

KFCRIS Report on the Regional and International Impacts of Coronavirus

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Overview Current Situation

On 16 March, Tedros Adhanom Ghebreyesus, head of the World Health Organization (WHO) emphasized that there had not been an urgent enough escalation in testing, isolation and contact tracing, which according to the WHO, should be the 'backbone' of

the global response to the coronavirus pandemic. Ghebreyesus stressed that the most effective way to prevent infections and save lives is breaking the chains of transmission. However, to do this effectively requires governments to test widely and isolate individuals where necessary. Ghebreyesus pointed out that "You cannot fight a fire blindfolded. And we cannot stop this pandemic if we do not know who is infected. We have a simple message for all countries: test, test, test".

As the pandemic continues to grow, some countries have been more successful at testing than others. In fact, governments have approached

coronavirus testing in different ways. In some places there was far earlier recognition of the need to develop tests and provide testing equipment to have sufficient numbers stockpiled in order to stay ahead of the pandemic's spread. For example, the Guardian newspaper reported how in early January 2020 a scientist in Berlin, Olfert Landt, recognised the similarity to severe acute respiratory syndrome (SARS), caused by the SARS coronavirus, and realized a test kit would be needed. Indeed, some countries such as Germany and South Korea were quick to recognize the threat and have been praised for implementing

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Latest Coronavirus Statistics as of: 26 April 2020

SAUDI ARABIA

On 21 April, the Saudi Press announced that the government had revised its coronavirus curfew timings for the holy month of Ramadan allowing residents to leave their homes for necessities between 9 a.m. and 5 p.m. Furthermore, all prayers for the public have been suspended inside the Grand Mosque in Makkah and the Prophet's Mosque (PBUH) in Madinah during Ramadan as precautionary measures against the coronavirus pandemic

Confirmed cases: **17,522**

Deaths: **139**

Recovered: **2,357**

Individual Countries

Up-to-date statistics on confirmed cases, deaths and recovered in specific countries can be found here:

<https://coronavirus.jhu.edu/map.html>
www.worldometers.info/coronavirus/

If you are interested in contributing to future reports, please email **Dr. Mark C. Thompson** with a short outline of your proposed topic:
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widespread testing of citizens in order to limit the spread of the virus. Another example, in mid-April, in Saudi Arabia, 76 percent of the newly recorded cases were discovered through the Kingdom's efforts in field testing,

The research team at Our World in

Data, a scientific online publication that focuses on large global problems, points out that testing is the window onto the pandemic and how it is spreading. Without testing, the team argues, there is no way of understanding the pandemic and the risks it poses in different

populations. This knowledge is important if governments are to accurately assess the interventions that should be implemented, including very costly interventions such as social distancing and the shutdown of entire regions and industries.



Coronavirus or COVID-19?

It seems that many people are confused by the usage of two names to describe the current pandemic. In fact, in the international press, coronavirus and COVID-19 are sometimes used interchangeably, further confusing the issue. The World Health Organization (WHO) defines coronaviruses as a large family of viruses that cause illness ranging from the common cold to more severe diseases. The name comes from the Latin word 'corona', which means 'crown' or 'halo', and refers to the shape of the virus particle when viewed under a microscope. Additionally, WHO points out that coronaviruses are zoonotic, meaning they are transmitted between animals and people. COVID-19 is the disease caused by the 'novel coronavirus' that originated in Wuhan, China. Thus, WHO says it refers to the coronavirus virus carefully as 'the virus responsible for COVID-19' in its communications.

Commentary & Analysis

The KFCRIS weekly report on the regional and international impacts of coronavirus (COVID-19) comes at a critical time. In response to the spreading pandemic, governments continue to enforce quarantines, curfews and 'lockdowns' that impact national economies and the lifestyles of millions of people. Hence, this weekly report aims to interview a diverse range of individuals including policy makers, academics, and thinkers to seek their opinions on the impact of this pandemic as it relates to their area of interest. In this KFCRIS weekly report on the regional and international impacts of coronavirus, Alexey Khlebnikov, an expert on the Middle East at the Russian International Affairs Council and guest contributor to the Middle East Institute (MEI), USA, discusses whether coronavirus may change Russia's global position during and after the coronavirus pandemic. Sanam Vakil, Deputy Director and Senior Research Fellow, Middle East and North Africa Programme at Chatham House, UK, highlights how coronavirus has impacted factional competition in Iran, and Kamal Hussein Shukri, partner at Kamal Hussein Shukri & Associates Law Firm, Saudi Arabia, describes the impact of the coronavirus pandemic on contracts from a legal perspective.

Will Russia change its global position during and after the coronavirus pandemic?

Alexey Khlebnikov

2020 started with the gradual decrease of global oil prices and this continued with the outbreak of the coronavirus pandemic. The pandemic complicated the situation affecting not only human health, but also the global economy as the effects of the virus impacted on individual countries' economies. As a result, analysts predict pessimistic forecasts for economic growth that will most likely be reflected in international relations.

Undoubtedly, this economic fallout exacerbated by the coronavirus pandemic will place additional pressure on Russia's economy given that it has weakened over the last five years. In fact, this has already started to happen. Oil prices are below \$42.4 a barrel at which Russia's budget is balanced. The recent OPEC+ alliance deal to cut oil production further decreases the inflow of foreign currency



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to the country as Moscow promises to cut its output by 2.5m barrels a day. Small and medium businesses (SMEs) already feel increasing pressure and many of them are in dire straits with some even going out of business. Nowadays, this impact is clearly visible, and it is impossible to predict how things might play out in the future.

Will the economic crisis affect Russia's foreign policy?

Currently, many argue that the challenging economic situation will impact on Russia's foreign policy as the state will be forced to focus its resources on domestic issues. This might be conventional wisdom, but Russia's case appears exceptional. For example, the 2014–2015 economic crisis proved that in Russia this is not always the case. In Russia at that time, the economic downturn was largely caused by the drop in global oil prices as well as the lack of structural economic reforms coupled

with international sanctions related to the Crimea issue. Taken together, these contracted Russia's GDP, exacerbated falling incomes, and limited the country's annual economic growth. In 2015, the Russian economy contracted by 2.3% according to World Bank data. However, this did not prevent the Kremlin from launching the military campaign in Syria which is still ongoing and from enhancing its positions in the Middle East. Neither did it alter Russia's position vis-à-vis the Crimea and Ukraine. Although post-2015 Russia's economic growth recovered to a degree, it remained exceptionally low: 0.3% in 2016; 1.6% in 2017; 2.3% in 2018, and 1.2% in 2019.

In April this year, the World Economic Outlook published by the International Monetary Fund (IMF) projects 2020 global growth to fall to -3% and Russia's GDP to contract by 5.5%. Other estimates indicate that stagnation and/or contraction could be anywhere between 0 and 10 percent. That said this does not guarantee that Russia's global position will either change or suffer significantly.

The post-coronavirus world will be vastly different

Many commentators argue that the post-coronavirus world will be vastly different, and this also is true for the realm of global politics. Indeed, there are several aspects to this new reality. Firstly, the security and safety of citizens will become the predominant concern of national governments. The current crisis has already demonstrated that even developed liberal democracies are only a step away from resorting to authoritarian measures in order to mitigate the impact of the pandemic on populations. Yet, these measures can erode the existing trust between populations and governments, as well as transforming social contracts and social traditions. Indeed, developed countries around the world realized very quickly that high levels of economic development could not protect them from the spread of the coronavirus pandemic. Hence, governments were forced to implement harsh social restrictions to slow down the spread of the virus. Suddenly, boundaries between states as diverse as China, the USA, Austria, Germany, Iran, Italy, France and Russia were erased as governments resorted to somewhat similar methods to confront the virus even though in the majority of cases, these measures stripped citizens of their basic rights. Even if the measures were different, they caused polarized societal reactions that indicate the contentious nature of various governments' responses to the pandemic.





CORONAVIRUS

In the face of a global challenge, Moscow decided to advance its traditional approach, for example, advocating that there should be no international obstructions such as sanctions, problematic bilateral relations, or differences of opinion on specific issues, in order to achieve multilateral cooperation across the board at this critical time. To back up this position, Russia organized aid deliveries to Italy, Serbia, the USA, Iran, Syria, and the former Soviet republics. In sum, Moscow sent a clear signal that this is how all governments should act at time of global crisis.

Secondly, is the economic aspect. The decrease in global oil demand forced major oil suppliers to strike a deal in order to stabilize the market. Although in March this year Russia initially refused to be a party to the OPEC+ deal, it changed its mind and joined in April. This decision can be interpreted as a signal that Moscow needs multilateral cooperation as the Russian government does not possess the means to act unilaterally at this challenging time.

Finally, the current coronavirus pandemic is testing states, regional unions, integration projects, and the existing global system to destruction. Weak states and structures will most likely be severely destabilized, thereby forcing them to adjust and upgrade their governmental structures accordingly. Russian foreign minister Sergey Lavrov argued recently: “after we overcome this global threat, we will have to rethink a lot of things concerning the operation of multilateral organizations. Perhaps we will have a better understanding, for example, of what Europeans think of the EU and NATO. We will have a better understanding of how we should approach cooperation in the post-Soviet space, the activities of the Eurasian Economic Union (EAEU), the Shanghai Cooperation Organization (SCO) and other associations. Discussions in such formats as the G20 and BRICS will be very promising.”

That said changes are inevitable, and the coronavirus pandemic will accelerate these. However, it is difficult to imagine that Russia will fundamentally alter its foreign policy and international position. But, firstly, it will be instructive to watch how states, including Russia, emerge from the coronavirus pandemic. Based on these outcomes, we can then speculate on how the impact of the pandemic could transform individual state’s international posturing and positions.

Coronavirus highlights factional competition in Iran

Sanam Vakil

Iran's response to the coronavirus outbreak has been the subject of much international scrutiny. Iran has been criticized for its slow response and its virus mitigation strategy as well as accused of significantly underreporting cases and deaths. Tehran has already been under significant strain from a number of connected events such as the economic effect of the US sanctions based maximum pressure campaign, public protests witnessed last November 2019, the killing of Qassem Soleimani in January 2020, and the tragic downing of the Ukrainian passenger plane. As a byproduct of these events, swings of public support alongside declining levels of public trust and social capital have been witnessed. This sustained pressure has undoubtedly impacted Iran's ability to react quickly and build an effective policy response to halt the spread of coronavirus throughout the country. Simultaneously, Iran's response has been exacerbated by the dynamics of endemic factionalism that are a key feature driving decision making in Iran's political system.

Factional competition has been dominant in Iran's political system since the founding of the Islamic Republic in 1979. Some observers often suggest that factionalism draws attention away from the Supreme Leader Ali Khamenei's overwhelming authority. Indeed, the Supreme Leader has final decision-making power, but he also has authority to make several important political appointments. Although Khamenei is the final arbiter, he relies on consensus building rather than an absolute model of governance.

It is here where factional politics matter. Iran's factions share the overarching policy objective of protecting the Islamic Republic but differ the on policy mechanisms to do so. Reformists have long advocated, albeit without much success, that only through liberalization and reform of the system can the Islamic Republic address its internal and external security challenges. Conservative groups however diverge from this view and argue in favor of continuity and support of revolutionary ideological values including economic and regional resistance strategies. As a result, the Supreme Leader often oversees an effort to balance these views against his own ideological leanings.

Iran acknowledged its first case of coronavirus two days before it held its parliamentary elections on February 21st. On February 24th, Iran's deputy health minister Iraj Hanachi who later tested positive for the virus, as did many Iranian politicians and political figures, appeared on television defending government action.



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Coronavirus did not appear to impact the already predicted outcome of low public participation and a win for conservative candidates. After having failed to win a majority in the 2016 parliament or the presidency in 2013 and 2017, this conservative victory is especially strategic for the bloc who have made gains from the Trump administration's withdrawal from the Iran nuclear agreement amid the impact of economic sanctions. Conversely, Iran's reformists only have 6.9% representation in the new parliament. It is further expected that these results foreshadow a conservative victory in the May 2021 presidential elections.

Factional wrangling has been evident as contending groups have continued this political infighting while competing over the coronavirus response. Rouhani as chair of the National Task for Fighting Coronavirus argued that a full lockdown of the Iranian economy would be impossible because it is already under significant strain from sanctions. The Iranian economy experienced a 9.5% contraction in 2019 and is expected to worsen in the coming year. That said, the government throughout Iran's New Year holidays discouraged travel, closed pilgrimage sites (after some wrangling) and Iran's parliament. It also cancelled Friday prayers along with schools and universities and issued a measured reopening of businesses. Unable to access its foreign reserves due to sanctions, the Rouhani government has applied for a \$5 billion loan from the International Monetary Fund (IMF). On April 4, Rouhani received the Supreme Leader's blessing to withdraw \$1 billion from Iran's National Development Fund and is distributing the money through loans and credits to 23 million households and increasing the salaries of public sector employees by 15%.

Conversely, the Supreme Leader in his annual New Year's speech securitized the crisis by placing the blame on the United States for spreading the virus as a form of biological terrorism. Iran's Army Chief of Staff Major General Bagheri was tasked with building hospitals and the Islamic Revolutionary Guard Corps (IRGC) was given authority to clear the streets. Aid from several of Iran's parastatal agencies were also announced. On Iran's annual Army Day, military capabilities were replaced by the army's achievements such as medical gear and building hospitals in fighting the virus while the IRGC also announced that it had developed a machine capable of detecting coronavirus. Additionally, the Basij militia has claimed to have produced 40 million masks. The case of the French medical group *Médecins Sans Frontières* (Doctors without Borders), which was recently expelled after initially being welcomed by the Rouhani administration highlights continued hardline suspicion of international groups.

At the same time, accusations of mismanagement, profiteering and corruption have damaged both groups. The disappearance of \$4.8 billion from the 2018 budget and corruption within the Ministry of Health, where the IRGC managed several contracts, reveal the vulnerability and competing narratives of each group to undermine the other. While both sides compete for political and popular legitimacy, this infighting ultimately highlights Iran's continued governance challenges. In the coming months as the economic pain of coronavirus and the potential for new waves of infection become evident, this competition will likely be exacerbated.



The impact of the coronavirus pandemic on contracts: A legal perspective

Kamal Hussein Shukri

Like the rest of the world, the coronavirus outbreak has caused a crisis in Saudi Arabia, bringing normal life to a grinding halt and disrupting almost all financial, commercial, and industrial activity. In addition to the direct medical, social, safety, economic, and humanitarian repercussions of the outbreak, it has also compromised individuals' sources of income and states' revenue streams, forcing governments to act and take necessary preventative measures. Saudi Arabia, for instance, was quick to form a high-level special committee authorized to do all that was needed to protect citizens and residents from the consequences of the growing crisis.

Legal advisors and scholars of jurisprudence are working to contain the legal fallout from the crisis by determining whether to characterize the pandemic as a fortuitous event, force majeure, or unusual and exigent circumstances. The outcome of this determination impacts relations between the parties set out in all contracts and also influences their regulatory mechanisms.

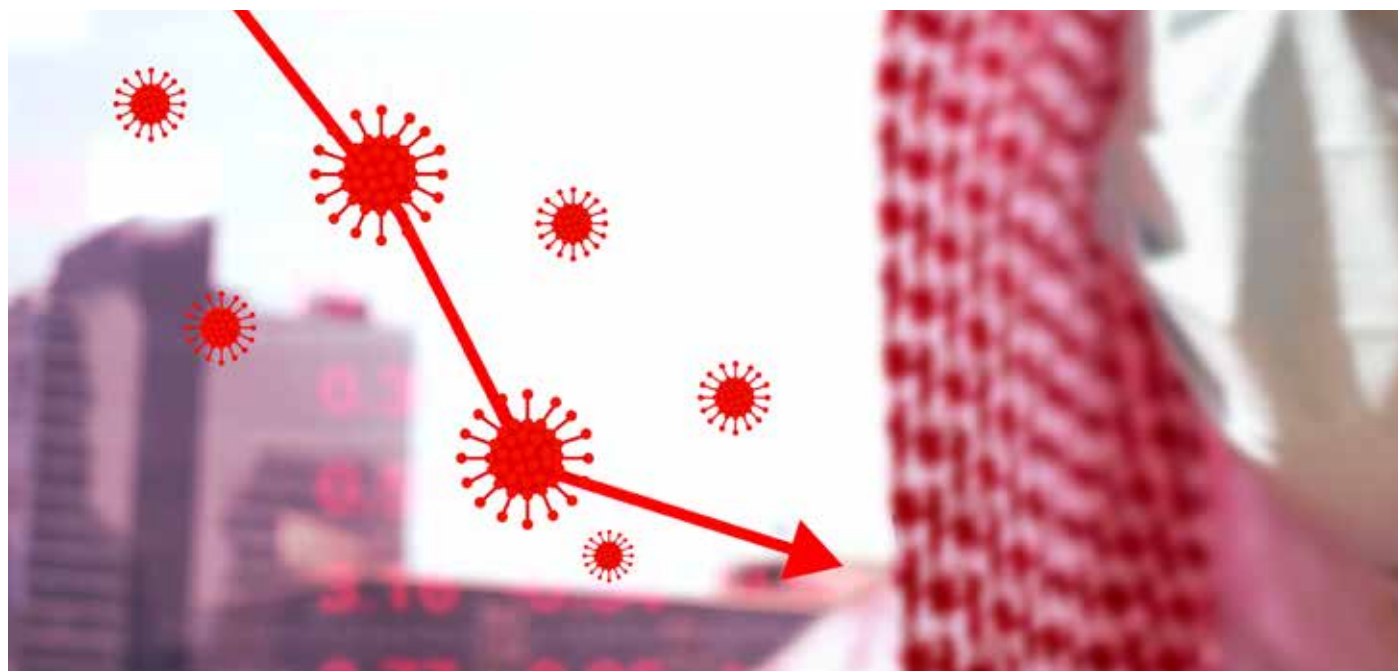
All contracts have an implicit provision that the economic conditions within which they were written are expected to remain fundamentally unchanged. Therefore, if economic conditions change so as to render performance of the contract unfair to one of the parties, it must be amended and financially recalculated to rectify the imbalance.

Using case law on emergency situations, Saudi Arabia is trying to offset the impact of the crisis and take the requisite measures to mitigate its impact on contractual obligations starting from the premise that all contracts are based on consensus. If consensus is not achieved, then it is up to the judiciary to determine how both parties' rights can be preserved once the unexpected circumstances are taken into account. Dr. Ahmed Mohammed Al-Jowfan conducted a study about this kind of crisis management in the judicial system. Examining judicial proceedings and coordination between judicial agencies and lawyers, he explains that crises can be managed by implementing an



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action plan and taking certain temporary executive measures. Meanwhile, some agencies have begun looking to case law that defines force majeure, fortuitous event, and unusual and exigent circumstances created by pandemics as well as legal appraisals of crises and their implications. One of these agencies was the Arab Lawyers Network, which issued a document on coronavirus (COVID-19) legislation supported by judicial rulings in Saudi Arabia, Jordan, Egypt, Tunisia, Algeria, and several other GCC states. In addition, the Council of Saudi Chambers published information about government initiatives to mitigate the financial and economic impact of the outbreak on the private sector as well as the most significant measures taken by Saudi Arabia to lessen the financial burden on contractors. The most important of these measures was the Ministry of Finance's decision to treat contract delays caused by the pandemic as one of the cases stipulated by Article 74 of the Government Tenders and Procurement system and its implementing regulations. This allows the government to extend contracts in certain cases "if the delay is caused by the government body, unforeseen circumstances, the contracted party's inability to fulfill the contract for reasons outside of his or her control, or orders from the government to shut down all or some business for reasons unrelated to the contracted party."

To be sure, a pandemic qualifies as force majeure because it both transcends national boundaries and produces exigent circumstances, each of which is unanticipated. What differentiates force majeure from a fortuitous event is that the former renders payment impossible while the latter does not. In other words, while force majeure makes adherence to a contract impossible, a fortuitous event only implies a delay.

By examining legal characterizations of pandemics and the impact of this determination on contractual agreements, we can say that no single legal characterization can be applied to all contracts. Rather, the judiciary must look at each case individually. Moreover, this determination is subject to any instructions the state has issued related to exercising or suspending certain actions and barring or permitting certain fees.

We conclude that contract implementation is based on the mutual consensus of those party to it and compliance to associated laws. It is difficult to formulate a single legal opinion concerning all contract types that accounts for the various degrees of damage incurred from one contract to another. One must know the extent of damages possible for each contract to make a valid judgment, whether this means voiding the contract altogether or ordering that it be financially recalibrated.