

**RECENT DEVELOPMENTS IN
QATARI COMMERCIAL AGENCY LAW**

by

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The rules governing commercial agencies in Qatar have significantly changed recently with the promulgation of two new laws. Law No. 3 (1985), the "Economic Activities Law," repealed the prior laws on commercial agency and service agency, respectively, Law No. 12 (1964) as amended and Law No. 18 (1970). More recently, a new "Commercial Agencies Law" was drafted, Law No. 4 (1986). (The new Commercial Agencies Law was published in the Qatari Official Gazette on July 7, 1986, and became effective 30 days later, on August 6, 1986.)

The two new laws, taken separately and in tandem, will have a significant impact on the use of commercial agents in Qatar. For example, the new Qatari Commercial Agencies Law contains a number of provisions giving additional rights to local commercial agents, including the following:

- a local commercial agent will be deemed exclusive as to the products described in its commercial agency agreement;
- a local commercial agent is entitled to commissions on all sales in Qatar of products described in its agency agreement, regardless of whether the commercial agent was "directly involved" in obtaining the sale;
- a local commercial agent is entitled to certain indemnities in the event its commercial agency agreement is terminated or not renewed; and
- a local commercial agent is given certain rights to block another's imports of products described in the commercial agent's agreement.

These significant recent changes raise a number of questions on the correct interpretation of, and the relationship between, the two new laws. We are attempting to resolve a number of these matters. For example, it is clear that the term "commercial agent" in the new Commercial Agencies Law includes distributors who buy and resell products for their own account. The term "commercial agent" under the Commercial Agencies Law, however, does not appear to include a "service agent." (Service agencies are primarily governed by the Economic Activities Law. A service agent is a local Qatari company or Qatari individual appointed by a foreign

contractor in connection with a contract between the latter and the Qatari government, or a government agency.)

Finally, we understand that the new Commercial Agencies Law is designed, in part, to stem the flow of imports from other Gulf countries. (Because Qatari commercial agents traditionally use high profit margins to compensate for low volume trade, non-Qatari traders have taken advantage of weak import controls to sell products into Qatar at lower prices.)

Addressing another local problem, the new law provides that if a Qatari commercial agency involves the sale of mechanical or electrical products, the local commercial agent must provide spare parts and repairs for such products. As a legal and practical matter, therefore, the new law may require some foreign producers to restructure their sales arrangements for the Qatari market.

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