UNITED ARAB EMIRATES

TRADE SUMMARY

The U.S. goods trade surplus with United Arab Emirates was $14.5 billion in 2008, up $4.2 billion from $10.3 billion in 2007. U.S. goods exports in 2008 were $15.7 billion, up 35.7 percent from the previous year. Corresponding U.S. imports from United Arab Emirates were $1.3 billion, down 3.3 percent. United Arab Emirates is currently the 18th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in United Arab Emirates was $3.8 billion in 2007 (latest data available), up from $3.6 billion in 2006. U.S. FDI in United Arab Emirates is concentrated largely in the mining sector.

IMPORT POLICIES

The UAE is a federation of seven emirates (Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al-Qaiwain, Fujairah, and Ras Al-Khaimah). The individual emirates founded the UAE in December 1971. Over the last 38 years, the UAE has developed into the second largest economy in the Arab world. The Ministry of Economy has estimated that the UAE's Gross Domestic Product (GDP) reached $198.7 billion (at current prices) in 2007, after a 5.2 percent growth in real GDP that year.

Despite possessing around 9 percent of the world's proven oil reserves and the fifth largest proven gas reserves in the world, the UAE has pursued free market, trade liberalizing policies to diversify its economy away from a dependence on fossil fuel. Rapid growth in the nonoil economy reduced oil's share of GDP from 60 percent in 1980 to 35.8 percent in nominal terms in 2007.

Tariffs

As a member of the Gulf Cooperation Council (GCC), the UAE applies the GCC common external tariff of 5 percent for most products, with a limited number of GCC-approved country-specific exceptions. Currently, the UAE's exceptions to the 5 percent tariff are a 50 percent tariff on alcohol, a 100 percent tariff on tobacco, and duty exemptions for 53 food and agricultural items.

Import Licensing

Only firms with an appropriate trade license can engage in importation, and only UAE registered companies, which must have at least 51 percent ownership by a UAE national, can obtain such a license. This licensing provision is not applicable to goods imported into free zones. Some goods for personal consumption do not require import licenses.

Documentation Requirements

Since July 1998, the UAE has required that documentation for all imported products be authenticated by the UAE Embassy in the exporting country. There is an established fee schedule for this authentication. For U.S. exports, if validation is not obtained in the United States, customs authorities will apply the fee schedule when the goods arrive in the UAE.

Customs Valuation

The UAE notified the World Trade Organization's (WTO) Customs Valuation Committee in October 2004 of its customs valuation scheme.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Standards

As part of the GCC Customs Union, the six Member States are working toward unifying their standards and conformity assessment systems. However, each Member State currently continues to apply either its own standard or a GCC standard, causing confusion among some U.S. businesses. GCC Member States do not consistently send notification of new measures to WTO Members and the WTO Committees on Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT) or allow WTO Members an opportunity to provide comments.

In May 2008, the GCC Standards Committee approved two new standards for the labeling and expiration periods of food products. The new GCC standards eliminate the longstanding requirement that at least one-half of a product's shelf life be valid when a product reaches a port of entry in GCC Member States. Officials from the Gulf Standards Organization (GSO) have stated that GCC Member States will accept use of the terms "best by" and "best before" as meeting the date labeling requirement for shelf-stable products. The United States has requested written confirmation of this situation.

In May and October 2007, respectively, Bahrain and Oman notified WTO Members of proposed procedures meant to harmonize food safety import requirements for all GCC Member States. The United States and other WTO Members provided comments outlining significant concerns with the procedures, which, as currently drafted, do not appear to have a clear scientific basis and would substantially disrupt food exports to GCC Member states from its trading partners. The GCC Member States indicate that they are developing a response to these comments, and the United States has established a dialogue between U.S. and GCC technical experts to discuss the procedures and potential amendments to address the concerns raised.

In October 2002, the UAE created the Emirates Authority for Standardization and Metrology (ESMA), established under the auspices of the Ministry of Finance and Industry, to manage issues of standardization arising from the GCC. As of early 2006, ESMA had adopted 1,810 standards. 95 percent are based on GCC standards and 5 percent are based on UAE-developed standards.

Sanitary and Phytosanitary Measures

Control of the UAE's food standards resides in the General Secretariat of Municipalities (GSM) and ESMA. These two entities develop food standards through a technical advisory committee, although, on occasion, individual municipalities or Emirate-level authorities still apply food standards independently of broader national authorities. Recently, one emirate briefly required labeling foods with biotechnology enhanced ingredients; the GSM quickly reversed the action. GSM control over the actions of individual municipalities appears to be improving.

In February 2008, ESMA announced that it had approved 3,615 standards for products sold in the UAE since 2002, covering foodstuffs, chemical and petroleum products, textiles, electrical and mechanical products, and construction. In May 2008, ESMA announced that 700 standard specifications had been set for the food sector in the UAE, based largely on Codex Alimentarius standards. In the absence of national standards, suppliers may follow international standards.

In February 2007, the UAE Ministerial Council issued a decree levying fees on foreign slaughter plants and *Halal* certifiers. The decree required that plants must be accredited and pay an initial fee of $2,723 followed by an annual renewal fee of the same amount (later reduced to $1,362 in June of 2007). *Halal* certifiers that approve the slaughter plants must also pay a fee of $1,362 with an annual renewal fee of $817. U.S. *Halal* certifiers paid the fees in 2008, but the UAE is still working to establish procedures to collect the fees from U.S. slaughter plants. The requirement is expected to be difficult to administer in the United States.

The UAE is the chair of the Gulf Standards Organization (GSO) sub-committee charged with developing a set of standards governing trade in foods with ingredients derived from agricultural biotechnology. The GSO, in conjunction with the Abu Dhabi Food Control Authority, held its first meeting in August of 2008.

Conformity Assessment

In 2004, ESMA launched its own conformity assessment program, the Emirates Conformity Assessment Scheme (ECAS), which applies to toys, detergents, paints, lubricants, oils, automobile batteries, food, chemical and petroleum products, textiles, electrical and mechanical products, and construction. ECAS assesses whether domestically manufactured products meet national or GCC standards, or international standards if neither national nor GCC standards exist. The UAE asserts that the ECAS is a voluntary program and is only applicable to domestically produced goods, but the scope and parameters of ECAS lack clarity and transparency.

In September 2007, ESMA announced that it had been accepted as the UAE representative to the Worldwide System for Conformity Testing and Certification of Electro-technical Equipment and Components (IECEE)'s Member Body.

The GCC Standards Committee is currently developing a conformity assessment scheme to be adopted ultimately by each of the six Member States and has set 2010 as a deadline for full implementation. The United States is working to establish a dialogue between U.S. and GCC technical experts to discuss this proposed scheme with the goal of helping to ensure that it is developed, adopted, and applied in accordance with WTO rules.

GOVERNMENT PROCUREMENT

The UAE is not a signatory to the WTO Agreement on Government Procurement.

The UAE grants a 10 percent price preference for local firms in government procurement. The UAE requires companies to register with the government before they can participate in government procurements, but to be eligible for registration a company must have at least 51 percent UAE ownership. This requirement does not apply to major projects or defense contracts where there is no local company able to provide the goods or services required.

The UAE's offset program, which was established in 1990, requires defense contractors that are awarded contracts valued at more than $10 million to establish commercially viable joint ventures with local business partners that yield profits equivalent to 60 percent of the contract value within a specified period (usually 7 years). To date, more than 40 such joint venture projects have been launched, including, *inter* *alia*, a hospital, an imaging and geological information facility, a leasing company, a cooling system manufacturing company, an aquiculture enterprise, a foreign language training center in Abu Dhabi, and a firefighting equipment production facility. Two of the largest offset ventures are an international gas pipeline project (Dolphin) and the Oasis International Leasing Company, a British Aerospace offsets venture. There are also reports, as well as anecdotal evidence, indicating that defense contractors can sometimes satisfy their offset obligations through an up-front, lump-sum payment directly to the UAE Offsets Group.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The UAE has made the protection of intellectual property a priority in recent years. The UAE is considering additional legislation for data protection, privacy, and other IP-related issues and has consolidated its IPR offices under the authority of the Ministry of Economy.

According to 2007 industry estimates, the rate of software piracy in the UAE is the lowest in the Middle East, estimated to be 34 percent. The UAE is recognized as the regional leader in fighting computer software piracy, although industry stakeholders believe the UAE could be doing more. In July 2008, industry estimated that piracy resulted in almost $800 million (AED 3 billion) in losses to the UAE economy in 2007, a 15.3 percent increase over 2006.

The United States has encouraged the UAE to strengthen its efforts to combat IPR piracy and counterfeiting. In that connection, the United States plans to conduct IPR enforcement training for UAE customs officials in 2009.

As part of the GCC Customs Union, the UAE and the other five Member States are working toward unifying their IP regimes. In this respect, the GCC is preparing a draft common trademark law. All six Member States are expected to adopt this law as national legislation in order to implement it. The United States has outlined specific concerns with the trademark law and has established a dialogue between U.S. and GCC technical experts to ensure that the law complies with the Member States' international and bilateral obligations.

SERVICES BARRIERS

Insurance

Foreign insurance companies may operate only as branches in the UAE.

In 1989, the UAE government banned additional foreign insurance companies from opening due to a perception that the market was saturated. In 2004, the Ministry of Economy and Planning announced that it would open its insurance sector to new foreign insurance companies.

In 2006, the President of the UAE issued Federal Law No. 16 of 2006 amending some provisions of Federal Law No. 9 of 1984 on insurance companies and agents. The amendments stipulate that established insurance companies in the UAE, or those which shall be incorporated, must take the form of a public joint stock company. At least 75 percent of the capital in such companies must be owned by UAE nationals and the other 25 percent may be owned by a foreigner.

Banking

The UAE Central Bank does not grant new licenses to foreign banks. However, the Central Bank has granted licenses to some GCC banks. In 2008, the Central Bank allowed several foreign banks already operating in the UAE to set up new branches.

Agent and Distributor Rules

In 2006, the UAE made important changes to the Commercial Agencies Law (Agencies Law), which previously had required that all commercial agents be either UAE nationals or companies wholly owned by UAE nationals and had restricted the number of agents a foreign principal could appoint as well as the terms of the agency relationship. The 2006 amendments also: (1) limited an agency contract to a fixed time period; (2) required mutual consent to renew an agency agreement; (3) allowed either party to file for damages; (4) eliminated the Ministry of Economy's Trade Agencies Committee, which handled agency disputes; and (5) allowed the import of "liberalized goods" without the agent's approval.

Telecommunications

UAE currently has two telecommunications companies which are largely government owned: Emirates Telecommunications Corporation (Etisalat), the former telecommunication monopoly, and Emirates Integrated Technology Company (which operates under the trade name Du). Local press reports indicate that the duopoly will continue until 2015 when the market will be further liberalized.

U.S. companies complain that the UAE’s Telecommunications Regulatory Authority (TRA) has banned the use of Voice over Internet Protocol (VoIP) services, on the basis that VoIP services violate Etisalat’s monopoly on fixed telephony services. In January 2008, Etisalat announced that it is technically ready to provide VoIP services but is awaiting TRA conditions and terms. While the TRA is reportedly developing a framework to legalize VoIP, it is unclear if and when this will occur; Etisalat reported that the service may be introduced in 2009.

INVESTMENT BARRIERS

Except for companies located in one of the UAE’s free trade zones, at least 51 percent of a company established in the UAE must be owned by a UAE national. A company engaged in importing and distributing a product must be either a 100 percent UAE-owned agency/distributorship or a 51 percent UAE-owned/49 percent foreign-owned limited liability company. Subsidies for manufacturing firms are only available to those companies where at least 51 percent of the capital is owned by a UAE national.

In many cases, company by-laws prohibit foreign ownership. The UAE government is considering liberalizing specific sectors where there is a need for foreign expertise or where local investments are insufficient to allow 100 percent local ownership. Some of the sectors which may be liberalized are education, health, professional services, and computer-related services.

In August 2005, the UAE President, acting in his role as the ruler of the Emirate of Abu Dhabi, signed Abu Dhabi law number 19 of 2005, permitting UAE nationals and GCC citizens to own land within designated investment areas. Non-GCC nationals have the right to own buildings, but not the land, in investment areas. However, the Emirates of Dubai and Ras al Khaimah are currently offering so-called freehold real estate ownership to non-GCC nationals within certain areas. Foreign investors may purchase 79 of the 128 issues on the UAE stock markets (Abu Dhabi Securities Market (ADSM), and Dubai Financial Market (DFM)).

Resolution of investment disputes continues to be a problem in the UAE. Foreign investors have expressed concern that pursuing international arbitration may jeopardize their business activities in the UAE. Foreign investors also report a reluctance to take disputes to the domestic court system.

ELECTRONIC COMMERCE

In 2002, the Emirate of Dubai passed a Law of Electronic Transactions and Commerce, which protects certain electronic records and signatures, and some electronic communications. This law also provides penalties for any person who knowingly creates, publishes, or otherwise makes available a false electronic signature or certificate, or provides false statements online for fraudulent or any other unlawful purpose. In 2006, the UAE issued a comprehensive national law on Information Technology Crimes, which criminalizes a broad range of fraudulent activities affecting commerce. The Emirate of Dubai has established the Dubai Technology, Electronic Commerce, and Media Free Zone (TECOM), which houses both Internet City and Media City, two subdivisions which cater, respectively, to the information technology and media sectors.

In January 2008, the UAE's Telecommunication Regulatory Authority (TRA) announced that it has set up an action plan for applying the 2006 Federal Electronic Commerce and Transactions Law in three phases that include 1) setting up the regulatory framework for e-commerce to protect the rights of persons doing business electronically and determine their obligations; 2) applying some rules for providers of internet services such as Electronic Dirham, confidentiality of information and other services; and 3) promoting the growth of e-commerce in the UAE.