

**Council for Australian-Arab
Relations (CAAR)**

**Australia Arab Chamber of
Commerce and Industry (AACCI)**

Business Guides to the Arab Gulf

United Arab Emirates

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Part I: A brief overview of the United Arab Emirates

The formation of the United Arab Emirates

Before the oil boom of the early 1970s, the United Arab Emirates (UAE) was a collection of small coastal and desert settlements, precariously dependent on relatively meagre trade, pearling and subsistence farming. From 1853 until 1971, the region was known as the *Trucial States*, closely bound by treaty relationships with Britain.

The coastal towns of the UAE had been trading ports for hundreds of years, and were well located as transshipment outposts for cargoes from India and Africa, as well as Iran. A number of prominent Emirati merchant families in fact trace their origins to India and Iran. The region was also a major producer of natural pearls until the 1930s, when the advent of Japanese cultured pearls severely undercut the traditional pearl market.

The UAE today is a federation of seven of the former Trucial States: Abu Dhabi, Dubai, Sharjah, Ras al-Khaimah, Ajman, Umm al-Qaiwain and Fujairah. Bahrain, which had also been one of the Trucial States, chose a separate path to independence. The UAE came into existence on 2 December 1971, the day before Britain ended its treaty relationships in the Gulf.

Abu Dhabi is the largest and most affluent of the states of the UAE. It occupies more than 80% of the land area—and controls more than 90% share of the oil wealth. Abu Dhabi is also the national capital of the UAE and the centre for the oil and gas industry.

Dubai is the commercial and shipping hub of the country. It has built on its trading foundation to create the region's premier port and airport facilities, warehousing, tourism, ICT and financial infrastructure.

Sharjah is the third-largest emirate and a centre for manufacturing. Similar to Abu Dhabi and Dubai, it has an entrepreneurial business culture, and an energetic business community seeking closer links with Australia.

Ras al-Khaimah (RAK) is the fourth-largest and most northern of the emirates. Education and health care are the two key development initiatives of the RAK government.

Ajman is the smallest of the seven in physical size, with a total area of 260 sq kms. It has a population of around 207,000¹. Despite its small area, it has experienced rapid growth, particularly in the construction sector, spurred by the offer of 100% freehold ownership of real estate for non-Emiratis.

¹ UAE Government Investor's Guide to the UAE, 2007, p 16

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Umm al-Qaiwain is the least populated of the seven emirates, with an estimated 49,159 inhabitants in 2007.² The emirate is known for its beach resorts and a more restful and relaxed lifestyle.

Fujairah is also small in population with 126,000³ inhabitants at the time of the 2005 census. It borders the Arabian Sea and (along with a detached enclave of Sharjah at Khor Fakkan) has well-developed port facilities some 70 nautical miles south of the Straits of Hormuz.

The Government of the United Arab Emirates

The UAE is governed by the Federal Supreme Council comprised of the rulers of each of the seven emirates. The President is HH Sheikh Khalifa bin Zayed Al Nahyan, the ruler of Abu Dhabi, and the Vice President and Prime Minister is HH Sheikh Mohammed Bin Rashid Al-Maktoum, the Ruler of Dubai.

The Federal Supreme Council passes federal law and the individual emirates regulate local matters.

The stable political alliance of the seven emirates of the UAE has been the bedrock of the nation's growth. Distributed oil wealth has been key to its cohesion and prosperity.

The United Arab Emirates Economy

Basic demographics

The UAE has a population of around 4.6 million of whom some 82% are expatriates. Expatriate workers are largely drawn from South Asia, the Philippines as well as other Arab countries and Europe, the US and Australia. The Emirati population is very youthful, with 20% aged under 14 years.

GDP trends

The governments of the UAE, especially Abu Dhabi and Dubai, have been particularly skilful in blending a combination of oil and gas revenue with strong trading and services sectors to produce amongst the world's most impressive economic performances. Average real GDP growth (according to Economist Intelligence Unit [EIU] figures) was 9.3%⁴ from 2003 to 2007 – a remarkable economic performance.

IMF statistics indicate real GDP growth of 7.4% in 2007, with an estimate of 7% for 2008. (See [IMF Regional Economic Outlook](#) for details.)

GDP per capita was estimated at around US\$37,000 in 2007, compared with US\$37,300 in Australia for the same period.⁵

² Op. cit.

³ Op. cit.

⁴ Economist Intelligence Unit 2008

⁵ CIA World Factbook www.cia.gov

The EIU expects UAE's growth rate to slow in late 2008, largely as a result of OPEC-mandated production cuts, as well as a slowdown in Dubai's construction sector.

The EIU has dropped its 2009 [GDP growth estimate](#) for the UAE from 7.5% to 4.9%.

Oil and the UAE

The UAE holds nearly 10 percent of the total world supply of proven crude oil reserves and the fifth-largest natural gas reserves. As noted, Abu Dhabi controls more than 90 percent of these resources and is considered to have over 100 years of oil reserves remaining at 2007 rates of production.

Prior to the 2008 global credit crisis, the UAE continued to increase oil production. Upstream oil and gas agencies in the UAE have identified a range of new projects aimed at boosting the nation's crude oil production capacity to nearly 4 million barrels per day by 2020. This would represent an increase of approximately 40 percent over current production levels.

Gas – the Dolphin project

The [Dolphin project](#) was launched in March 1999 following an announcement by the UAE and Qatar of plans for a [joint venture aimed at transporting gas](#) from Qatar's huge fields to industrial consumers in the UAE, Oman and other countries.

Dolphin is intended to provide a delivery infrastructure that will stimulate investment in a variety of related industries along the value-added gas chain. The gas also supports domestic electricity demands and frees Abu Dhabi's natural gas supply for crude oil recovery. The project began delivering gas to power companies in the second quarter of 2007.

Oil pipelines

Gulf governments are studying the development of oil pipelines that would bypass the Strait of Hormuz. About 40 percent of the world's traded oil is shipped through this 55 km wide passage.

If built, the pipelines could move as much as 6.5 million barrels of oil per day or about 40 percent of the amount currently shipped through the Strait. Construction of a first pipeline would carry oil from the UAE's Habshan oil field to the Emirate of Fujairah, located outside the Strait of Hormuz on the Arabian Sea.

Bunkering

Fujairah and nearby Khor Fakkan (a coastal enclave of Sharjah) also provide extensive bunkering facilities. These centres represent the world's second-largest marine fuel market, handling 10 million tonnes of marine fuel oil a year, compared with around 31.5 million tonnes in Singapore.

Non-oil sector

The non-oil sector in the UAE continues to show solid growth, fuelled by supportive government programs. Dubai's non-oil sector, for example, grew on average by 15% p.a. during 2000-05.

Growth in this sector in 2007 was estimated to be 21%, primed by building and construction, retail, entertainment events, tourism, air transport, manufacturing and port operations.

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Inflation has become a major concern as a result of such rapid growth, whilst flexibility to respond in monetary policy terms has been limited, given the pegging of the UAE dirham to the US dollar. There is some worry that the 2003-07 average inflation rate of 9.8% may increase further.

Jebel Ali Port

In 1976 the ruler of Dubai, the late Sheikh Rashid bin Saeed Al-Maktoum, conceived the construction of the world's largest man-made harbour at Jebel Ali, some 35 kms. southwest of the city of Dubai. The port facility is 134 sq kms. and has capacity for 67 berths.

Jebel Ali Port is part of [DP World](#), one of the world's largest port operators. Along with nearby Port Rashid, Jebel Ali handled 11 million TEUs (twenty foot equivalent container units) in 2007, an increase of 20% on the previous year. The Dubai ports rank 7th globally in container volumes. This compares with Melbourne (2 million TEUs) and Singapore (27 million TEUs).

Although complementing the port and transshipment facilities of Port Rashid, Jebel Ali is particularly geared to industrial development and has major aluminium, gas and cement plants.

Jebel Ali Free Zone (JAFZA)

The adjoining [Jebel Ali Free Zone](#) hosts some 5,500 companies from 120 nations, and offers well-serviced facilities, low overheads and the freedom to operate with an offshore status.

JAFZA spreads over an area of 49 square kms, and ranks among the world's largest and the fastest growing free trade zones (FTZs). There are now about 12 free trade zones in the UAE, with more planned or in progress, all offering attractive establishment and support services to foreign companies. These facilities provide excellent warehousing and distribution facilities, including cold stores, and are described at [UAE-FTZ](#).

Transshipment

Dubai has always been a major transshipment port for the Middle East and North Africa as well as European destinations. It has developed sophisticated logistics systems to facilitate cargo transfer – by sea and air. Saudi Arabia is one of the major transshipment destinations for Dubai cargos.

For distribution to other GCC markets, the UAE FTZs provide distribution hubs where products can be reassembled, repacked and labelled for specific markets.

Air travel

The UAE has 5 international airports (in Abu Dhabi, Dubai, Fujairah, Ras Al-Khaimah and Sharjah), the major centres being Abu Dhabi and Dubai. This is possibly the tightest concentration of major international airport facilities in the world.

[Dubai International Airport](#), despite its recent expansion, is thought insufficient to cope with the expected influx of travellers over the next few years, so another facility, the Al-Maktoum airport is under construction at Jebel Ali, 35km away. This airport is due to come into full operation in 2017. The first 4.5 kms runway of this

airport is already complete, as the first of six runways, designed to handle 120 million passengers a year. This is expected to be the world's largest airport complex.

[Emirates Airlines \(Dubai\)](#) and [Etihad Airways \(Abu Dhabi\)](#) have established high standards of service with modern fleets offering premium passenger facilities. Both UAE airlines offer direct services to Australia, with connecting services to major ports in the Middle East and Europe. The direct flight from Sydney to Dubai is around 15 hours.

Tourism

Dubai currently attracts around 7 million foreign visitors per year, and has over 300,000 hotel rooms available, 60% of which are in the 4 to 5 star category. Tourism contributes around 18% to Dubai's GDP per year.

Abu Dhabi is also investing heavily in tourist facilities and is targeting 2.7 million hotel guests by the year 2012. Currently Abu Dhabi receives some 1.45 million hotel guests annually. Other emirates have also given tourism developments high priority.

Recent forecasts of a further slowdown in demand in key European economies and in the US, however, which together account for some 40% of total arrivals to the UAE, suggest the projections of tourism growth over the next few years may need to be moderated.

The property boom

In 2002, the Government of Dubai relaxed restrictions on foreign investment in property, to meet a pent-up demand for residential property from foreigners and spurring a host of spectacular developments. Similar property development is taking place in Abu Dhabi.

Both cities are being reshaped as some of the world's most prominent architects vie to build 'signature' showcase projects. Notable structures include the [Burj Tower](#), the world's tallest building, and the visionary [Dubai Rotating Tower](#), a rotating 80-storey complex that constantly changes shape, which has been proposed for construction in the near future.

The 2008 global credit crisis, however, may be expected to have some impact on the phenomenal growth rates experienced by the UAE property sector, albeit that major developers remain confident of the future of the high-end of this market.

Part II: The Market Environment

Characteristics of the UAE market

- The UAE is Australia's largest market in the Gulf.
- It is oil rich, with a fast-growing and youthful population.
- There are low barriers to market entry.
- Excellent infrastructure—hotels, air travel and telecommunications.
- The UAE business community is familiar with Western practices.
- The market is intensely competitive.

Investment environment

The UAE has been highly successful in attracting a large number of international companies. In the World Bank's latest *Ease of Doing Business* survey, the UAE ranked 46th for their 2009 projected ranking, compared with a rank of 54 in 2008. Australia was ranked 9th in this same survey.

The World Bank report also noted that it took on average 113 days to start a business in the UAE, compared with 28 days in Saudi Arabia, 57 days in Qatar and 134 in Kuwait. The full World Bank rankings are available at [Doing Business](#). It is generally considered that reforms currently underway will see the UAE advance to a much higher place in this index.

The major impediment to investment is the requirement that foreign investments must be on a joint-venture basis with the local partner holding at least 51% of the equity.

100% foreign ownership is, however, permitted in the many free-trade zones.

In 2007, the UAE recorded inwards investments totalling US\$13.2 billion. This rated the UAE as 34th in the United Nations Conference on Trade and Development (UNCTAD) listing of 188 countries for investment flows.

While most of the UAE's basic infrastructure needs have now been met, the continued push for growth has resulted in plans for yet more roads, hotels, apartments, shopping and office complexes and amusement parks.

An example of this is [Dubailand](#), a planned tourism and entertainment complex divided into seven theme worlds that are Dubai's answer to Disneyland. By 2015 Dubailand is aiming to attract 15 million tourists, roughly 40,000 visitors daily.

Other iconic developments include Dubai's [Burj al-Arab](#) 7-star hotel that is the world's tallest free-standing hotel, and the ambitious offshore [Palm](#) and [World](#) developments, created by massive dredging operations that have captured world attention.

Abu Dhabi is also developing several of its offshore islands to attract both tourism and industry, and has also invested heavily in the arts, attracting both the Louvre and the Guggenheim Museums to invest in establishing in the [Abu Dhabi cultural district](#) on Saadiyat Island. A performing arts centre, Maritime Museum and graduate schools for fine arts and performing arts will supplement these high-profile developments.

Newly-created business precincts, such as the [Dubai International Financial Centre](#) (DIFC), [Dubai Media City](#) and the [Mohammad bin Rashid Industrial Zone](#) also offer 100% foreign ownership as well as a range of incentives and business motivators, such as a common law jurisdiction in the DIFC and high connectivity and related facilities in Dubai Internet and Media City.

Sovereign Wealth Funds (SWFs)

Prudent funds management has placed the [Abu Dhabi Investment Authority](#) (ADIA) at the top of the list of the world's Sovereign Wealth Funds (SWFs) with estimated

assets under control of US\$625 billion⁶ in early 2008. This figure may be subject to some devaluation following adjustments to portfolio values resulting from the recent global credit crunch. (More information on SWFs can be found in the *GCC Market Overview* brief in this series of *Business Guides to the Arab Gulf*.)

Foreign Trade

Australian exports to the UAE topped A\$3.9 billion in 2008. Major exports are gold, passenger motor vehicles, metals and foodstuffs. Australian imports from the UAE were A\$2.3 billion, principally crude oil. See [UAE Fact Sheet](#) prepared by DFAT for further information.

Australian bilateral relations

Australia enjoys strong bilateral links with the UAE. The UAE is Australia's largest merchandise export market in the Middle East and also Australia's largest market in the GCC for the export of services.

Discussions commenced on a bilateral Free Trade Agreement that has now broadened to GCC-wide negotiations. See [DFAT - FTA](#) for more details.

Details of diplomatic and trade accreditation can be found under the sub-section of this Guide, entitled '*Where to Get Advice and Help*'.

Australian business

The Australian expatriate community in the UAE has grown rapidly and is now estimated at between 12,000 - 15,000 residents. Some 300 Australian companies are based in the UAE, many of them involved in the services sector.

The UAE's infrastructure and construction projects have attracted much Australian interest – and Australian products and services are well suited to the UAE market.

Taxation

There is no federal tax legislation in the UAE. Decrees governing tax, however, apply in each of the seven emirates. However, with the exception of banks, oil, gas and petrochemicals, no corporate income tax is payable by firms in the UAE.

Personal income tax is not levied in the UAE, nor is there a withholding tax.

Legal environment

Legal practice in the UAE is undertaken by UAE nationals.

Foreign law firms are only allowed to practise as legal consultants, and are not permitted to plead cases in the courts. Nevertheless, sound legal advice is available and reference to these services is highly recommended.

Court proceedings in the UAE can be time-consuming. There are no juries, and a single judge or a panel of three judges (depending on the nature of the case) determines all disputes.

All evidence submitted to the court must be in Arabic.

⁶ The Economist, 18 September 2008.

Tenders

Public tenders are common throughout the UAE, with a large number of municipal and other agencies undertaking major infrastructure projects.

Over time, the UAE is placing an increased emphasis on technical and quality issues, although price remains a major element in any tender transaction.

Part III: Doing Business in the United Arab Emirates

Practical advice on entering the market

The *GCC Market Overview* provides a review of key factors to consider when doing business in the GCC. In this context, Dubai is the most Western of the operating environments in the UAE and the GCC. Nevertheless even in Dubai, it is important to recognise that there are strong cultural factors that influence the nature of commerce and trade.

One of the first impressions that you may have in meetings in the UAE is that you are dealing with expatriate managers, rather than the Emirati principal. These executives will generally be either Asians (Indians or Pakistanis) or Arabs from Lebanon, Jordan, Egypt or Syria, or perhaps Europeans, particularly British expatriates. There are also a considerable number of Australians in managerial positions with UAE companies as well.

In government agencies, however, Emiratis occupy the senior positions, and would probably be your first point of contact.

Where to get advice and help

[Austrade Dubai](#) is Austrade's regional office for the Middle East and North Africa (a region known by the acronym MENA), and is located at the Australian Consulate-General, with an office also at the [Australian Embassy](#) in Abu Dhabi. (Please see the note on *Visit Programs* in the following section.) The [UAE Embassy](#) is located in Canberra.

Several Australian state governments have active trade and investment offices in Dubai and Abu Dhabi. Queensland operates an office in Abu Dhabi while Victoria, Western Australia and South Australia have offices in Dubai.

The [Australian Business Council](#) (ABC-DXB) also provides a useful networking forum for Australians doing business in the UAE. It was formed in 2007 from the Australian Business in the Gulf (ABIG) group, which was established in 1993.

The ABC-DXB's website provides a calendar of events. Business visitors new to the GCC should consider coinciding their visit with one of the Council's regular networking functions.

Members of the sizeable Australian business community in the UAE are usually willing to share experiences and provide valuable advice and tips for newcomers to the market.

Prior to travel please register your travel details online at: www.orao.dfat.gov.au.

Also please consult the Department of Foreign Affairs and Trade website at Smartraveller before planning a visit.

Developing a strategy

The *GCC Market Overview* in this series of *Business Guides to the Arab Gulf* provides detailed advice on constructing export strategies for GCC markets. The principles noted in that brief apply fully to the UAE market.

Several characteristics of the UAE market that should also be considered in that context are:

- Statistics and market data require cross-checking.
- Transactions may take longer than expected.
- Time and care are needed to assess the claims of prospective agents.
- When relationships are established, principals may want to move quickly, sometimes on a handshake.
- Competition is intense.

Market research

The UAE is a well-researched market. Data is available from a variety of sources. Austrade and Australian state government offices can provide advice, together with tailored services.

There is a wide range of market research agencies and consultants in the UAE, including leading international consumer research firms such as Nielsen who can provide a wide range of services.

Prices for research are highly variable and inevitably a well-defined brief is essential to ensure that the analysis produced meets your expectations.

Commercial market 'omnibus' reports can be useful as a starting point for strategy development, after standard web searches. These reports are available from a variety of research agencies. Prices of these general reports can range anywhere between US\$250 –US\$ 2,000. Most providers will usually offer a table of contents and a sample chapter to provide an indication of quality and coverage.

It is important to check that the reports are current, however, in view of the rapid changes taking place in the various UAE markets.

Some companies offering these reports are:

Business Monitor International
International Market Reports
Research and Markets
TNS Global
International Market Research
Market Research.com

This is only a small sample. There are many more providers, and it is best to try to identify reports that are specific to your industry and up-to-date.

Visiting the UAE

Travel to and within the UAE is convenient and comfortable. Airline connections are excellent and airports in the region are modern and efficient.

Visas

Australian citizens can obtain a visa on entry at UAE airports. Visas are valid for a 30-day period and are free of charge. See the [AACCI website](#) for details.

Time your visit well

The UAE weekend is Friday and Saturday which, combined with time zones (the UAE is six hours behind Australian EST), may create communications difficulties.

Many businesses (but not government offices) are open on Saturday. It is recommended that you check the precise working week for your contacts when arranging a visit program.

Some offices work a split shift from 8 am to 1 pm and then 4 pm to 7 pm. Others work a straight shift of 8 am to 5 pm and others 9 am to 6 pm.

The summer season (May to September) is uncomfortably hot and not the ideal time for visiting. It is, however, a good time for Emiratis to visit Australia. Many senior managers take leave in the months of July and August, frequently out of the UAE.

Business activity slows during the month of Ramadan. Office hours during Ramadan are usually 8 am to 3 pm.

The AACCI provides a three-year forward plan of [Islamic holidays](#).

Local holidays

In addition to the prescribed Islamic holidays, local holidays may apply, such as National Days and Bank Holidays.

[UAE Public Holidays and Bank Holidays](#) provides a calendar of holidays and festivals in the UAE. Some of these holidays may apply to the Government sector, when private-sector activities continue normally.

Arriving in the UAE

Airport facilities are efficient. Taxis are readily available and are reasonable. Many hotels provide transfer services and this is a most efficient way to get to your destination quickly and comfortably. Business class travellers on several airlines are provided with complimentary limousine transfer to their hotel or destination.

There is a useful 13-minute Economist audio guide to [Doing Business in Dubai](#) that provides practical advice on airport arrivals and travelling around the city etc.

Getting around

Traffic congestion in Dubai (in particular) and Abu Dhabi means that well-structured visit programs are necessary to avoid long periods in traffic. Wherever possible, try to arrange meetings at CBD hotels to save travelling time, although for first time meetings, visiting your prospect's premises is important.

Taxis are metered and usually reliable, particularly if your destination is well known. For obscure addresses, particularly in industrial areas, obtain directions in advance

based on local landmarks to save time searching for street names and numbers, which can be hard to locate.

Hotels can also arrange a car and driver for your appointments. If you have three or four calls in a day, this is the best option to avoid wasted time seeking taxis and being unsure of geography. Being punctual for meetings is also important.

When booking a car, provide the driver (in advance, preferably) with a copy of your daily program complete with addresses, so that he can plan the most efficient routes to maximise your face-to-face time and avoid delays.

Visit programs

A pre-prepared program of appointments is the best way to start your visit to the UAE. Expect, however, that there will inevitably be changes and modifications to your program, often at the last minute, and hence a need to stay flexible.

If your program is for appointments over a 3-day period, always allow an extra day for rescheduled and follow-up meetings.

Austrade and the State Government representatives in Dubai and Abu Dhabi are the best source of this program support. They really know the market and can help you identify the most appropriate range of potential buyers or agents, screen these companies for interest, make personal introductions for you with these companies, and prepare a confirmed visit schedule.

This level of assistance does take time to arrange, however, so please provide plenty of advance notice (ideally 4-6 weeks) to prepare the program. In terms of Austrade, your first point of contact can be made by calling 13 28 78 from anywhere in Australia.

Hotels

The UAE offers an array of hotels, many of very high standard. For most business travel, five-star hotels provide a wide range of services with good business centre facilities.

Regular visitors often move to lower cost accommodation once their business is established. For longer stays (eg 2-3 weeks), serviced apartments offer a comfortable and economical alternative.

At the time of the first visit, however, it is generally advisable to establish 'face' by staying in quality accommodation.

Tips and tricks

- Make contact with your local associates as soon as possible after arrival.
- Record all your contacts' mobile numbers, as it is the best way to reach them.
- When you find a good driver, develop an ongoing relationship, particularly if you are involved in multiple calls each day with tight time constraints.
- Use SMS to confirm your meetings or changes in your program.
- Foster relationships with hotel concierges – they can save you time and effort in finding the best taxis and generally arranging transport.
- Be prepared to meet at short notice for breakfast or evening meetings.

Trade missions

Trade missions occur quite regularly to the UAE. AACCI and Austrade will be able to advise of missions that are planned.

If you are new to the market, a 'mixed' trade mission (i.e. a group with varying interests in different market sectors) can be appropriate, but always ensure that you have a meeting program, individually tailored and separate from combined mission events.

Industry or sector-specific trade missions will usually provide greater value and efficiencies in meeting key contacts in your industry.

Missions to Australia

Arab Chambers of Commerce and industry groups often send missions to Australia. These provide an excellent avenue to interact with senior business people. AACCI, state governments and Austrade usually facilitate these visit programs, along with the [UAE Embassy](#) in Canberra.

Trade exhibitions

The UAE, notably Dubai and Abu Dhabi, host a wide range of trade exhibitions. These events are usually of a high quality; however, with the high growth in this sector, it is wise to associate with premier events such as [GITEX](#) (ICT), [Big 5](#) (Building and construction) and [Gulfood](#) (food and beverages), which have a track record in attracting quality audiences.

Austrade and state governments frequently arrange Australian pavilions at the major events. Group participation is most cost-effective, particularly for new exporters and also provides access to ancillary networking events.

Health and safety

Public health standards in the UAE are high. In the event of illness, there are many doctors, mostly expatriates, as well as private hospitals. It is important to carry travellers' medical insurance, as costs can be high in the event of hospitalisation or evacuation.

Personal behaviour

Alcohol is not served in most of the emirates. Where alcohol is served (e.g. in Dubai), excessive consumption is frowned upon and public drunkenness can result in arrest and heavy penalties.

Import Procedures

Customs and regulatory environment

The UAE applies the GCC common tariff of 5 per cent for most goods. See [UAE Customs](#) for more details. [Dubai](#) and [Abu Dhabi](#) Customs have excellent websites for greater detail on import regulations.

Documentation

Originals of standard trade documentation will include a commercial invoice, bills of lading, certificates of origin and insurance, legalised by the UAE Embassy in Canberra.

The Australia Arab Chamber of Commerce and Industry (AACCI) is the organisation that provides certification before legalisation by the UAE Embassy.

The AACCI website has comprehensive details on documentation requirements for the UAE. See [UAE documents](#).

Packaging and labelling

Requirements are strict and must be complied with. The Austrade and UAE websites cited provide specific details. Food and pharmaceutical product labelling is stringent, in common with the GCC region.

Agency representation

There is a section in the *GCC Market Overview* of this series of *Business Guides to the Arab Gulf* providing advice on agency appointments.

In the UAE the importance of the key message, to *take time and effort* to identify and qualify a local agent, partner or associate, is further amplified by the intense competition that exists in the market.

The perception of the UAE as an easily accessible 'boom' market has created what is arguably the most competitive market in the GCC region. This has produced unusually high levels of competition with strong price pressures, particularly in the services and fast moving consumer goods (FMCG) sectors.

The following advice has been extracted from the publication "*Legal Aspects of Doing Business in the UAE – An Introduction for Australian Companies*" produced by the international law firm, [Holman Fenwick Willan](#), in Dubai (September 2008).

Additional advice on agency representation for the GCC is available in the *Market Overview* brief in this series of *Business Guides to the Arab Gulf*.

The UAE legal system recognises two types of agency arrangement – registered and unregistered.

A **registered agent** will be a UAE national, or a 100% UAE company, registered with the Ministry of Economy.

- The *Commercial Agencies Law* of the UAE provides substantial protection to the agent and provides considerable power to prevent a foreign principal from appointing another agent or alternatively selling his/her products directly into the market.
- As elsewhere in the GCC, termination of registered agency agreements can be both expensive and time-consuming. This emphasises the need for the careful selection of agents and the need for sound local legal advice in the preparation of an agency agreement.

An **unregistered Commercial Agency** is not governed by the Commercial Agencies Law, but is subject to the *Commercial and Civil Code*. This may result in limited

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recourse in the event of a payment dispute. Most UAE companies will, however, insist on operating under a registered agreement.

Forming a *Limited Liability Company (LLC)* is the most common form of joint venture. The entity requires that a UAE national hold a minimum 51% of the shares. However a range of agreements is possible to protect and define the interests of the minority partner. Once again, sound local legal advice is *strongly* recommended before entering into these types of commitments.

Branches and representative offices are common, particularly for professional services companies.

- A branch company can be 100% foreign owned, and can negotiate and enter into contracts. To obtain a licence, it is usually necessary to enter into an arrangement with a UAE national company who will provide services, such as communicating with government agencies, facilitating visas and other administrative (not operational) tasks.
- Representative offices are only permitted in Dubai. These offices can carry out marketing activities, but cannot enter into contracts. Contracts must be negotiated with the parent company. A UAE national company is also usually required to provide administrative and visa/work permit services.

Further information on establishing agency arrangements and local offices is also available on the website of the [Australian Business Council, Dubai](#), prepared by another international legal firm, Trowers and Hamlin.

Professional services

Australian companies offering services such as engineering, architecture and other technical disciplines will also require registration from other authorities. For example, in Dubai, registration with the Dubai Municipality will be required – and this is similarly the case in Abu Dhabi.

These registrations can be time-consuming and may involve registration in a range of disciplines.

Franchising

The major international franchise operations are well established in the UAE, as are many secondary franchises.

This is a crowded market; however, new concepts can quickly capture interest. [Franchise trade fairs](#) in Dubai cater to the franchising industry.

Obtain local legal advice on structuring franchise arrangements to ensure compliance with local regulations.

Review of options for representation in the UAE.

Alternative	Pros	Cons
Registered agency	Most common agency type favoured by UAE companies. Requires careful selection of agent.	Any dispute resolution is likely to favour the agent. Can be costly to terminate
Unregistered agency	Not favoured by UAE companies.	Payment disputes may be complex as the principal may not be able to sue in a UAE court.
Limited Liability Company (LLC)	Most common entity favoured by foreign investors. Offers flexibility.	A UAE national must, however, hold at least 51% of shares.
Branch office	No local partner required. Can execute contracts or enter into business in the name of the parent company. Common for professional services companies.	Lack of a local partner can be a disadvantage in certain (e.g. tender) situations. A <i>national agent</i> (i.e. an Emirati citizen or company owned by Emirati citizens) is required to handle administrative matters.
Representative office (Dubai only)	Can gather intelligence and market the parent company's products and services.	Cannot enter into or negotiate contracts, which must be negotiated with the parent company. A national agent required for administrative matters.
Partnerships	Common in services area (e.g. legal, finance, consulting). A national agent generally required for administrative matters.	Partners individually liable for the full extent of their assets.
UAE Free Trade Zones (FTZs)	100% foreign ownership. High levels of support from FTZ operators.	A licensed agent must distribute products sold in the UAE or a separate licence obtained.
Special zones (eg Dubai Internet City, Dubai Media City, Dubai International Financial Centre etc)	100% foreign ownership. Incentives may apply with strong support services from the operating agency. DIFC operates under a common law jurisdiction.	Minimum capital requirement may be stipulated.

Some of these procedures may appear onerous; however they are the minimum requirements for doing business in the UAE. There are well-established procedures and a range of companies can facilitate the process.

It is essential for any new exporter to fully understand the requirements of the various alternatives and be familiar with the time and costs of business establishment.

The [Dubai Business Portal](#) also provides a good summary of business entities with some useful links.

Major industry sectors in the United Arab Emirates

Oil and petrochemicals

The UAE's major industrial activity centres on the oil industry, with a concentration of facilities in Abu Dhabi, Dubai and Sharjah.

Abu Dhabi is the major centre for the oil, petrochemicals and fertilizer sector, while Sharjah has a highly diversified base of manufacturers.

Aluminium

Aluminium smelting is the UAE's second largest heavy industry (after oil and gas), and is centred on the [DUBAL](#) aluminium smelter at Jebel Ali. Established in 1979, DUBAL is ranked as the world's seventh-largest smelter, with a capacity of about one million tonnes. The smelter processes Australian alumina.

Cement

A number of cement plants operate throughout the UAE to feed the burgeoning construction industry. During 2008 UAE suppliers of ready-mix concrete were struggling to keep up with demand and prices surged more than 25%.

Total production of cement in 2006 was 15 million tonnes, with consumption of 14.4 million tonnes. Capacity is being increased rapidly, cement producers are expanding their plants, and total capacity is forecast to reach 34 million tonnes by 2009.⁷ The global credit crunch, however, may put some of those expansion plans on hold.

General manufacturing

Other major manufacturing sectors in the UAE include steel fabrication, marine engineering, rig construction, electrical cables, pharmaceuticals and steel alloys. A wide range of companies is engaged in light manufacturing and assembly operations for electrical products, furniture, plastics and food processing.

Building and construction

The UAE has captured international attention with a range of 'mega projects' including the iconic [Burj al-Arab Hotel](#) in Dubai as well as the man-made offshore Palm developments. [Dubai Mega](#) and [UAE Mega](#) provide summaries of the UAE 'mega projects' including [The World](#) project in Dubai.

Australian contractors such as Multiplex (now part of the Brookfield group) and Leightons have been key participants in the UAE construction sector. Leighton's 45% owned joint venture with the [Al-Habtoor Group](#) has reported new work under contract of nearly A\$4 billion

The massive building program has provided a host of opportunities for Australian companies, whose products and services are well suited to the UAE environment. Australian architects and interior designers are well represented in the UAE, along with consulting engineers offering a comprehensive range of design services as well as environmental management programs.

⁷ Middle East Economic Digest 17 March 2008

Water resources

The UAE has one of the highest per capita rates of water consumption in the world. Much of this water is desalinated. Annual rainfall in UAE is low and erratic, with an annual average of 75 to 100 mm. Sydney's average rainfall in comparison is 1200mm.

Innovative water management technologies are always in demand. The UAE has, for example, blended traditional water conservation methods with modern technologies.

Recycling of wastewater is an area of commercial opportunity.

ICT

The UAE is a major market for ICT products and services and is building a presence as an IT hub in the Gulf region. Government funding in the sector is significant, with the Abu Dhabi and Dubai Governments placing increasing emphasis on the delivery of their services electronically.

The oil sector also has particularly strong demand for vertical applications, while the growing financial services industry also has strong IT demands.

The software piracy rate in the UAE is claimed to be one of the lowest in the region and anti-piracy legislation has been enacted.

More background on the UAE ICT sector can be found at this website - [BMI report](#).

Internet

Internet penetration in the UAE is estimated at 40% and growing rapidly, with broadband penetration expected to reach 60% over the next 3-5 years.

[Etisalat](#), the UAE government provider, has enjoyed a monopoly until competition was recently introduced – with a new company - [Du](#) - entering the market.

Dubai established [Dubai Internet City](#) to provide a hub for ICT companies and attract global players to the region. Microsoft, Cisco Systems and HP have established a presence in the precinct along with many others - see [DIC partners](#).

Locating in this zone offers companies a range of attractive facilities and incentives, including 100% foreign ownership, tax exemptions, high-level communications infrastructure including what is claimed to be the world's largest IP telephony network.

Food and beverages

Australia is a long-standing food supplier, with a strong reputation for quality, not only of bulk commodities like grains, dairy products and meat, but also a rapidly expanding range of branded consumer goods.

Australian brands are prominent in canned foods, cheese, sauces, fresh fruit and vegetables, rice and many more food lines.

Wine and beer is sold through licensed importers. While this is a relatively small market, Australian wine and beer brands are nevertheless prominent in this market sector.

Retailers expect promotional support from their suppliers and listing fees are common.

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A 2008 report on food industry trends in the UAE and other GCC markets has been prepared by the [Canadian Government](#).

UAE retailing

Sales in the UAE retail industry have been estimated at over US\$ 5 billion, with food sales estimated at US\$3.5 billion. Small, traditional retailers still exist, although modern supermarkets and hypermarkets now dominate the retail scene.

A listing is provided at [UAE supermarkets](#).

Major expansion has taken place in the hypermarkets sector, with large developments undertaken by European groups such as France's Carrefour and Geant, as well as local companies, such as the [EMKE](#) Group.

Healthcare

Healthcare spending has increased rapidly, recording growth of 15%-plus over the past five years. The Dubai Chamber of Commerce and Industry forecasts a market of US\$12 billion in healthcare services in the UAE by 2015.

[Dubai Healthcare City](#), a US\$3 billion investment, was established in 2002 and aims to provide comprehensive, world-class medical facilities for the UAE and the Gulf communities. Harvard Medical School is reported to be involved in establishing a teaching hospital in Dubai. Other foreign institutions such as the Cleveland Clinic, Boston University and Johns Hopkins University are also active in the UAE.

Recent reports by McKinsey & Co. and Abraaj Capital have pointed to the region's demand for healthcare rising significantly in the coming years, with a projection of a 160% increase in beds by 2025 in the UAE, driven by high population growth, changing social demographics, a prevalence of health-risk factors (such as limited exercise and obesity) and an increase in health insurance services.

Major enhancements to the volume and quality of services are expected to come from the private sector, a shift from the current situation, where the Government delivers about 60% of primary healthcare.

Automotive

The UAE is a valuable market for Australian automobile producers. Exports were A\$388 million in 2007. Toyota Australia has established a strong market for the *Camry* as the UAE's most popular taxi. GMH has built a profitable market for its Australian *Commodore* and *Statesman* models, which have been rebadged as Chevrolet *Lumina* and *Caprice*.

The significant presence of Australian passenger vehicles has also created an aftermarket for Australian auto spares and accessories. There is, however, strong competition in this market sector from low-cost generic suppliers from India, China and other parts of Asia.

Banking and finance

The banking sector has played a key role in the development of Dubai's pre-eminent position as a regional financial hub, and the Emirate has major plans to become a global financial centre.

The UAE Central Bank in Abu Dhabi regulates the banking and monetary system of the country. It has set standards for inter-bank services and competition and for

transparency of operations for the approximately 50 banks in the UAE that operate through over 300 branches.

International banks are establishing local offices in the UAE. Deutsche Bank AG, Credit Suisse, Citibank, Lazard and JP Morgan have establishing their presence in Dubai.

Dubai International Financial Centre (DIFC)

The [DIFC](#) was established in 2004 to provide a world-class 'onshore' financial centre. The Dubai International Financial Exchange ([DIFX](#)) opened in the DIFC in 2005.

The DIFC focuses on several sectors of financial activity: Banking Services (investment banking, corporate banking and private banking); capital markets (equity, debt instruments, derivatives and commodity trading); asset management and funds registration; insurance and re-insurance; Islamic finance and professional service providers.

Firms operating in the DIFC are eligible for benefits, such as a zero tax rate on profits, 100 per cent foreign ownership, no restrictions on foreign exchange or repatriation of capital, operational support and business continuity facilities.

Financial services in the DIFC are regulated to international standards by the Dubai Financial Services Authority (DFSA), providing access to common law legislation to bring the DIFC in line with other leading international financial centres. See [DIFC Judicial Authority](#) for details.

[PricewaterhouseCoopers](#) has produced a comprehensive guide for companies wishing to do business in the DIFC.

Public relations

The UAE has a host of public relations companies, ranging from global groups such as Burson Marsteller to solo agents. References from Australian government agencies and Australian companies will provide referrals.

Press publicity is useful but must be carefully targeted. Media coverage is particularly useful for announcing agency appointments, office openings and new product launches.

Advertising

Advertising spend in the UAE was over US\$1 billion in 2008. Newspapers accounted for 66% of the total spend, or over US\$700 million. This represented a 33% rise on figures for 2005.

Magazines received 16% of total advertising revenue, or around US\$175 million, and outdoor advertising represented around 5% of the total advertising market. Radio captured only 1% of the market – but showed the fastest growth, with the emergence of new stations catering for various expatriate communities. TV advertising, however, declined 10% to a total spend of US\$119 million.

Global and local advertising agencies are well represented in the UAE. Costs are generally high; however, innovative promotion techniques are well accepted and many agencies can suggest alternatives ranging from web-based initiatives and outdoor advertising (effective but becoming more expensive) to radio, television, in-store and retail promotions. See [UAE advertising](#).

Sports and entertainment

The UAE has established itself as a leading venue for major sporting events as well as a growing venue for entertainment and the performing arts. Leading sporting events include the [Dubai Desert Classic](#) golf tournament and the [Dubai World Cup](#) racing carnival, promoted as the world's richest race meeting.

The UAE has also attracted [Formula One](#) racing to Abu Dhabi from 2009. Other key events include the [Emirates Dubai Rugby Sevens](#) tournament, cricket at [Sharjah](#), as well as hosting major events in soccer, tennis, powerboat racing and camel racing.

These developments have created opportunities for many Australian sporting and events management companies. Australian skills and expertise in this area fit well with the UAE operating environment, building on Australia's performance at the Sydney 2000 Olympics and subsequent Olympics and other major events, including the Asian Games in Qatar in 2006.