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Qatar Sanctions – New Developments

By Charles Laubach | 29 May 2018

The political dispute between Qatar and its neighbors escalated on Saturday 26 May 2018 with the announcement by Qatar that it would impose a ban on goods from the four boycotting countries, the UAE, Saudi Arabia, Bahrain and Egypt.

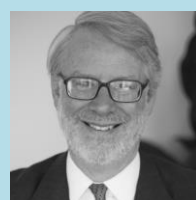
As we reported earlier, these four countries imposed a trade embargo on Qatar on 5 June 2017. The measures that were introduced prohibited the direct shipment of goods and the direct transport of passengers to or from Qatar and closed the land border between Qatar and Saudi Arabia. Ships and aircraft registered in Qatar were prohibited from entering the territories of the boycotting countries, and vice versa. Qatari diplomatic personnel and most Qatari nationals were compelled to depart from the boycotting countries.

Financial transactions were also affected, although payments by Qatari parties denominated in foreign currencies (such as Euros and Dollars) nevertheless proceeded.

These measures compelled the business community to implement a series of somewhat uncomfortable adjustments. Businesses in Dubai were particularly affected, as many operations based in Dubai serve customers around the Gulf, including Qatar. None of the adjustments that businesses put in place, such as the routing of shipments through non-boycotting countries, enjoyed official approval.

The new measures announced by Qatar could well cast doubt on the viability of a number of these adjustments. In Saturday's announcement, the Ministry of Economy and Commerce of Qatar stated that the sale of products imported from the UAE, Saudi Arabia, Bahrain or Egypt would be prohibited. Retailers are directed to remove such items from their shelves. The Ministry would conduct inspections to ensure compliance. The Government of Qatar also announced that dairy products imported from Saudi Arabia via third countries would be prohibited. Somewhat more modest measures were also reported -- that products from the boycotting countries would not benefit from GCC Customs

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treatment, and that the Government of Qatar has issued a directive that buyers should find new suppliers for the products that are impacted.

These measures appear to be aimed at consumer and retail products manufactured in the boycotting countries. It is unclear whether they will extend to other goods from those four countries that are not shipped directly. It is also unclear whether the new measures will impact existing supply contracts or only new supply contracts with customers in Qatar.

We will continue to monitor developments as they are reported. For the time being, parties with ongoing supply obligations to customers in Qatar must likewise watch developments closely, as many options for serving customers in Qatar might no longer be available. ■

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