

Why the UAE?

Summary

Area: 83,600 km²

Population (2017): 9.139 million

Capital city: Abu Dhabi

Official language: Arabic (English is very widely spoken)

Currency: UAE Dirham (AED)

Real GDP (2017): US \$387 billion

Real non-oil GDP (2017): US \$273 billion

Real annual GDP growth (2017): 0.8%

Real annual non-oil GDP growth (2017): 2.5%

GDP per capita (2017): US \$42,000

Annual inflation rate (2017): 1.97%

Current account balance (2017): 6.9% of GDP/US \$26.4 billion

Imports of goods from UK: US \$6.782 billion

Non-oil exports of goods to UK (2017): US \$515 million

Re-export of goods to UK (2017): US \$3.309 million

[Source – FCSA UAE, CentralBank uae, MINISTRY OF ECONOMY UAE, June 2018]

General overview

The United Arab Emirates (UAE), a federation of seven individual Emirates, is the UK's largest civil export market in the Middle East and our third largest market outside Europe – only China and the US were larger in 2017.

It is a major regional hub and the commercial capital for the Middle East, North Africa and beyond, with one of the most liberal trade regimes in the Gulf.

There are a number of reasons to choose the UAE as an export destination:

- English is widely spoken
- large expatriate population
- strong cultural and historical ties as many Emiratis have studied in the UK, have UK homes and visit regularly
- no taxation on personal income and capital gains
- important market for re-export to other countries
- good base to use as a bridge into other gulf markets
- low import duties

Contact a Department for International Trade (DIT) export adviser at: <https://www.contactus.trade.gov.uk/enquiry/topic> for a free consultation if you are interested in exporting to the UAE.

Contact UK Export Finance (UKEF) about trade finance and insurance cover for UK companies, see: <https://www.gov.uk/government/organisations/uk-export-finance>. You can also check the current UKEF cover position for the UAE at: <https://www.gov.uk/guidance/country-cover-policy-and-indicators#united-arab-emirates-uae>.

[Source – DIT/ UKEF/gov.uk]

Geography

The United Arab Emirates (UAE) is a country located in the Arabian Gulf, bordered by Saudi Arabia and Oman. As it is located in the centre of the Gulf countries, Indian subcontinent, Commonwealth of Independent States (CIS) and Africa, the UAE enjoys a strategic position that allows it to present unlimited opportunities across a wide range of sectors. The UAE is now a hotbed of innovation brimming with new ideas.

The UAE's surface area is 83,600 km², with diverse geographical terrains ranging from plains to mountains and from deserts to beaches. However, in spite of its limited area, it is this diversified landscape and strategic location which give the UAE a distinguished competitive advantage.

The country has a significant coastline on the Gulf of Oman to the east and the Arabian Gulf to the west and northwest. Oil and natural gas are the primary natural resources in the UAE, and petroleum production is the most important industry. The UAE is also located next to the southern lines of the Strait of Hormuz, an essential passage for more than 40% of the world's crude oil. It is for these same reasons that the UAE's

ports and airports today are ranked among the top choices for major carriers when planning their routes from the east to the west.



Government overview

Political situation

The United Arab Emirates is a federation of seven Emirates: Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Fujairah, Umm al-Qaiwain and Ajman. The federation was formed and became independent in 1971. HH Sheikh Zayed bin Sultan Al Nahyan, the Ruler of Abu Dhabi, was its first President. He was succeeded in both roles by his son HH Sheikh Khalifa bin Zayed al Nahyan in 2004. HH Sheikh Mohammed bin Rashid Al Maktoum, Ruler of Dubai, is Vice-President and Prime Minister of the UAE. HH Sheikh Mohammed bin Zayed Al Nahyan is Crown Prince of Abu Dhabi.

The Federal Supreme Council (consisting of the Rulers of the seven Emirates) and the Council of Ministers constitute the executive of the UAE Government. The President and the Vice President/Prime Minister are chosen by the Rulers. The Federal Supreme Council ratifies legislation, and the appointment of Ministers and Judges of the Federal Supreme Court.

The Federal National Council performs a consultative role – considering draft legislation, proposing amendments, questioning Ministers and scrutinising the executive. It consists of 40 members drawn from across the Emirates roughly in proportion to population. Half of the members from each Emirate are appointed by its Ruler. The other half are elected by voters from each Emirate.

Each Emirate enjoys a considerable degree of autonomy under its own Ruler. Abu Dhabi is the largest Emirate (87% of the overall land mass and 38% of the population) and is the political capital. Dubai is the second largest Emirate (30% of the population).

Islam is the official religion of the UAE, but the constitution guarantees religious freedom, which is upheld. Arabic is the official language, but English is widely used.

The UAE's population is estimated at around 9.139 million, of whom around 15% are nationals while the rest are expatriates (including over 120,000 UK nationals).

The UAE is a member of a number of multilateral organisations, including the League of Arab States, the Gulf Cooperation Council (GCC), the Organisation of the Islamic Cooperation (OIC), and the Organization of the Petroleum Exporting Countries (OPEC).

Women participate meaningfully in all facets of civil and political life. In December 2012, it became compulsory to include women on the boards of corporations and government agencies. Nine of the 32 Cabinet Members are women (2017).

[Source – FCO Overseas Business Risk/gov.uk]

Economic overview

Investors generally see the UAE as a safe haven in the region. Credit default swap (CDS) spreads in Abu Dhabi and Dubai have dramatically narrowed since the beginning of 2010, signifying increasing investor confidence.

The UAE is the 2nd largest Gulf economy, and the 30th largest in the world with the 20th highest GDP per capita (US \$42,000). It has ample financial buffers but low oil prices have slowed economic growth real GDP 0.8% in 2017, 3.0% in 2016, and (IMF) 2.0% in 2018.

The overall outlook from April 2018 remains positive: real GDP growth is forecast to increase to 3.1% by 2021. The UAE is 21st in the World Bank's 2017-18 Ease of Doing Business Index, ahead of the Netherlands and France. See: <http://www.doingbusiness.org/rankings>.

It has made more progress than others in the region in diversifying its economy. Dubai in particular has built an economy on trade, travel, tourism and real estate. Dubai property prices have adjusted gently downwards over the last year.

The UAE has turned fiscal constraint into opportunity for economic reform. Abu Dhabi has increased electricity and water tariffs twice in 12 months. Retail fuel prices are no longer fixed at artificially-low levels, and are adjusted monthly in relation to oil prices. The UAE introduced VAT at 5% (with some limited exceptions) on 1st January 2018.

New taxes have been added to hotel charges, and to expatriates' utility bills. Resident expatriates now pay a municipality tax related to rental values.

Several mergers and rationalisations have already taken place: First Gulf Bank with National Bank of Abu Dhabi, creating the "First Abu Dhabi Bank (NBAD)" – now the UAE's largest bank and one of the largest in the MENA region with total assets in excess of AED 670 billion (US \$180 billion) [*Source – NBAD*]; Mubadala with International Petroleum Investment Company (IPIC), creating the "Mubadala Investment Company" – bringing together two of the Emirate's most significant investment companies into one global investment powerhouse [*Source – Mubadala*]; and the Petroleum Institute with Khalifa University and Masdar Institute, creating the "Khalifa University of Science and Technology (Kustar)" – aimed at strengthening scientific research and promoting world-class academic research locally [*Source – Kustar*]. The Abu Dhabi National Oil Company is undergoing a major process of integration and rationalisation under the new leadership of Sultan al Jaber.

The UAE's oil and natural gas reserves both rank in the top ten globally. The country holds almost 6% of the world's proven oil reserves. Production is currently about 3.1 million barrels per day (bpd), and is mostly exported. The government intends to reach 3.7 million bpd by 2020 through the redevelopment and expansion of existing wells, and the development of marginal oil reserves, both onshore and offshore.

Despite the economy's heavy reliance on hydrocarbons, it is still relatively well-insulated from oil price volatility, given the substantial external reserves built up during the recent years of high oil prices. Oil prices in the region of US \$40 to US \$50 per barrel meant some cutbacks in government expenditure, including in infrastructure spending.

The UAE's gas reserves are the 7th largest in the world, and it is the 16th largest producer. Abu Dhabi is constructing a 5.6GW nuclear power station, and the UAE has set itself a target of 30% clean energy by 2030. Abu Dhabi has set itself a renewable target of 7% by 2020.

Over the past two decades, the UAE's diversification strategy has developed several non-oil sectors. Non-oil sectors contribute close to 70% of GDP. While hydrocarbons continue to provide the largest single source of income for Abu Dhabi, Dubai's hydrocarbon reserves are far more limited, and its economy more diverse – based on a vision of Dubai as a global business, logistics, media and leisure hub, but the Abu Dhabi Economic Vision 2030 sets a target for non-oil sectors to contribute 64% of Abu Dhabi's GDP by 2030.

There are a number of sovereign UAE investors – notably the world's second-largest sovereign wealth fund, the Abu Dhabi Investment Authority (ADIA), whose assets are estimated at US \$800 billion.

[Source – FCO Overseas Business Risk/gov.uk]

Industries importing into the UAE

The top industries importing into the UAE are:

- power generating equipment & mechanical appliances
- jewellery and precious metals
- road vehicles
- electrical machinery
- precision instruments
- luxury goods
- premium food

The International Trade Centre (ITC) ranks the value of the UAE's top services imports.

[Source – ITC]

Growth potential

Despite the global economic downturn, 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 ten largest in the world.

The UAE has diversified its economy. Non-oil sectors now make up approximately 70% of GDP. This will help to make the country's revenue sources more balanced and create a sustainable economy that can withstand long-term oil price volatility.

Dubai EXPO 2020

The award of EXPO 2020 to Dubai is forecast to boost the economy by US \$23 billion – see: <https://www.expo2020dubai.com/en/> for further information. This is resulting in opportunities across many sectors, particularly in hospitality and construction.

Other positive factors for growth include:

- the UAE's well-established infrastructure
- strong banking system
- 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 Sadiyaat Island in Abu Dhabi, Mohammed Bin Rashid City in Dubai plus other projects in Sharjah, Ras Al Khaimah, Fujairah, Umm al-Qaiwain and Ajman

The 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 UAE's proximity to other Gulf markets acts as an entry route to other Gulf Cooperation Council (GCC) countries. See: <http://www.gcc-sg.org/en-us/Pages/default.aspx> for more information on the GCC.

Free trade agreements (FTAs)

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 free trade agreement with New Zealand has also been concluded, and needs to be legally verified, signed and then ratified by both parties before the agreement comes into force.

Discussions are continuing with several other countries such as India and the European Union (EU).

[Source – MINISTRY OF ECONOMY UAE, New Zealand Foreign Affairs & Trade]

UK and UAE trade

The UAE is the UK's largest export market in the GCC, the 11th largest market in the world, and 3rd largest market outside Europe – only the US and China were larger in 2017. The UAE-UK Business Council agreed a target of £25 billion in annual bilateral trade by 2020.

The UK's main exports to the UAE include:

- power generating machinery and equipment
- road vehicles
- miscellaneous manufactures
- telecommunications and sound recording and reproducing equipment
- professional and scientific instruments and apparatus
- general industrial material
- electrical machinery and appliances
- medicines and pharmaceuticals
- non-metallic mineral manufactures
- essential oils and perfume materials

DIT has designated more high value campaigns here than in any market other than the US, China and India. These high value opportunities (HVOs) for UK companies are in a range of sectors, including infrastructure (airports and aerospace), healthcare, nuclear, oil and gas, education and rail.

The UAE's fiscal squeeze increases the importance of UK Export Finance. The UAE is a significant source of investment in the UK – for example £1.5 billion from Dubai Ports World in the London Gateway, and £1 billion in offshore wind from Masdar. Since the EU referendum, the Abu Dhabi Investment Authority has announced new investments of £751 million in the UK – a 16.7% stake in UK gas distribution company SGN for £621 million, and two shopping centres in Slough for £130 million – an important vote of confidence in post-referendum UK.

Over 5,000 UK-registered firms operate in the UAE, including BP, Shell, Rolls Royce, BAE Systems, Mott McDonald, SERCO, Standard Chartered, HSBC and Fortnum and Mason, and 859 commercial agencies and 14,245 British brands have invested in the UAE. The UAE is an important entry port for a £150 billion regional market with a significant percentage of UK exports to the UAE being re-exported, particularly to Iran and Saudi Arabia.

The majority of the UAE population is made up of expatriates, with around 120,000 UK residents. Over 13 million people visit the UAE each year, of which one million are from the UK.

Incentives for UK businesses

Incentives for UK businesses exporting to the UAE include:

- diverse economy continually growing and expanding
- proximity to other Gulf markets – acts as an entry route to other Gulf Cooperation Council (GCC) countries
- important market for re-export into other countries
- no taxation on personal income and capital gains
- English is widely spoken and accepted as the language of business

Strengths of the UAE

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
- UAE is the UK's largest export market in the region
- large expatriate population
- one of the most liberal trade regimes in the Gulf attracting capital from across the region

[Source – DIT/gov.uk]

In addition:

- The UAE ranks 21st out of 190 countries in the World Bank's 2018 Ease of Doing Business Index. See: <http://www.doingbusiness.org/data/exploreeconomies/united-arab-emirates>
- The UAE ranks 17th out of 137 in the World Economic Forum's 2017-18 Global Competitiveness Index. See: <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=ARE>

- The UAE is ranked 21st out of 180 countries in the latest Transparency International 2017 Corruption Perceptions Index (the UK ranks 8th): https://www.transparency.org/news/feature/corruption_perceptions_index_2017

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[Source – DIT/UKEF/gov.uk]

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General enquiries switchboard: +44 (0) 1298 79562
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