

Trade in UAE



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UAE export overview

The United Arab Emirates (UAE) is the UK's largest export market in the Middle East and the 13th biggest globally. The UK exported £9.8 billion of goods and services in 2016. This was a 37% increase since 2009. The UAE is the UK's fourth largest export market outside the EU.

The UAE has made huge progress diversifying its economy away from oil. Non-oil sectors now contribute about 70% of the UAE's Gross Domestic Product (GDP). According to International Monetary Fund (IMF) forecasts, as of March 2018, it's expected to be the second largest Arab economy in 2017 after Saudi Arabia in terms of GDP (in current prices). The IMF expects UAE to be ranked 25th globally (in current price terms), with a GDP per capita of \$37,346.

There are over 5,000 British companies operating in the UAE, including BP, Shell, Rolls Royce, BAE Systems, Mott McDonald, SERCO, Standard Chartered, HSBC and John Lewis / Waitrose. 779 commercial agencies and 4,762 British brands have invested in the UAE.

The majority of the UAE population is made up of expatriates, with around 120,000 UK residents. In In 2016 14.9 million people visited the UAE, of which 1.25 million were from the UK.

Incentives for UK businesses exporting to UAE include:

- a diverse economy which is continually growing and expanding
- it's an entry route into other Gulf Cooperation Council(GCC) countries
- it's an important market for re-export into other countries
- no taxation on personal income and capital gains
- it's ranked 21st in the World Bank's ease of doing businessoverall ranking, but first in the Middle East and North Africa (MENA) region
- the strong cultural and historical ties as many Emiratis have studied in the UK, have UK homes and visit regularly
- English is widely spoken and accepted as the language of business

Strengths of the UAE market include:

- its strategic geographical location; Dubai is regarded as a regional hub and commercial capital for the Middle East, north Africa and beyond
- large expatriate population
- a liberal trade regime which attracts capital from across the region

Challenges of doing business in the UAE

The UAE can be a demanding and sometimes frustrating market in which to do business. However, it does not present major challenges to UK companies wanting to develop trade. Competition for business is fierce from the high growth Asian economies as well as the more traditional competitors in Europe and North America.

Each emirate retains control of regulatory powers. This covers commercial activities such as issuing of trade licenses and the incorporation of corporate entities, where the activity is not already regulated under federal legislation. The interaction of federal laws, individual emirate laws and free zone laws can be complex and confusing.

Other unique challenges include:

- restrictions on company ownership by non-GCC nationals; a national sponsor must retain 51% ownership
- Arabic will often be the first language and documentation will be in Arabic – although English is recognized as the language of business

Growth potential of the UAE market

Economic growth in the UAE

The UAE economy continues to grow and the overall economic outlook is positive. The UAE's reserves of oil and natural gas both rank in the top 10 largest in the world. The UAE is the third fastest growing economy in the GCC.

The UAE has diversified its economy to help to make the country's revenue sources more balanced and create a sustainable economy that can withstand long-term oil price volatility.

Hydrocarbons provide the largest single source of income for Abu Dhabi. Dubai's hydrocarbon reserves are far more limited which has led to successful efforts to diversify their economy into the region's business, logistics, media and leisure hub.

The award of EXPO 2020 to Dubai is forecast to boost the economy by USD 23 billion. This will result in about USD 8 billion worth of opportunities across many sectors particularly in hospitality and construction.

Other positive factors for growth include:

- well-established infrastructure
- a strong banking system
- a stable political system
- the number of free trade zones that can allow 100% foreign ownership and a nil taxation regime
- ongoing and new developments including Sadiyat Island in Abu Dhabi, Mohammed Bin Rashid City in Dubai, Dubai South, Al Maktoum Airport, Dubai and the Fujairah Master Plan

Gulf region

The Gulf region has enjoyed continued growth. This has been driven by rising public sector spending, especially on physical and social infrastructure, as well as buoyant private sector activity. The GCC has a combined GDP of \$1.4 trillion, making it a larger economy than South Korea.

The UAE's proximity to other Gulf markets acts as an entry route to other GCC countries.

UAE's free trade agreements

The GCC currently only has a few free trade agreements in place, including those with the Greater Arab Free Trade Area (GAFTA), the European Free Trade Area (EFTA) and Singapore.

A GCC free trade agreement with Lebanon has been ratified, but not implemented. Negotiations are underway with Australia, New Zealand and China, and provisional talks taking place for a further 4 countries/blocs including Australia, China and the EU.

Top goods and services imports into the UAE

UN Comtrade ranked the UAE's top imports of goods from the rest of the world during 2016 as:

commodities not specified according to kind

pearls, precious stones, metals, coins

boilers and machinery

electrical and electronic equipment

vehicles (not rail or tramway vehicles)

aircraft and aircraft parts

iron or steel products

plastics and plastic products

distillation products including mineral fuels and oils

iron and steel

UN Comtrade ranked the UAE's top imports of services from the rest of the world during 2015 as:

travel

transport

government services

Defense and security in the UAE

The UAE has a large defense and security budget. Defense procurement is led by the Emirates Defense Industries Council (EDIC) who favor working with international primes for large contracts. Contract negotiations can be

lengthy and complicated, with an offset threshold of USD 10 million. Opportunities for small and medium enterprises (SMEs) can be found within these bigger supply chains.

Abu Dhabi's Vision 2030 to diversify the UAE economy has led to an increase in activity in the aerospace, (defense) manufacturing and space sectors. These all offer opportunities for UK defense companies.

DIT UAE provides ongoing support to SMEs working in the security sector in the form of liaison with local law enforcement agencies and access to large contract opportunities.

Cyber Security is an area of concern to both local industry and government departments, and so offers opportunities for UK businesses.

Start-up considerations in the UAE

Under federal legislation, the main options available for conducting business in the UAE are:

- participation in a local company or other commercial organization
- establishment of a branch office
- appointment of a commercial agent or distributor
- establishment of a branch or subsidiary in one of the free zones of the UAE

Company ownership in the UAE

When establishing a local company or other commercial entity, foreign ownership is generally limited to 49%, with the remaining 51% to be held by UAE nationals. Under the Commercial Companies Law (CCL) there are 5 forms of recognized commercial entity. They include:

- general partnership
- limited partnership
- public joint stock company
- limited liability company (LLC)
- private joint stock company

Branch offices in the UAE

The CCL allows foreign companies to establish a branch office in the UAE. The scope of activities permitted varies from emirate to emirate, although generally a broad range of commercial activities can be undertaken.

If you're establishing a branch office, you need to:

- get consent from the Ministry of Economy
- deposit a bank guarantee of AED 50,000
- have a sponsor who is either a UAE national or a locally registered company entirely owned by UAE nationals

- have a formal national agency agreement in place if the national agent sponsors and assists you in return for a fee

In certain businesses, you need to get the permission of a particular authority; the Central Bank regulates finance; the Municipality in Dubai regulates engineering and construction.

Commercial agents in the UAE

If you just intend to export goods or services to the UAE, you may want to appoint an agent, distributor or franchisee, which must be either a UAE national or a company entirely owned by UAE nationals.

Business behavior in the UAE

The UAE has a diverse and multi-cultural society with 80% of the UAE population expatriates. As a result the UAE is regarded as relatively liberal within the region and provides schools, cultural centers and restaurants catering for international cultures.

The national culture revolves around the religion of Islam. Other religions are respected and churches and temples can be found alongside mosques.

The Islamic dress code is not compulsory. Most UAE national (Emiratis) males wear a kandura, an ankle length white shirt and most Emirati women wear an abaya, a black flowing over garment covering most of the body.

English is widely spoken throughout the country. Although it's common for written correspondence to be in English, Arabic is often preferred within some public sector organizations. It's preferable to have one side of your business card printed in Arabic.

Face-to-face meetings are preferred because phone calls and emails are sometimes seen as impersonal.

Entry requirements into the UAE

Visas are available for business and tourists visits, transit and residency. If you are a UK citizen, you can get a 30-day visa on arrival. Business visitors can be sponsored by an employer with a business license.

The UAE has started to introduce smart gates, currently in Abu Dhabi and Dubai, which speed up the passport control process if you have a UK readable passport. It is expected that this system will eventually be introduced into all UAE airports.

If you are employed in the UAE, your employer will normally sponsor you and will get you a residency visa and labor card. You cannot work in the UAE without these.

If you establish your own business in the UAE, you will be responsible for getting your residency visa. You can apply for your residency visa once you have your trade license.

Source:

<https://www.gov.uk>