

Client Alert

September 2020

Israel-UAE Peace: Opportunities and Contracts in the Middle East

On September 15, 2020, the United Arab Emirates (the “UAE”) and the State of Israel (“Israel”) signed the [Abraham Accords Peace Agreement](#), a peace treaty to normalize diplomatic relations between the two governments. In an effort to promote stability, peace and prosperity in the Middle East, the two parties agreed to collaborate and enter into bilateral agreements in areas of mutual interest, including finance and investment projects. These joint efforts between the UAE and Israel to promote economic prosperity could provide promising opportunities for businesses and investors interested in pursuing commercial agreements involving parties across the region.

Among other items encouraging cross-border business engagement across the region, the treaty provides that both parties will collaborate to foster strategic regional infrastructure projects, including the “Tracks for Regional Peace” project, which seeks to create a commercial transportation network with trade routes connecting the Mediterranean Sea to the Persian Gulf. In addition, by normalizing relations and for the first time allowing direct air travel between the two countries, the treaty creates a far more hospitable environment for business transactions and investment between parties in the two different countries.

Given the strength of both economies as well as the scale of business and technical innovation taking place in each, these facets of the accord create enormous new opportunity for cross-border investment in a variety of sectors. In Israel, foreign direct investment over the last few years has been quite active, driven by the tech sector as well as by new discoveries, and changes in regulation, in the energy and power space. We anticipate that the treaty will further this trend, resulting in new investment from UAE and potentially other parts of the region.

From a legal perspective, these cross-border commercial and investment transactions will require an understanding of the legal systems at play, careful thought and an understanding of developing market conventions with respect to key contractual items such as the language of contract, choice of law, submission to jurisdiction and venue, as well as dispute resolution clauses.

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Both the UAE and Israel are signatories to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards (also known as the New York Convention), so contracting parties in these cross-border deals may avail themselves of international arbitration as a preferred, neutral mechanism, for dispute resolution. And, as we have seen that New York is very often a preferred venue for arbitration of disputes between contracting parties within Israel, we anticipate that New York-based arbitration may frequently be selected for these cross-region contracts as well.

Contracting parties will also need to be cognizant of the extent to which local law applicable to one or more of the parties, or the locale of a project or investment, may limit freedom of contract. UAE law, for example, generally does not allow termination for convenience clauses and implies in contracts a standard of good faith imposing more extensive obligations on contracting parties than those typical in the United States.

Given our significant existing cross-border and Middle East practices and very close ties with colleague law firms, bankers, clients and friends in the region, we look forward to playing a role in shaping these important market conventions as we negotiate and draft relevant agreements. We will be monitoring these fascinating and exciting developments closely.

Please contact the Olshan attorney with whom you regularly work or one of the attorneys listed below if you would like to discuss this client alert or have questions about its content.

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