UNITED ARAB EMIRATES

TRADE SUMMARY

The United Arab Emirates (UAE) is a federation of seven emirates (Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al-Qaiwain, Fujairah, and Ras Al-Khaimah). The U.S. goods trade surplus with the UAE was $10.6 billion in 2009, a decrease of $2.5 billion from 2008. U.S. goods exports in 2009 were $12.1 billion, down 16.0 percent from the previous year. Corresponding U.S. imports from the UAE were $1.5 billion, up 16.4 percent. The UAE is currently the 19th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in the UAE was $3.4 billion in 2008 (latest data available), up from $3.0 billion in 2007. Reported U.S. FDI in the UAE is led by the manufacturing and mining sectors.

IMPORT POLICIES

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. In February 2009, UAE resumed a 5 percent tariff on steel and cement, after a one year exemption that had been aimed at easing inflation in the construction sector.

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 does not apply 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.

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 requires defense contractors which are awarded contracts valued at more than $10 million to establish a commercially viable joint venture with local business partners that is projected to 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 regarding data protection and other IPR-related matters and has consolidated its IPR offices under the authority of the Ministry of Economy.

According to 2009 industry estimates, the rate of software piracy in the UAE is the lowest in the Middle East. The UAE is recognized as the regional leader in fighting computer software piracy, although industry stakeholders believe the UAE could be doing more. Industry estimates in 2009 indicated that piracy resulted in almost $170 million (AED 623 million) in losses to the UAE economy in 2008. In 2009, the UAE Ministry of Economy and local customs officials organized a number of IPR workshops and public awareness programs. The United States has encouraged the UAE to continue strengthening its efforts to combat IPR piracy and counterfeiting.

As part of the GCC Customs Union, the six Member States are preparing a common trademark law, as well as a common unfair competition law to protect from unfair commercial use undisclosed information submitted for marketing approval of pharmaceutical products. The United States is engaged in a dialogue with GCC technical experts to ensure that the trademark law and unfair competition law will facilitate Member States' implementation of 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 the perception that the market was saturated. In 2004, the Ministry of Economy and Planning announced that it would open the UAE 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. An insurance company established in the UAE must be a public joint stock company. At least 75 percent of the capital in such companies must be owned by UAE nationals, while the remaining 25 percent may be owned by a foreigner.

In the Emirate of Abu Dhabi, the offering of insurance coverage for construction projects and companies under the Abu Dhabi National Oil Company (ADNOC) is restricted to Abu Dhabi-based insurance companies.

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. According to Central Bank statistics, there were no new foreign bank branches in 2009, but local banks opened 43 new branches, six new electronic banking services units, and nine new pay offices.

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: (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. Nonetheless, foreign companies still find it difficult to dismiss a non-performing local agent without protracted litigation in the local courts, and experience has shown that the authorities' application of the new law has not always eased the way for the termination of agents as expected. It also remains difficult, if not impossible, to sell in UAE markets without a local agent.

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). UAE has made commitments in the WTO to remove the duopoly by December 31, 2015, after which time it will consider issuing further licenses.

U.S. companies complain that the UAE's Telecommunications Regulatory Authority (TRA) continues to ban 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 was ready – from a technical standpoint - to provide VoIP services, but was waiting for TRA to issue terms and conditions for the provision of this service before doing so. While the TRA is reportedly developing a framework to legalize VoIP, it is unclear if and when this will occur. In April 2009, TRA reiterated its ban on Skype and other internet-calling services, but appears unable to prevent distribution of the software, which is now available through Apple's iTunes application. While Skype's website has been blocked by the TRA since 2006, the Skype for iPhone application has been available as a free download since the mobile phone program's launch on March 31, 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 limited liability company.

The UAE government is considering liberalizing specific sectors where there is a need for foreign expertise or where local investments are insufficient to sustain 100 percent local ownership. Some of the sectors which may be liberalized include those in which foreign investment is likely to contribute high added value or facilitate technology transfer, such as education, health, professional services, and computer-related services. Separately, in September 2009, the Minister of Economy announced that the UAE is considering raising the foreign equity limit from the current 49 percent; this may lead, in some cases, to 100 percent foreign ownership.

Non-GCC nationals have the right to own buildings, but not the land, in certain geographical zones within the UAE. Non-GCC nationals may also be permitted to hold so-called freehold real estate within specified geographic areas. With regard to investment in securities, foreign investors may purchase 108 of the 135 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 in such disputes may jeopardize their business activities in the UAE. Foreign investors also report a reluctance to take disputes to the domestic court system, due to a perceived lack of court impartiality.