



“Legal Issues Related To Doing Business In The United Arab Emirates”

*Prepared by Bryan Cave LLP Law Firm for
The American Business Council of Dubai and the Northern Emirates*

February 2004

Copyright 2004. Bryan Cave LLP

* * * * *

Article/Overview follows

* * * * *

The Overview’s authors are lawyers with Bryan Cave LLP. For additional information contact::

Bryan Cave LLP
Holiday Centre, Commercial Tower
Suites 1102 - 1104
P.O. Box 13677
Dubai, UAE
Telephone: 971-4-3314-123
Facsimile: 971-4-3318-287
E-mail: dubai@bryancave.com
Website: www.bryancave.com

This Client Bulletin is published for the clients and friends of Bryan Cave LLP. Information contained herein is not to be considered as legal advice. This Client Bulletin may be construed as an advertisement or solicitation. © 2004 Bryan Cave LLP. All Rights Reserved.

Bryan Cave LLP Chicago | Hong Kong | Irvine | Jefferson City | Kansas City | Kuwait | Los Angeles | New York | Phoenix | Riyadh
Shanghai | St. Louis | United Arab Emirates (Dubai) | Washington, DC | and Bryan Cave, A Multinational Partnership London | www.bryancave.com

LEGAL ISSUES RELATED TO
DOING BUSINESS IN THE UNITED ARAB EMIRATES

**PREPARED BY BRYAN CAVE LLP LAW FIRM FOR
THE AMERICAN BUSINESS COUNCIL OF DUBAI AND THE NORTHERN EMIRATES**

INTRODUCTION

There are a number of alternative methods for foreign businesses to conduct activities in the UAE, including: (i) indirectly operating through a UAE agent or representative; or (ii) directly operating in the UAE by establishing a permanent business presence. Determination of the most appropriate alternative will depend on many factors, including the targeted customer base and the nature of the products or services to be offered. We have set forth below an overview of the primary alternative methods for foreign businesses to conduct activities in the UAE.

INDIRECT OPERATIONS

Foreign entities generally may make private sector product sales directly into the UAE without participation by a UAE party. However, only UAE nationals (or entities wholly-owned by UAE nationals) may conduct certain “commercial agency activities” via a registered commercial agency. The practical effect of these restrictions is that foreigners, or any UAE entity with foreign ownership participation, are precluded from importing products into the UAE for resale, or providing services in the UAE, as a registered commercial agency.

The UAE Commercial Agencies Law, Federal Law No. 18 of 1981, as amended by Federal Law No. 14 of 1988 (the “Commercial Agency Law”), regulates and governs the appointment of registered commercial agents, sales representatives and distributors in the UAE. The Commercial Agency Law is supplemented by the Commercial Procedure Law, Federal Law No. 18 of 1993 (the “Commercial Code”). Together, the Commercial Agency Law and the Commercial Code provide the primary regulatory framework for agency relationships through which foreign businesses provide products and services in the UAE.

The Commercial Agency Law is a Federal law which applies throughout the UAE and grants registered commercial agents formidable statutory rights. The rights and restrictions afforded by the Commercial Agency Law include:

1. Registered commercial agents are entitled to an exclusive territory encompassing at least one Emirate for the specified products or services.
2. Registered commercial agents are entitled to receive commissions on sales of the specified products or services in their designated territory irrespective of whether such sales are made by or through the registered commercial agent, unless otherwise agreed by the parties.
3. Registered commercial agents are entitled the right to prevent products subject to their agency from being imported into the UAE if the registered commercial agent is not the consignee.
4. Registered commercial agents are entitled to receive compensation from the foreign

principal if the registered commercial agency is terminated without substantial justification or if the registered commercial agent is not renewed by the foreign principal. There is no distinction in practice between termination and non-renewal of a registered commercial agency.

These statutory protections under the Commercial Agency Law create an obvious disincentive to foreign entities to do business through registered commercial agencies in the UAE if alternative means are available. In this regard, foreign parties may find it possible to conduct direct sales into the UAE without the assistance of a registered UAE commercial agent. Also, foreign parties whose products or services are sold primarily in the private sector may be able to identify a UAE party willing to act as a representative or distributor other than pursuant to a registered commercial agency agreement. However, pursuant to the various public tender legislation applicable in the UAE, foreign parties generally are required to engage registered UAE commercial agents for public sector procurement except in limited circumstances, such as strategic military procurement for which agents and other intermediaries are prohibited by policy of the General Headquarters of the UAE Armed Forces.

Thus, it is critical that a foreign party carefully consider the scope of any commercial agency in light of the formidable statutory rights afforded to registered commercial agents under the Commercial Agency Law. Moreover, termination or non-renewal of agency relationships normally is contentious, time consuming and expensive. In sum, foreign parties should consider carefully the application of the Commercial Agency Law and the Commercial Code when entering into, terminating, or not renewing any UAE agency agreement. Obtaining legal advice in relation to such matters is advisable.

DIRECT OPERATIONS

In addition to a foreign entity establishing an “indirect” business presence in the UAE via an agency relationship as described above, there are several alternatives pursuant to which a foreign entity may be licensed on a permanent basis in the UAE. The UAE Commercial Companies Law, Federal Law No. 8 of 1984 (as amended, the “Companies Law”) provides for a number of different corporate structures, a detailed analysis of which is beyond the scope of this memorandum. The primary alternatives for foreign companies to establish direct business operations in the UAE are: (i) registration of a branch or representative office; (ii) incorporation of a limited liability company; or (iii) registration of a free zone operation. By establishing a direct business presence in the UAE under one of these or other methods, a foreign entity is permitted to engage in activities as licensed by the relevant UAE authorities.

Except for certain free trade zone registrations and operations, which are regulated and licensed primarily by the relevant free trade zone authorities, entities engaging in commercial activities in the UAE are registered and licensed on a Federal and Emirate basis, as well as by any applicable special purpose regulatory authorities. Thus, most entities must be separately registered and licensed in each Emirate, and for each place of business where they operate within an Emirate. Commercial entities must also be registered with, *inter alia*, the Immigration Department of the UAE Ministry of Interior (the “Immigration Department”) and the UAE Ministry of Labor and Social Affairs (the “Ministry of Labor”) to secure residency visas (as necessary) and work permits, at least for their expatriate personnel.

1. **Branch or Representative Office.** Through registration of either a branch or representative office, a foreign entity can establish a direct business presence in the UAE with significantly less UAE participation than is possible by establishing a limited liability company (described below) or operating through a UAE agent (described above). Such a branch or representative office is not a separate and distinct legal entity from the foreign company. Rather, via the branch or representative office the foreign company is licensed to undertake activities in the UAE as authorized by the relevant UAE authorities. As such, the foreign company will be fully responsible for the liabilities of the branch or representative office because there is no legal distinction between the foreign company and its branch or representative office.

A branch or representative office may conduct the activities specified in its license. In this regard, there are limitations on the type and scope of activities a branch or representative office may be licensed to undertake, which are determined on a case-by-case basis. For example, branch or representative offices generally are not licensed to engage in general trading or other activities, which are usually restricted to UAE nationals or companies at least 51% owned by UAE nationals. Furthermore, the limitations applicable to a representative office are even greater than those imposed on a branch office. In essence, a representative office normally acts as a mere administrative and marketing liaison presence for a foreign company. The procedures and expenses to establish either a branch or a representative office, an analysis of which is beyond the scope of this memorandum, are similar, although governmental approvals for representative offices generally can be obtained more quickly and with less governmental scrutiny than would apply to branch offices due to the more limited scope of activities representative offices normally are licensed to undertake.

In addition, note that a foreign entity normally is required to appoint a UAE national “service agent” for its representative or the branch office. However, for certain registrations such as foreign military or certain financial institution branches, the relevant special purpose government regulatory authority normally will serve as nominal service agent. The UAE national service agent is not permitted to own equity in the branch or representative office because such presences are wholly-owned by the foreign company, nor is it allowed to interfere in the substantive management of the representative or branch office unless otherwise agreed by the parties. In practice, a foreign entity typically contracts with a UAE national service agent to provide specific services such as assisting in communications with government departments for processing the registration and licensing renewals for the foreign company and processing visas and work permits for the foreign company personnel, or undertaking other administrative matters. The level and form of compensation paid to the service agent is a contractual matter to be agreed solely between the service agent and the foreign entity.

2. **Limited Liability Company.** UAE limited liability companies (“LLCs”) must have a minimum of two and a maximum of 50 members, and a minimum of 51% UAE national equity ownership. The minimum capitalization of a limited liability company pursuant to the Companies Law is Dhs. 150,000, although by Emirate regulation Dhs. 300,000 in Dubai. Such minimum capitalization requirements are greater for certain types of activities, such as industrial and manufacturing operations. LLCs can be licensed to engage in a wide range of commercial activities, except for banking, insurance and the investment of money for third parties pursuant to restrictions in the Companies Law. An LLC often is the preferred vehicle for a joint venture between a foreign party and a UAE party.

3. **Free Zone Registration.** Of particular relevance to permissible, direct foreign business operations in the UAE are the various free trade zones that have been established in the UAE. UAE free trade zones account for a significant, and growing, portion of foreign commercial

activity in the UAE. These free trade zones have been instrumental in positioning the UAE as a regional trading power and international trans-shipment center.

Some of the free trade zones established to date include: (i) the Jebel Ali Free Zone; (ii) the Dubai Technology, Electronic Commerce and Media Free Zone (incorporating Dubai Internet City, Dubai Media City, and Knowledge Village); (iii) the Dubai Airport Free Zone; (iv) Dubai International Financial Centre; (v) Dubai Healthcare City; (vi) the Sharjah Airport International Free Zone; (vii) the Hamriya Free Zone in Sharjah; (viii) the Fujairah Free Zone; (ix) the Ajman Free Zone; (x) the Ras Al Khaimah Free Zone; and (xi) the Ahmed Bin Rashid Free Zone in Umm Al-Quwain. A comprehensive analysis of the various free trade zones is beyond the scope of this memorandum. However, the characteristics, qualifications, registration procedures and operation requirements for licensing business activities in the various free trade zones generally are quite similar. In this regard, among the investment incentives generally available in the free trade zones are 100% foreign ownership, guaranteed tax holidays and no restrictions on repatriation of capital and profits. Moreover, as the names imply, there generally are no customs or other import duties or taxes with respect to imports into or exports out of the various free trade zones, provided that such goods are not imported into the UAE proper.

The various free trade zones generally permit: (i) the registration of wholly-owned branch offices; or (ii) the incorporation of single or multiple shareholder corporate entities. The types of activities usually permitted in the various free trade zones are trading, industrial, and service activities. However, various industry specific free trade zones have become particularly prevalent in the Emirate of Dubai recently, such as the (i) Dubai Technology, Electronic Commerce and Media Free Zone, (ii) Dubai International Financial Centre and (iii) Dubai Healthcare City. However, the activities free zone registrants are authorized to undertake generally are not licensed to be undertaken by them in the UAE outside the relevant free trade zones, at least in the absence of independent licensing or some other arrangement permitting the same.

OTHER CONSIDERATIONS

Other considerations for foreign entities doing business in the UAE are vast and too varied to be effectively summarized herein. However, some of the more critical considerations are:

1. **Monetary Policies.** There are currently no foreign exchange control laws or other legislative restrictions on the free movement of currency within the UAE. Specifically, there are no restrictions imposed on the repatriation of capital and earnings. Also, the UAE Dirham is pegged to the US Dollar and the exchange rate generally is approximately US \$1 = UAE Dirhams 3.65. The UAE Central Bank has adopted money laundering regulations, although they are only applicable to financial institutions within the UAE. The Dubai Financial Services Authority is also expected to issue separate money laundering regulations for the Dubai International Financial Centre.

2. **Taxes.** There are no special purpose income tax laws or regulations, corporate or individual, issued at the Federal UAE level. At the local Emirate level, most of the Emirates have issued corporate income tax decrees in some form. However, to date such tax decrees have not been enforced and income taxes generally have not been imposed by any of the Emirates except with respect to: (i) certain companies engaged in the production of oil, gas and/or petrochemicals; and (ii) foreign bank branches. Also, currently there are not any personal income tax schemes enacted in any of the Emirates. Officials from each of Abu Dhabi and

Dubai, the most influential Emirates of the UAE, have indicated that they do not expect to impose income taxes in the foreseeable future or otherwise alter the current policy of non-enforcement of the existing income tax decrees, other than as noted above.

There are also no withholding taxes and no value-added taxes or sales taxes, except with respect to certain items such as alcohol and tobacco. However, there may be Municipal taxes imposed on items such as services at hotels, as well as private and commercial premises (e.g., annual fees collected based on the value of a lease).

3. **Customs Duties.** Customs matters in the UAE are organized and regulated on an Emirate-by-Emirate basis, although all of the Emirates generally follow the guidelines of the UAE Customs Council, comprised of members from all of the Emirates, with respect to the imposition of customs duties. Currently, pursuant to the agreement of the UAE Customs Council adopted in 1994, customs duty is imposed at a minimum duty of 4% ad valorem on the CIF value of the goods, although duties of up to 50% are levied on alcohol and tobacco products. There are certain exceptions (e.g., imports by certain UAE government Ministries, departments and officials, imports by authorized non-profit healthcare or other charitable organizations, certain foodstuffs and raw materials, goods accepted for transshipment, commercial samples marked as such), and exclusions (e.g., activities within the free trade zones of the UAE as described above) to the uniform customs duties imposed throughout the UAE. Moreover, see below regarding the GCC Customs Union.

Goods imported from other member Gulf Cooperation Council countries (i.e., Saudi Arabia, UAE, Kuwait, Bahrain, Oman and Qatar) ("GCC") also are exempt from customs duties in the UAE, further to the Unified Economic Agreement of the GCC, if: (i) the manufacturer of the product is organized and existing under the laws of a GCC member country and not less than 51% of the capital of such company is owned by GCC nationals; and (ii) the value added to the product as a result of its production in another GCC country is not less than 40% of the final value of the product at the completion of production. This GCC customs duty exemption is applicable throughout the GCC, although application in practice varies. In this regard, there is a trend in most GCC jurisdictions to not enforce the 51% GCC national ownership requirement, although formal amendments reflecting this have not yet been implemented in the UAE as far as we are aware.

The UAE has also recently adopted the GCC States' Customs Unifying System Law (the "GCC Customs Union"), which is a measure aimed at unifying the customs systems and procedures throughout the GCC. It is too soon to tell how the GCC Customs Union is being enforced in practice, but technically this legislation requires uniformity for customs practices throughout the GCC.

Moreover, it is important for US companies to consider Federal Law No. 15 of 1972 Regarding The Boycott of Israel (the "Israel Boycott Law") in connection with UAE customs matters. The Israel Boycott Law essentially is the codification of the League of Arab States' boycott of Israel. See below regarding the US Antiboycott Regulations.

4. **Intellectual Property.** There are three primary Federal laws related to the protection of intellectual property rights in the UAE, namely: (i) the UAE Trademark Law, Federal Law No. 8 of 2002, which amended Federal Law No. 37 of 1992; (ii) the UAE Copyright Law, Federal Law No. 7 of 2002; and (iii) the UAE Patent Law, Federal Law No. 17 of 2002. These primary intellectual property laws are supplemented by other legislation, including Federal Law No. 18

for 1993, the Commercial Transactions Law, Federal Law No. 4 of 1979 Regarding the Prevention of Fraud and Deception in Commercial Transactions, and various ministerial resolutions.

5. **Real Estate (Ownership and Leases).** As is the case in many Middle East countries, real property is afforded special “guarded” status in the UAE. Although the UAE Constitution vests legislative authority over real estate ownership in the UAE with the UAE Federal government, to date no UAE Federal real estate law has been passed. Thus, real estate matters in the UAE are generally governed and regulated on an Emirate-by-Emirate basis. In general, land ownership is reserved for UAE nationals. This is the default position. Each Emirate maintains its own policies and practices with respect to land ownership by non-UAE nationals. There have been recent developments, particularly in Dubai, that allow for some degree of fee ownership and long term leasing of certain designated developments such as the Dubai Marina and the Palm Island projects. Real estate is an industry sector for which fairly substantial regulatory and practical developments are expected to evolve in the near future. In sum, whether foreign ownership, including ownership by other GCC nationals, is permitted with respect to real estate in the UAE must be investigated and determined on a case-by-case (*i.e.*, parcel-by-parcel) and Emirate-by-Emirate basis.

We also note that there is not a special purpose Federal landlord/tenant law currently applicable in the UAE. Thus, leases are governed by specific provisions in the Federal Law No. 5 of 1985 Regarding the Civil Transactions Law (the “Civil Code”), as well as special purpose regulations, policies and practices of the various individual Emirates with respect to leases.

6. **Financials Records and Accounting.** The UAE Commercial Code requires that all commercial entities maintain commercial books to reflect the financial position of the business. LLCs, branch offices, and other corporate entities are required to annually file financial statements audited by a UAE registered auditing firm. For LLCs, the audited financial statements must be filed within 4 months after the end of the financial year. For branch offices of foreign companies, the audited financials may be required to be filed in connection with the annual renewal of the trade license.

7. **Labor and Immigration.** Federal Law No. 8 of 1980 concerning Labor in the Private Sector (the “Labor Law”) governs the employment of workers by most private enterprises in the UAE. The Labor Law is a Federal Law that applies in each of the Emirates. However, the Labor Law does not apply to government workers, members of the armed forces, police and security forces, and workers employed in certain agricultural fields and grazing. There is civil service legislation applicable to most public sector employees not subject to the Labor Law. Also, some of the free trade zones (e.g., the Jebel Ali Free Zone) have adopted their own regulations for labor and employment matters, although others have currently opted to simply follow the Labor Law.

It is important to note that employment is the right of UAE nationals under the Labor Law. Non-UAE nationals may be employed only after the approval of the Ministry of Labor is obtained, generally in the form of a work permit or “labor card” issued by the Ministry of Labor. In particular, the Labor Law provides that Ministry of Labor approval of the employment of non-national employees generally is conditioned on the unavailability of qualified UAE nationals. These provisions are an extension of the UAE Constitution which states that the UAE must endeavor to ensure that employment, and related vocational training, is available for all UAE citizens. An outgrowth of such legislation is the current “Emiratization” policies of the Ministry of Labor, which encourage or often require the employment of UAE nationals in certain job sectors. This pressure

to employ UAE nationals is expected to increase in the future, especially in the context of foreign branch and representative offices registered in the UAE, which frequently employ mostly expatriate employees.

The Labor Law requires that all employees be employed pursuant to labor contracts reflecting the wage, term (*i.e.*, fixed v. indefinite) and nature of the employment. Indeed, such labor contracts normally are required in connection with securing work permits for personnel. The Labor Law also provides that employees who have been employed for at least one year, and who are not terminated “for cause” as defined by Article 120 of the Labor Law, are generally entitled to receive an end of service gratuity payment upon termination as specified in the Labor Law based on length of service. In addition, certain employers, depending largely on the number of their employees, may be required to submit a bank guarantee as security for end of service benefits and repatriation costs for their employees.

Immigration matters in the UAE are governed primarily by Federal Law No. 6 of 1973 Regarding the Entry and Residence of Foreigners, as amended by Federal Law No. 13 of 1996 (the “Immigration Law”). The majority of UAE residents and labor personnel are expatriates. As such, the Immigration Law directly impacts the majority of residents in the UAE.

Pursuant to the Immigration Law, non-GCC national employees may not reside and work in the UAE without an employment/residency visa, or a labor card with respect to dependents sponsored by a qualified family member, secured by their employer sponsor. In addition, expatriate employees generally are not permitted to work for persons other than their employment visa and/or labor card sponsor. Transfer of employment (*i.e.*, sponsorship) also is constrained by the policies of the Immigration Department and the Ministry of Labor, the primary relevant authorities with jurisdiction over immigration and employment matters in the UAE, as well the permission (*i.e.*, no-objection) of the current employer sponsor. Employee transfers are generally reserved for certain designated categories of workers and the UAE authorities have broad discretion with regard to transfers. In addition, under current UAE regulations there is the possibility that a terminated employee could receive a ban on his ability to work in the UAE for several months. Although certain designated categories of workers (e.g., management employees) are supposed to be exempted from the imposition of the ban, each case is a fact specific matter. These requirements that tie an expatriate’s immigration/residency status to his/her employment status are fundamental to the control of the expatriate labor force in the UAE.

8. **US and Other Regulatory Issues.** In addition to the Federal and Emirate laws and regulations of the UAE, companies and individuals doing business in the UAE should be aware of laws and regulations of other countries that may impose prohibitions or restrictions on them in connection with their business relating to the UAE. For US concerns, these include various export control and sanctions laws and regulations, laws and regulations aimed at preventing corruption, and US antiboycott laws and regulations. In addition, certain other US legislation may have extraterritorial application, including certain employment discrimination legislation. An overview of some of these US regulatory issues is provided below.

A. **Export Controls and Sanctions**

Companies and individuals that export US-origin goods, software and technology from the UAE should be aware that US export controls apply to such exports. Such controls also apply to certain non-US made products incorporating US-origin parts, components or materials and non-

US produced software or technology “commingled” with US-origin software or technology, unless the value of the US-origin items qualifies as *de minimis* under applicable US regulations. Finally, exports to certain destinations of certain non-US produced products that are the direct product of certain US software or technology are also subject to US export controls. These controls apply to exports from the UAE of such items by any person – not just US persons.

The United States also imposes unilateral sanctions with respect to various countries, including Iran, Libya and Sudan, and imposes stricter export controls with respect to Syria. Further US sanctions against Syria are also possible in the future. In addition, along with other countries, the US imposes sanctions with respect to various designated terrorists and other persons that are the subject of multilateral sanctions. These sanctions affect or prohibit exports and reexports of US-related items by any person and may “trump” normal export control rules.

US sanctions also prohibit most activities of US persons with respect to sanctioned countries and persons and go beyond activities relating to exports and reexports. In this regard, US persons include branches of US companies, US citizens and “green card” holders, wherever they are located, and include such persons who are employees of non-US companies.

In a recent initiative, the US Commerce Department has identified the UAE as a transshipment hub that poses special risks for diversion of sensitive items to illicit purposes. While many US items do not normally require a license for exports to non-sanctioned destinations, if an exporter knows or has reason to know that such an item is intended for a sanctioned destination or a person that is on a denial list, or that it will be used in connection with certain activities involving nuclear, chemical or biological weapons, or missiles, the export may be prohibited. Legal advice should be sought in any such situation and companies are well advised to follow best practices in screening transactions for the presence of parties on denial lists and in following up any “red flags” suggesting a questionable end-use or end-user.

Violations of US export controls and sanctions regulations can result in serious criminal and civil penalties. In addition, those found to have violated US export controls can be denied export privileges, including the right to receive US-origin exports. The denial of the right to receive US-origin items is a particularly potent sanction that can have a significant disruptive effect on trading activities.

Although other countries, such as EU member states, may not control the reexport of items originating in those countries, it should be noted that many countries participate in various multilateral sanctions. In this regard, various persons and entities have been included on lists published by the United Nations, the EU and the UK relating to sanctions imposed by various countries, including with respect to terrorists, Al-Qa’ida, the Taliban, Burma, and Yugoslavia. Nationals and companies organized under the laws of states imposing such sanctions may be subject to penalties for violations of such laws.

B. Corruption Laws

US companies (and their officers, directors, employees and agents – regardless of their nationality), US citizens and “green card” holders need to be aware that the US Foreign Corrupt Practices Act (the “FCPA”), broadly speaking, prohibits bribery of foreign officials, political parties, party officials or candidates for public office in order to obtain or retain business. Prohibitions under the FCPA include promises, offers, payments and gifts of anything of value

to such a foreign official or party or to any person (such as a sales representative or agent) with knowledge that all or a part of such thing of value will be offered, given or promised to such an official or party for an improper purpose. Serious criminal and civil penalties are imposed for violations of the FCPA.

Although for some time the US was alone in imposing criminal sanctions on persons who bribed officials of another country, countries that are members of the OECD (including EU member states) have now implemented laws under the OECD Bribery Convention that impose serious sanctions on companies and persons subject to the jurisdiction of those countries that bribe officials of other countries in connection with international business. Of course, there are UAE laws and regulations aimed at preventing bribery of UAE officials, including various civil service regulations and certain provisions of the UAE Penal Code.

C. US Antiboycott Regulations

Companies and individuals doing business in the UAE also need to be aware of US laws and regulations that prohibit and/or impose tax penalties on certain persons that participate in or cooperate with the Arab boycott of Israel. These laws and regulations also impose certain reporting requirements, including with respects to requests for such participation or cooperation. The UAE is a party to the Arab League Boycott of Israel, as noted in the Customs Duties section above. These US antiboycott regulations apply not only to US companies, citizens and “green card” holders, but also to foreign affiliates of US companies in respect of their activities in US commerce and members of US tax groups.

Requests to participate in the Arab boycott of Israel can include requests for certain types of information and are not always easy to recognize. In addition to tax penalties with respect to certain boycott-related agreements, serious civil and criminal penalties can apply for violations of US antiboycott regulations, whether or not an agreement is involved. In addition, those found to have violated applicable boycott prohibitions can be denied export privileges, including the right to receive US-origin exports. As in the case of export control violations, the denial of the right to receive US-origin items is a particularly potent sanction that can have a significant disruptive effect on trading activities.

The foregoing overview is not intended to substitute for legal advice on specific matters.

Bryan Cave LLP
FEBRUARY 2004

Bryan Cave LLP
Holiday Centre, Commercial Tower
Suites 1102 - 1104
P.O. Box 13677
Dubai, UAE
Telephone: 971-4-3314-123
Facsimile: 971-4-3318-287
E-mail: dubai@bryancave.com
Website: www.bryancave.com