foreign national must exit Iran and enter into Iran again with the visa.

#### **D. Applying for Work Permit**

Work permit for foreign nationals shall be issued in the GBAO of their workplace.

Based on IR-WPFN, the employer is obliged to submit the required documents for the issuance of work permit to the GBAO within a maximum period of one (1) month starting from the date the foreign national arrives in the country. Any delay would be subject to provisions of Art. 181 IR-LL:

*“Employers who employ foreign nationals without obtaining work permits or those whose work permits have expired, or assign to*

*foreign nationals jobs other than those specified in their work permits, or fail to inform the Ministry of Labour and Social Affairs cases where employment relationship of the foreign national with the employer has been terminated, shall be sentenced, in consideration of the conditions and possibilities of the offender and the degree of the offense, to a jail term ranging between 91 and 180 days.”*

Moreover, based on IR-WPFN, the validity period of the entry visa with the right of working shall be three (3) months starting from the date it is notified by Provincial GBAO to the Ministry of Foreign Affairs.

However, according to GBAO, in practice the application for work permit should be submitted within 7 days after the foreign national's arrival and the validity of the entry visa with the right of working is one (1) month.

The following documents shall be filed for obtaining the work permit for foreign nationals:

- (1) Written request of employer for the issuance of work permit of the concerned foreign national bearing employer's authorized signature and stamp. (Those foreign national who have already had computerized identification code in the respective GBAO are obliged to mention the said code).
- (2) Completing three copies of the “Aliens’ Occupation Application Form”;
- (3) Completing two copies of the questionnaire regarding Personal Information;

- (4) The original copy of bank note amounting to 1,400,000 Rial deposited under name of Treasury General, account No. 132/66 with one of the branches of Iran Melli Bank.
- (5) Four 3x4-size photos bearing the personal information of foreign national on the back;
- (6) Presenting the original copy of foreign national's passport and/or its photocopy certified by the police and/or the General Bureau of Labor and Social Affairs of province.
- (7) A photocopy of the required pages of passport (in case of not submitting the copies mentioned in para 6)
- (8) The academic and/or professional certification attested by the Embassy of Islamic Republic of Iran in the foreign national's respecting country. (This para is subjected to those foreign nationals for whom the application of entry visa with the right of working has been requested for more than six month).

The Executive procedures for issuing work permit are as follows:

- (1) The application form and other documents shall be filed by the employer's representative, with the unit concerned in GBAO, and shall be checked and initialed after dully completed.
- (2) The application shall be registered with the computer.
- (3) The application shall be transmitted via the computer network to the department (unit) concerned.
- (4) The application shall be referred by the Director of the above unit to the expert concerned.

- (5) The application shall be reviewed and verified for eligibility.
- (6) The work permit shall be issued and send to the Office of Management, for necessary signature and seal.
- (7) Work permit shall be registered by the Secretariat and handed over to the respective employer against receipt.

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### Qatar

## Qatar - Accession to the Patent Cooperation Treaty

### Guiding Principle

***Qatar (QA) became the 143<sup>rd</sup> Patent Cooperation Treaty "PCT" Contracting State on 3 May 2011 and the PCT will enter into force in Qatar on 3<sup>rd</sup> August 2011.***

On 3<sup>rd</sup> May 2011, Qatar deposited its instrument of accession to the PCT and on 3<sup>rd</sup> August 2011 will become bound by the PCT. Consequently, any international application filed on or after 3<sup>rd</sup> August 2011 will automatically include the designation of Qatar.

The Patent Cooperation Treaty has now a total of 143 contracting member states from our region, including: Algeria, Bahrain, Cyprus, Egypt, India, Libya, Morocco, Oman, Sudan, Syria, Tunisia, Turkey and the United Arab Emirates.

With the accession to the PTC Qatar will be now bound by the Treaty and consequently any "international" patent application may include the designation

of Qatar under its country code “QA”. In this regard Qatar will be bound by Chapter II of the PCT and will automatically be elected in any demand filed in respect of an international application filed on or after 3 August 2011. Furthermore, nationals and residents of Qatar will be entitled, as of 3 August 2011, to file international applications under the PCT.

The instrument of accession declares that, pursuant to Article 64(5) of the Patent Cooperation Treaty, Qatar does not consider itself to be bound by the provisions of Article 59 of the Treaty. According to Article 59, any disputes between two or more countries of the Treaty concerning the interpretation or application of the Treaty or its regulations which is not settled by negotiation may, by any of the concerned countries, be brought before the International Court of Justice, unless these countries agree on some other method of settlement. Therefore, any dispute between Qatar and any other country of the Treaty, the provisions of Article 59 shall not apply.

With the accession to the PCT Qatari authorities now have to amend the respective laws in order to introduce provisions for the processing of PCT national phase applications. At the same time the Patent Office must be enhanced in order for such patent applications to be received.

It is not yet known when such changes will occur, but we will post any further news once it is forthcoming.

**Tareq Jeroudeh,**  
**Meyer-Reumann & Partners - Dubai**

## Saudi Arabia

### **Lobbyism - a ‘*conditio sine qua non*’ for Successful Business in Saudi Arabia**

#### **Guiding Principle**

*This Article describes lobbyism in Saudi Arabia commonly known as “Sponsor” and in particular the lobbyist in governmental contracts which has a legal background.*

#### **A. Lobbyism in Germany**

For the general understanding of lobbyism in Germany, please see the websites referred to in the footnotes<sup>15,16</sup>. The comments may be summarized as follows: Lobbyism is legal and a tool widely used in Germany to turn the attention of decision makers on the products, services or ideas of individuals, companies, institutions, associations, parties etc. The addressees are decision makers on various levels including politicians, members of parliament, big businessmen, associations, unions etc. Every lobbyist has to develop his own tailor-made strategy to bring the right attention of the right people to interest of his principals. The limits of lobbyism are the limits set by the law, e.g. the laws related to bribery, international (embargo) rules,

<sup>15</sup> Merschmeier, Jürgen; Lobbing; [www.polikomm.de/downloads/merschmeier\\_lobbying.pdf](http://www.polikomm.de/downloads/merschmeier_lobbying.pdf); ein Artikel für die Studienbände des pr-Kolleg Berlin

<sup>16</sup> Wenzlaff, Karsten, Unternehmenslobbyismus; aus LobbyWiki; [lobbyismus.karsten-wenzlaff.de/index.php/Hauptseite](http://lobbyismus.karsten-wenzlaff.de/index.php/Hauptseite)

ethical rules, rules of fair competition, rules of compliance etc.. Lobbyism is international and has no borders. Germany's capital Berlin itself is said to have 5.000 lobbyists<sup>17</sup>.

## B. Lobbyism in Saudi Arabia

Although the structures of the state and of its economy of Germany and Saudi Arabia are different and generally rules and practice being common in Germany may not directly be applied in Saudi Arabia, the basic rules of lobbyism as applied in Germany are applied similarly in Saudi Arabia – subject details. Lobbyism is well established in Saudi Arabia. The Saudi Arabia lobby in the United States is a collection of lawyers, public relation firms and professional lobbyists paid directly by the government of Saudi Arabia to lobby the public and the government of the United States on behalf of the interests of the government of Saudi Arabia<sup>18</sup>. The Americans are making publicly use of it<sup>19,20</sup>. In some cases, which were extensively discussed in the international press, the line of compliance with the law has been passed, which gave lobbyism a bad smell. However such

malpractices are exceptions to the rule. Lobbyism is not only legitimate but a tool, which is absolutely necessary to do proper business, irrespective whether this is seen for the point of view of the party lobbying, e.g. a government, association, industrial sector or the internationally operating companies etc. or the party being the target of the lobbyists.

However – as explained above - the term “lobbyist” is not commonly used in Saudi Arabia and replaced by the more ambivalent and versatile word “sponsor”, in particular when the lobbyist is a Saudi national or a fully Saudi owned company. Often foreign companies have to pre-qualify themselves with Saudi Authorities and public organization, to get into a position to bid in tenders from them. Pre-qualifying goes hand in hand with keeping up the dialogue with that organization promoting the services or products, i.e. lobbying has started in line with the law. Lobbyism may take place on different levels: (1) on political level, (2) on economical level and (3) on the level of the involved workforce. Like in Germany in order to be legitimate, lobbyism has to stay in the boundaries set by the prevailing laws.

Since contacts to governmental bodies require an excellent reputation and long years of experiences in the Saudi Arabia market of the respective consultants/lobbyists, to be able to provide contacts to governmental bodies and arranging new business with governmental authorities are highly valuable.

<sup>17</sup> See website of LobbyControl, [www.lobbycontrol.de/blog/index.php/schwerpunkte/lobbyplanet-berlin/](http://www.lobbycontrol.de/blog/index.php/schwerpunkte/lobbyplanet-berlin/)

<sup>18</sup> Saudi Arabia lobby in the United States, [en.wikipedia.org/wiki/Saudi\\_Arabia\\_lobby\\_in\\_the\\_United\\_States](http://en.wikipedia.org/wiki/Saudi_Arabia_lobby_in_the_United_States)

<sup>19</sup> MacArthur, John R.; The Vast Power of the Saudi Lobby; website: [www.commondreams.org/archive/2007/04/17/571](http://www.commondreams.org/archive/2007/04/17/571)

<sup>20</sup> The Daily Beast / In Newsweek Magazine 17.05.2008; McCain Versus Lobbyists, website: [www.thedailybeast.com/newsweek/2008/05/17/mccain-vs-lobbyists.html](http://www.thedailybeast.com/newsweek/2008/05/17/mccain-vs-lobbyists.html)

### C. The Nationality of the Sponsor/Lobbyist

When the obligation to appoint a Saudi service agent (= lobbyist) was abandoned in 2001 due to the liberalization of the Saudi economy, the legal necessity by law for an appointment of a service agent was abolished, but the need for commercial reasons continued. Although there are many foreigners in Saudi Arabia doing business on all levels, the Saudi economy in the end is controlled by Saudis. Furthermore on governmental level it is common practice, that foreigners are requested “to speak Arabic” with them. The endeavors of the Saudi Government to Saudialize the workforce<sup>21</sup> in the country are also immanent. At the same time there is a clear tendency that Saudis – whether in the government or elsewhere - generally want respectively prefer to meet Saudis. Thus it appears natural to look for a Saudi national and to appoint him as my sponsor/lobbyist, irrespective that the price may in the end be higher.

**Rolf Meyer-Reumann,  
Meyer-Reumann & Partners - Dubai**

<sup>21</sup> See Saudi in Focus, Saudi Labor Minister calms Jobs:  
[www.saudiinfocus.com/en/forum/showthread.php?p=23942](http://www.saudiinfocus.com/en/forum/showthread.php?p=23942)

### Syria

## The new Companies Law in Syria

### Guiding Principle

*Syria's relatively new Company Law No. 3 of 2008 was replaced in February 2011 with Legislative Decree No. 29 of 2011. When the previous text was passed in 2008, it replaced a 59-year old bill, the Commerce Law of 1949. The new Legislative Decree 29 of 2011 introduces new forms of companies and provides for more simplified procedures.*

When the previous text was passed in 2008, it was replacing a 59-year old bill, the Commerce Law of 1949. The new text brings a number of additions and improvements to the rules regulating the establishment of companies in Syria, brings improvements to business sector and opens door for privatization.

Under the old Company Law, limited liability companies had to be established by at least two shareholders, whereas the new law has introduced the form of the "one-person limited liability company". Although regulations governing this types of company are yet to be issued by the Minister of Economy, it is expected to ease the introduction of foreign investors. Among other improvements, the new law allows the transformation of state-owned entities into companies, the establishment of holding firms as limited liabilities and the establishment of non-public shareholding companies.

Another important change is related to shareholding companies. Previously, all

shareholding companies had to be public where at least 45% of the share capital had to be raised through the Initial Public Offering (IPO). Under the new company law, if the founders choose to fully subscribe to the company capital without a public offering, then the company shall have the form of a "private shareholding company".

Private Joint Stock Companies will need a minimum number of five shareholders, while the minimum threshold for Public Joint Stock Companies is 25. The founding shareholders of a Public Joint Stock Companies are now also eligible to own up to 75 percent of the shares of a company (but at least 10 percent) from a maximum of 55 percent previously.

There is no ceiling on ownership of shares by non-Syrians in companies; non-Syrians must, however, pay their contribution to the capital in hard currency. Syrian regulations still impose a minimum capital requirement on all forms of companies, where such minimum requirement is not stipulated in the law, but is rather determined by Ministerial Decisions that are subject to change according to market requirements.

Limited liability companies will need to have a minimum capital of SYP 1 million, while partnerships will need a minimum capital of SYP 300,000. In order to ease the establishment of limited liability companies, investors will be able to apply to set-up their company through the regional offices of the Syrian Investment Agency, the Industrial Cities located across the country or the Domestic Trade Directorate of the Governorates.

Another important feature included in the new law is the option given to state-owned entities to change into a Public JSC form. Currently state-owned institutions operate under specific regulations. However, in case they decide to switch to a shareholding form and after having obtained the approval of the Prime Ministry, they will have to abide by the Company Law.

Although the law clearly says that state-owned companies can go public, it does not mention whether that could go as far as offering a majority of the shares for trade, or in other words privatizing them.

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#### **United Arab Emirates**

### **When driving with a Local or a Foreign Driving License in the UAE?**

#### **Guiding Principle**

*Many expatriates in the UAE on a UAE-residence visa are still driving with their home countries driving license. This fact invites and leads to punishment, fines up to imprisonment.*

Recently again in the media and already discussed in the past is driving in Dubai with the home country's driving license. The Dubai Traffic Public Prosecution has warned again that expatriates with a valid UAE residence visa are only allowed to drive with a valid UAE driving license.

Again cases were reported, where

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expatriates with valid UAE residence visa were driving and caught with their home country's driving license. According to the head of Dubai Traffic Public Prosecution this is forbidden. Pursuant to the Federal Traffic Law No. 21 of 1995 as amended by Law No. 12 of 2007, UAE-residents driving with their home country's driving license may risk up to 3 months in jail or a fine up to AED 5,000.00. Worst case would be that both penalties apply and these persons may appear on the blacklist and therefore be banned from driving in the UAE.

Nevertheless and as we know, there are about 26 nationalities who can drive with their home country's driving license without converting it into a UAE driving license. However this exemption only applies to those persons entering the UAE on a visit visa.

As soon as a person from one of these excepted countries gets a valid UAE-residence visa, they must convert their driving license into a local UAE-driving license. Driving a vehicle with an international driving license is also not allowed if this person is holding a UAE-residence visa. Violations of this law may result in high fines, imprisonment and prohibition of driving inside the UAE.

Certainly these rules and law is not very new, however and in particular for expatriates they have been deliberately ignored.

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## Yemen

### **The Important Advantages of the Yemeni Investment Law**

#### **Guiding Principle**

*In this Article, the author illustrates the advantages of the Yemeni Investment Law between exemptions, warranties and facilities.*

#### **A. The Yemeni Investment Law**

Looking at the Yemeni Investment law, appropriate legal environment for encouraging investment exists. With this law and since the government issued the Economic Laws, the Yemeni Government gives investors more incentives and facilities in order to create a tempting environment for new investments. Investment Law No. 22 of 2002, which came as an alternative to the Investment Law No. 22 of 1991 (as amended), regulates and encourages investments and grant facilities and incentives for investors in all areas except a few fields which are:

- Exploring and extracting oil and gas and minerals that are governed by special agreements with the Ministry of Oil and Minerals.
- Manufacture of weapons and explosive materials.
- Industries that harm the environment and health.
- Banks and exchange.
- Financial trade, import, wholesale and retail.

## **B. The Advantages of the Yemeni Investment Law**

### **1. Exemptions**

- Exemption of fixed assets required to establish, expand or develop investment projects from taxes and customs duties.
- Exemption requirements of animal production, agriculture and fisheries from customs duties and tax exemption as well as the production requirements of other projects by 50% of all customs duties to existing and registered projects.
- Exemption of projects from the profit tax for a period of 7 years in the major cities of Sana'a, Aden, Taiz, Hodeidah and Mukalla, and increasing the exemption period to two (2) years for other regions of the Republic from the date of commencement of production or activity, whereas this period can be increased for an additional period of two (2) years for each case achieved in the project of the following cases that do not exceed the total exemption period of 16 years:
  - (i) Projects that increase the proportion of the local component of the fixed assets of 25% of the total value of fixed assets projects.
  - (ii) Projects owned by public companies of not less than the proportion of the IPO for 25% of the paid-up capital.
- If the project faced losses during the exemption period, it has to be recycled during the year or years in which it occurred and no later than three years from the first year following the year the exemption.
- Projects exempt from income tax on profits distributed by the projects.

- Exemption from all duties and taxes of any kind imposed on exports.
- Exemption from the tax due on profits from export earnings, after the expiry of the exemption according to the project. The grant projects at the same expanded tax exemptions for the same duration per capital value added.
- Projects exempt from property tax and fees documentation of contracts for the establishment of projects, as well as all contracts associated with the project until implementation is complete.

### **2. Warranties:**

- Non-nationalization of projects and not to seize or confiscate their money or reservations, freezing or seizure or the imposition of security only through a judicial ruling.
- Equality between the investor and non-Yemeni Yemeni in all the rights and duties.
- The possibility for a non-Yemeni investor to own 100% of the investment project including its land and real estate.
- The possibility of securing the investor against his non-commercial risks in any of the international institutions which Yemen is a member of which are:
  1. Inter-Arab Investment Guarantees Corporation.
  2. International Agency to guarantee that investment.
  3. The Islamic Corporation for Insurance of Investment and Export Credit.
- Freedom of investors in the management of their projects.
- Exception of mandatory set pricing on products of investment projects.

- The right to export products or projects, in particular mediation, without restrictions.
- Freedom of investors to convert their money in foreign currency to and from the Republic of Yemen and re-import money invested abroad, whether in kind or in cash upon liquidation or disposal of the project.
- Law does not allow any decision to cancel registration of the investment project made under the Act or withdraw any right or exemption granted pursuant to, except under court order.
- Give the investor the full right to choose one of the following methods to resolve disputes that arise between him and the Yemeni Government in the application of the provisions of the law:
  1. Unified Agreement for the Investment of Arab Capitals in Arab countries.
  2. International Convention to resolve investment disputes that arise between States and Nationals of other countries.
  3. Any international or bilateral agreement to which the Republic is a party.
  4. Rules and procedures for commercial arbitration of the International Law Commission of the United Nations.
  5. Arbitration rules and procedures within the Republic.

### **3. Facilities:**

- Dealing with the Agency as a one window (one stop shop).
- Provide information required by investors.
- Simplicity of the procedures required

to establish or expand or develop investment projects.

- Simpler procedures for the establishment of investment companies and open branches.
- Ease of recruitment procedures for foreign expertise is available locally.

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