



FINAL

Australia-UAE free trade agreement

A feasibility analysis

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CANBERRA

Centre for International Economics
Ground Floor, 11 Lancaster Place
Canberra Airport ACT 2609

Telephone +61 2 6245 7800
Facsimile +61 2 6245 7888
Email cie@TheCIE.com.au
Website www.TheCIE.com.au

SYDNEY

Centre for International Economics
Level 7, 8 Spring Street
Sydney NSW 2000

Telephone +61 2 9250 0800
Email ciesyd@TheCIE.com.au
Website www.TheCIE.com.au

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Summary

Australia and the United Arab Emirates (UAE) commenced negotiations for a Free Trade Agreement (FTA) in March 2005. These negotiations were subsumed into negotiations for an Australia-GCC FTA in 2007. Australia and the GCC last met for negotiations in 2009.

The Centre for International Economics (CIE) has been commissioned by the Department of Foreign Affairs and Trade (DFAT) to conduct a feasibility analysis of the prospective FTA between Australia and the UAE.

Current economic interactions

Australia exported around \$3.2 billion in goods and services to the UAE and imported around \$2.2 billion in goods and services from the UAE in 2021¹. Bilateral trade has experienced fluctuations, particularly due to the COVID-19 pandemic. Over the five-year period from 2015 to 2019, average annual merchandise and services exports to the UAE amounted to approximately \$4.2 billion and annual merchandise and service imports from the UAE amounted to approximately \$5.1 billion.

Australia exported around \$3 billion in goods (merchandise) to the UAE and imported around \$1.4 billion in goods from the UAE in 2021.² Over the five-year period from 2015 to 2019, average annual merchandise exports to and merchandise imports from the UAE amounted to approximately \$3.5 billion and \$2.5 billion, respectively.

- Aluminium ore and concentrates (including alumina) are Australia's largest export commodity, amounting to approximately \$1.2 billion per year over the five years prior to the pandemic.
- Petroleum products especially crude petroleum once dominated Australian imports, but their importance has fallen significantly.
- Fluctuations in bilateral trade value were primarily influenced by changes in trade quantities, with price changes playing a lesser role.

¹ In this report, the Australian dollar is used as the default currency unless otherwise specified. The US dollar (US\$) is used for data from international sources and is not converted to Australian dollars unless a direct comparison to Australian data is being made. In cases where foreign currencies are used and then converted to Australian dollar terms, the symbol A\$ is explicitly used.

² The latest DFAT trade pivot tables for the financial year 2021-22 indicate Australia exported approximately \$4 billion to and imported \$1.6 billion in goods from the UAE. However, international databases report data in calendar years, so this report uses the calendar year data to ensure consistency and facilitate comparisons.

On average, services trade with the UAE accounted for about 17 per cent of Australia's total exports to the UAE, and 51 per cent of Australia's total imports from the UAE, during the five-year period from 2015 to 2019 prior to the COVID-19 pandemic. Annual services exports to the UAE were approximately \$706 million, while annual services imports from the UAE were around \$2.58 billion annually. Transport and travel are most important services trade sectors, accounting for approximately 60 per cent of Australia's services exports to and three quarters of services imports from the UAE.

In 2021, the total value of investment flows from the UAE to Australia was \$13.8 billion including direct, portfolio and other investment, making the UAE the 25th largest investor in Australia in that year.

The pattern of UAE tariffs and protection

The UAE has an open trade regime with low tariffs, zero tariff quota rates and few non-tariff barriers.

- The UAE has a simple tariff regime with over 90 per cent of tariff lines are defined as ad valorem (AV) duties.
- The UAE's tariffs are generally low at 5.55 per cent on average for agricultural products and 4.5 per cent on average for non-agricultural products, despite some commodities (mainly beverages and tobaccos) subject to very high duties.
- The UAE does not have tariff quotas for imports.
- Other non-tariff barriers are generally not considered to be high with the exception of some agricultural and food products where long standing issues relating to shelf life and labelling are likely to increase the price of Australian products in the UAE market.
- A number of behind the border trade in service barriers have been identified by stakeholders, particularly relating to business ownership, mutual recognition of qualifications, visa streamlining. These are considered to be important in construction, minerals, resources, engineering and education services.

Potential benefits of an FTA

- The focus of a potential FTA with the UAE will be on tariff reduction and or elimination along with the particular NTB and services restrictions noted above.
- If Australia were to secure duty reductions similar to those achieved by India, Singapore and EFTA countries through FTAs, the potential increase in Australia's export to the UAE could reach up to \$490 million per year, which would equate to 14 per cent of the average annual exports to the UAE over the five-year period from 2015 to 2019 prior to the pandemic.
 - This estimated potential increase in exports is based on the pre-COVID-19 average, and does not factor in the future growth in the baseline.
 - It is important to note that this estimate should be considered as an upper bound of the potential growth in exports that could result from a free trade agreement with the UAE. This is because the estimate relies on a specific set of parameters that may overstate the actual impact, particularly for commodities that are relatively

inelastic in their response to changes in price. Therefore, the actual impact of a free trade agreement on exports may be smaller than the estimate suggests.

- That said, the increase in exports for agricultural and food products could be greater as NTBs are addressed.
- A potential FTA would also provide an opportunity to lock-in meaningful market-access and address behind-the-border barriers that would give greater certainty to services exporters.
- One area of focus for services trade could be provisions that create a framework for accreditation and licensing bodies of Australia and the UAE to collaborate on streamlining the recognition of qualifications, licensing and registration processes and requirements for professionals. These types of frameworks have been included in both Australia and the UAE's recent bilateral FTAs.
- For investment, the UAE has set up some 40 free zones that grant foreign entities national treatment and provide further tax benefits. An FTA could provide an opportunity to strengthen investment between Australia and the UAE.

1 Introduction

Background

Australia and the United Arab Emirates (UAE) commenced negotiations for a Free Trade Agreement in March 2005. These negotiations were subsumed into negotiations for an Australia-GCC FTA in 2007. Australia and the GCC last met for negotiations in 2009.

The Department of Foreign Affairs and Trade (DFAT) has been seeking submissions from interested stakeholders on the potential opportunities and impacts of a prospective FTA with the UAE. Some 30 submissions have been received.

The Centre for International Economics (CIE) has been commissioned by the DFAT to conduct a feasibility analysis of the prospective FTA between Australia and the UAE.

This report

The Centre for International Economics (CIE) has been commissioned by the DFAT to conduct a feasibility analysis of the prospective FTA between Australia and the UAE. The study consists of three major tasks:

- Analysis of background material including overall economic and trade trends and dynamics and barriers between Australia and the UAE;
- Developing options of the potential FTA; and
- Conducting high level evaluation of proposed options and making relevant recommendations.

This report provides the CIE's findings. The remainder of this report is structured as follows:

- Chapter 2 provides a brief introduction to the UAE economy.
- Chapter 3 summarises current Australian economic interactions with the UAE, covering goods and services trade as well as investment flows.
- Chapter 4 discusses the current trade regime in the UAE including its relationship with the other GCC and GAFTA countries, the UAE's tariff regime and non-tariff barriers, barriers to services trade and information on the UAE's free trade zones.
- Chapter 5 considers the possibilities for an FTA and its likely impacts.
- Chapter 6 concludes.

The appendices provide details about the modelling parameters, and calculation of the impacts on Australia's top export growth sectors of a potential FTA with the UAE.

Currency, terminology and nomenclature conventions used in this report

Currency

This report uses the Australian dollar as the default currency, unless another currency is specified. The US dollar (US\$) is used for data from international sources and is not converted to Australian dollars unless a direct comparison to Australian data is being made. In cases where foreign currencies are used and then converted into Australian dollar terms, the symbol A\$ is explicitly used.

Terminology

The terms 'goods' and 'merchandise' are used interchangeably in this report.

Trade nomenclature

Nomenclature is specified in the title of a table or in the note below the table, where it is necessary and relevant.

There are three classification systems used for merchandise trade data:

- The Standard International Trade Classification (SITC) which is mainly related to the DFAT data on trade flows (at 3-digit level);
- The Harmonised System (HS) which is mainly related to international data sources on trade flows and tariff schedules (at 6- or 8-digit level); and
- The WTO classification of agricultural and non-agricultural products, which is an aggregation based on the HS system³ and is appropriate for reporting at the aggregate level.

For services trade data, sectors are classified with the sixth edition of IMF's Balance of Payments and International Investment Position Manual (BPM6).⁴

³ WTO, 'Definition of product groups used in part A.2', *Technical Notes on Country Pages*, https://www.wto.org/english/res_e/statis_e/daily_update_e/tariff_profiles/TariffProfileTechnicalNotes_E.htm

⁴ IMF 2009, *Balance of payments and international investment position manual: 6th ed.*, International Monetary Fund, Washington, D.C., <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>.

2 *The UAE economy*

The UAE is a federation of seven Emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain. Abu Dhabi and Dubai account for over 90 per cent of the country's gross domestic product (GDP).⁵

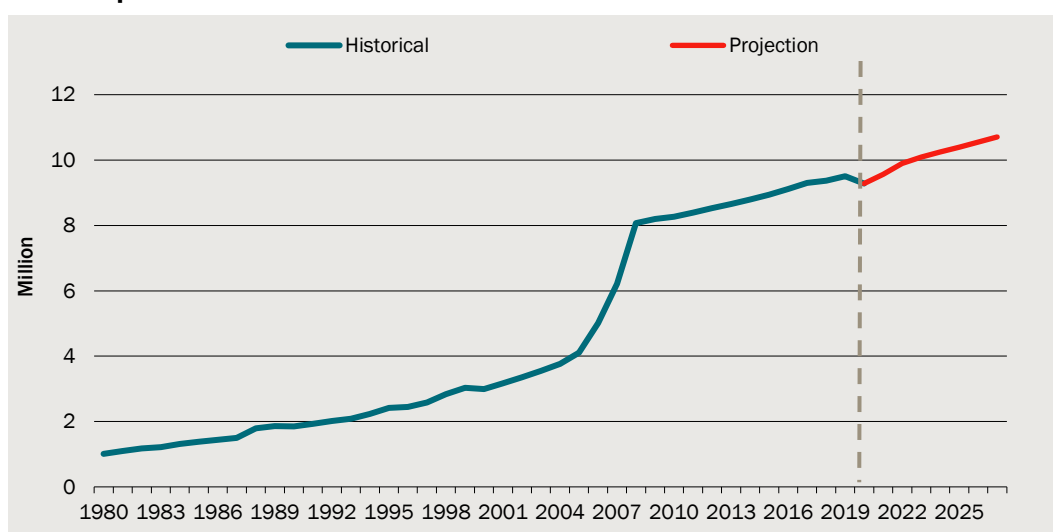
The UAE currently has a resident population of about 10 million.⁶ About 90 per cent of the resident population in the UAE are non-nationals, mainly migrant workers.⁷ Most migrant workers are from Asian countries including India, Nepal, Sri Lanka, Bangladesh and Pakistan. Workers from Australia and other Western countries work in the UAE's key high-skilled sectors including the oil and gas industry.⁸ The IMF forecasts that the total UAE population will reach 11.4 million by 2027⁹ (chart 2.1).

According to IMF data,¹⁰ the UAE is the Middle East's¹¹ fifth largest economy (after Iran, Saudi Arabia, Türkiye and Israel in US dollar terms, or after Türkiye, Saudi Arabia,

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- ⁵ Based on national accounts data from the Federal Competitiveness and Statistics Centre (FCSC) (<https://fcsc.gov.ae/en-us/Pages/Statistics/Statistics-by-Subject.aspx#/%3Ffolder=Economy/National%20Account/National%20Account>), Statistics Centre of Abu Dhabi (<https://www.scad.gov.ae/en/pages/statistics.aspx?topicid=37>) and Dubai Statistics Centre (<https://www.dsc.gov.ae/en-us/Themes/Pages/National-Accounts.aspx?Theme=24>).
- ⁶ GMI 2023, 'United Arab Emirates Population Statistics 2023', *Global Media Insight*, 11 January 2023, <https://www.globalmediainsight.com/blog/uae-population-statistics/>
- ⁷ *ibid.*
- ⁸ Malit, F.T. and A.A. Youha 2013, 'Labour Migration in the United Arab Emirates: Challenges and Responses', *Migration Information Source*, Migration Policy Institute, 18 September 2013, <https://www.migrationpolicy.org/article/labor-migration-united-arab-emirates-challenges-and-responses>
- ⁹ IMF 2022, *World Economic Outlook Database: October 2022 Edition*, International Monetary Fund, October 2022, <https://www.imf.org/en/Publications/WEO/weo-database/2022/October>
- ¹⁰ *ibid.*
- ¹¹ The Middle East is not formally classified as a region by international organisations. For example, the United Nations' regional groups do not specifically identify the Middle East (<https://unstats.un.org/unsd/methodology/m49/>). In the World Bank's regional classification, the Middle East is grouped with North Africa (<https://datahelpdesk.worldbank.org/knowledgebase/articles/906519>). Traditionally, the Middle East has been understood to include the following countries or territories: Akrotiri and Dhekelia, Bahrain, Cyprus, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Palestine, Qatar, Saudi Arabia, Syria, Türkiye, UAE and Yemen (https://en.wikipedia.org/wiki/Middle_East). In the Direction of goods and services trade data, DFAT defines Middle East as part of Asia, including Bahrain, Gaza Strip and West Bank, Iran, Iraq, Israel, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria and UAE

Egypt and Iran in purchasing power parity terms), and one of the wealthiest countries in the region on a per capita basis. The UAE economy is recovering from the pandemic and the IMF is forecasting real GDP growth of 5.05 per cent for 2022 and 4.2 per cent for 2023¹². Total GDP in the UAE in 2022 was estimated by the IMF at 1.57 trillion UAE Dirham (AED) (US\$419.8 billion), and projected by the IMF to grow to 1.9 trillion AED (US\$617.5 billion) in 2027¹³ (green line in chart 2.2).

2.1 Population in the UAE



Data source: IMF WEO database

According to IMF (2022),¹⁴ per capita GDP in the UAE was US\$47,792 in 2022, making the UAE the 20th highest income country in the world, and it is projected by the IMF to reach US\$54,096 by 2027 (red line in chart 2.2).

If measured in international dollars at purchasing power parity (PPP), the UAE's per capita GDP ranks 7th in the world, according to the IMF data.¹⁵

(<https://www.dfat.gov.au/sites/default/files/australias-direction-of-goods-services-trade-calendar-years.xlsx>). Using this narrower definition of Middle East, UAE is the fourth largest economy in the region in GDP on US dollar terms or the third largest on PPP terms.

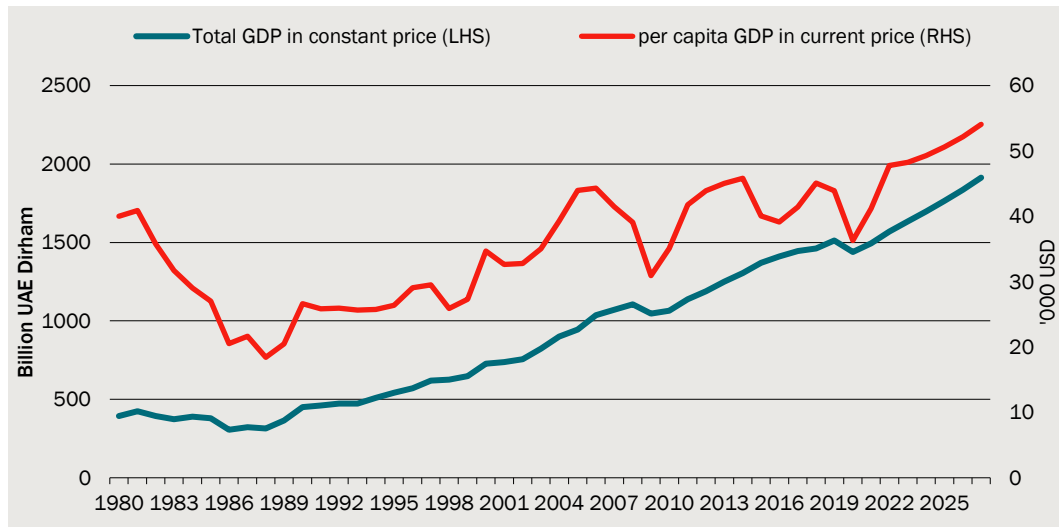
¹² IMF (2022), *op.cit*

¹³ *ibid.*

¹⁴ *ibid.*

¹⁵ *ibid.*

2.2 UAE's total and per capita GDP



Data source: IMF WEO database

According to UN Comtrade data,¹⁶ in 2021, the UAE's total merchandise exports and imports were US\$425.2 billion and US\$347.5 billion, respectively (table 2.3), making it the 15th merchandise exporter and 17th largest merchandise importer in the world. Despite the COVID-19 pandemic, the country achieved growth exceeding the 5-year average of US\$337.3 billion and US\$269.7 billion for merchandise exports and imports, respectively, from 2015 to 2019.

2.3 The UAE's merchandise trade by country/country group

	Export			Import		
	2015-19 avg	2020	2021	2015-19 avg	2020	2021
Total (US\$ billion)	337.3	335.3	425.2	269.7	247.0	347.5
Share (%)						
GCC	9.52	12.40	12.27	4.55	4.83	4.42
Rest of GAFTA	5.63	7.57	7.36	2.77	3.57	2.82
EFTA	2.29	2.96	2.07	1.86	1.34	1.62
Singapore	0.71	0.54	0.55	0.73	0.61	0.50
India	3.78	3.43	5.64	7.88	6.67	6.01
Australia	0.15	0.18	0.25	0.94	0.69	0.72
European Union	3.10	3.89	3.23	13.81	12.94	10.84
Rest of the World	74.83	69.03	68.63	67.46	69.35	73.08

Note: GCC – Gulf Cooperation Council; GAFTA – Greater Arab Free Trade Area; EFTA – European Free Trade Association

Source: CIE calculation based on UN Comtrade data

While UAE's exports are relatively concentrated in regional trading blocs (that is Gulf Cooperation Council, GCC; and Greater Arab Free Trade Area, GAFTA) or partners with bilateral trade agreements (that is European Free Trade Association, EFTA;

¹⁶ UN Comtrade Database, <https://comtradeplus.un.org/TradeFlow>

Singapore; and India¹⁷), the UAE's trade partners are generally diversified. As shown in table 2.4, about 75 per cent of merchandise exports and over 80 per cent of merchandise imports have been traded with other countries (Australia, EU and Rest of the World).

The UAE's total services trade was US\$65.3 billion for exports and US\$67.1 billion for imports per year on average over the five year period from 2015 to 2019 (table 2.4), according to the OECD Balanced International Trade in Services data.¹⁸

2.4 The UAE's services trade by country/country group: 2015-19 average

	Exports	Imports
Total (US\$ billion)	65.3	67.1
Share (%)		
GCC	11.09	4.15
Rest of GFTA	3.19	3.30
EFTA	2.14	1.91
Singapore	3.95	2.71
India	6.02	5.77
Australia	1.84	1.41
EU	17.63	24.88
Rest of World	54.14	55.87

Note: average over the five year period from 2015 to 2019

Source: OECD Balanced International Trade in Services (2005-19), <https://stats.oecd.org/>

The UAE's services exports followed a similar pattern to its merchandise trade, with a relatively high concentration of exports to the GCC region which accounted for 11 per cent of total services exports. In contrast, the GCC region represented only 4 per cent of UAE's total services imports.

Furthermore, the UAE's services trades have been diversifying beyond regions with existing trade agreements. Slightly less than three quarters of total services exports were to Australia, EU and rest of the world, while more than 80 per cent of total services imports were from these places.

¹⁷ The UAE-India Comprehensive Economic Cooperation Agreement (CEPA) entered into effect on 1 May 2022

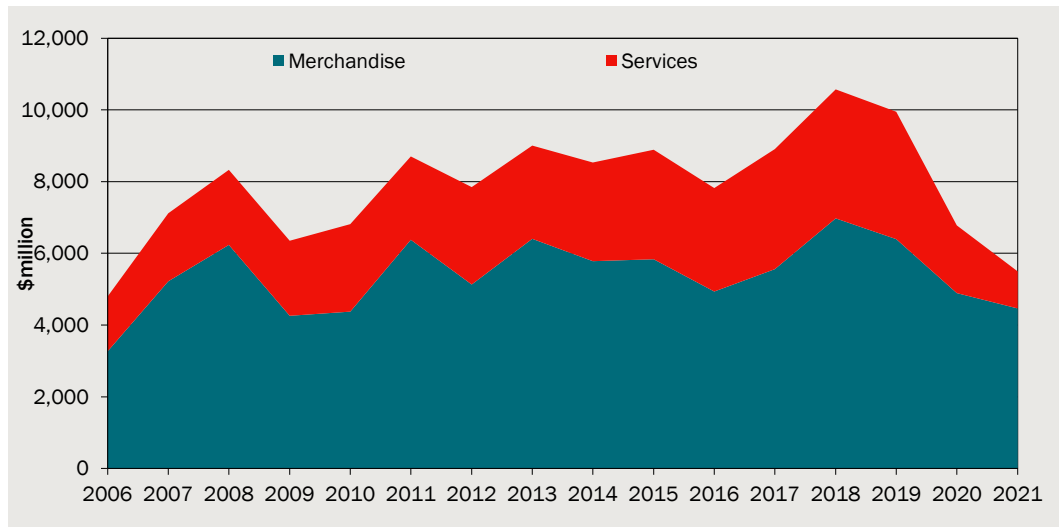
¹⁸ OECD, 'Balanced International Trade in Services (2015-19)', *OECD Stat*, <https://stats.oecd.org/>

3 *Australian trade with the UAE*

While trade with Australia is relatively small in share, Australia’s bilateral relationship with the UAE is multi-faceted, diverse and growing. The UAE is Australia’s largest trade and investment partner in the Middle East and our 18th largest export partner of goods and services in 2021.¹⁹ The two countries shared \$9.2 billion in two-way trade of goods and services on average over five years (2015 to 2019) prior to the COVID-19 pandemic (chart 3.1).

The UAE is a key source of investment in Australia. For example, in 2021, it invested a total flow of \$13.8 billion in Australia including direct, portfolio and other investment.

3.1 **Australia’s two-way trade with the UAE**



Data source: DFAT trade statistical pivot tables and direction of goods and services trade data

Merchandise trade

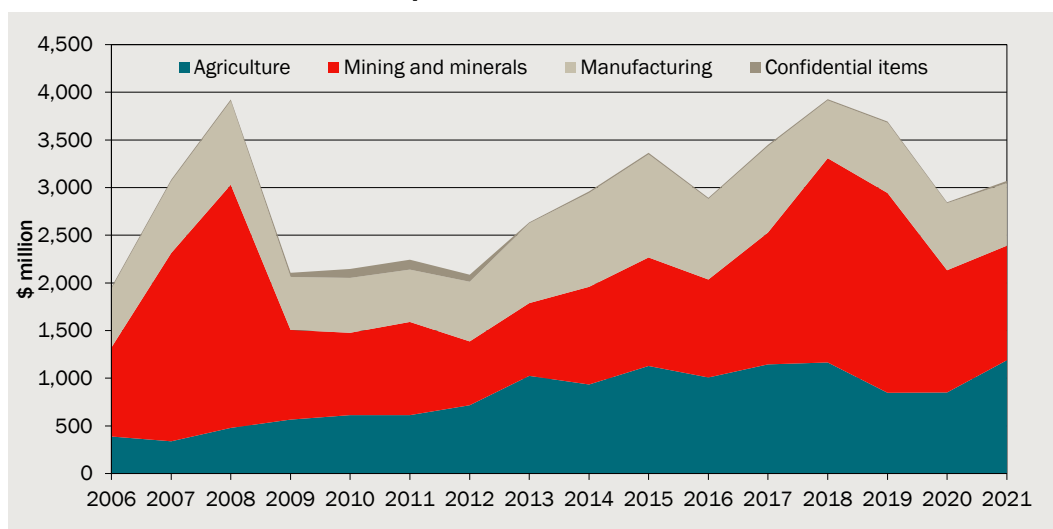
Australia’s merchandise trade with the UAE accounts for about two thirds of the total value of bilateral trade of goods and services.

¹⁹ DFAT 2022, *Australia’s direction of goods and services trade – calendar year from 1987 to present*, Department of Foreign Affairs and Trade, August 2022, <https://www.dfat.gov.au/sites/default/files/australias-direction-of-goods-services-trade-calendar-years.xlsx>

Australian merchandise exports

Chart 3.2 reports Australia's merchandise exports to the UAE with major components from 2006 to 2021 derived from DFAT's Trade statistical pivot tables.²⁰ The DFAT trade data includes a big component of confidential items (for example, \$1.8 billion in 2019). To deal with this, CIE have combined Australian data with UAE imports data in the UN Comtrade database²¹ to identify these confidential items.

3.2 Australian merchandise exports to the UAE



Data source: DFAT trade statistical pivot tables and UN Comtrade database

Australia's total merchandise exports to the UAE have fluctuated over time and have not grown much in the past 15 years. In 2008, the total value of Australian merchandise exports to the UAE reached a historical high of \$3.92 billion, which was dominated by \$1.5 billion of gold exports in that year and \$1.1 billion in the previous year.

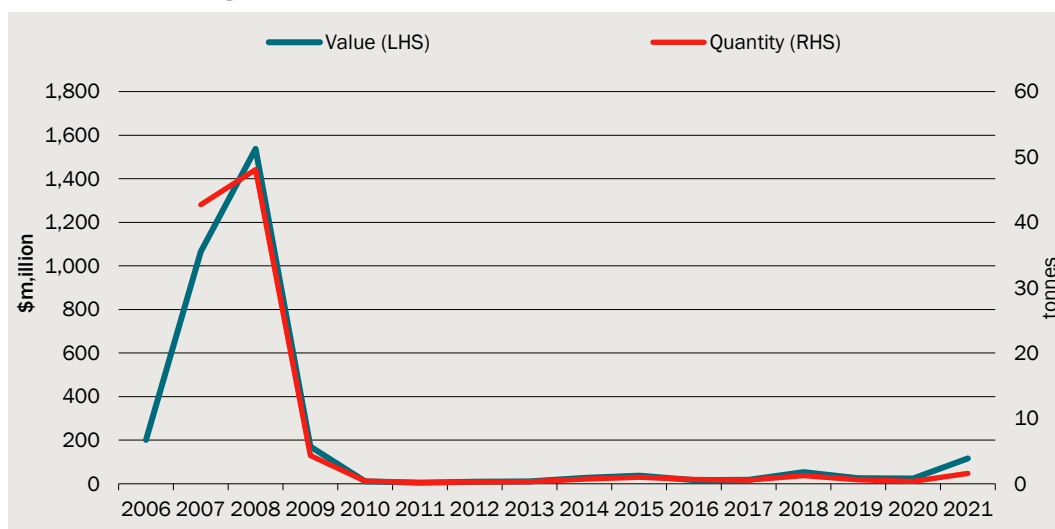
With the value of gold exports falling to \$170 million in 2009, \$11 million in 2010 and to \$4.7 million in 2011, the total value of Australian merchandise exports fell to \$2.1 billion in 2009 and kept relatively stable until 2012. Merchandise Exports then started gradual growth from 2013 and reached the 2008 level by 2018, before falling again presumably due to the COVID-19 pandemic.

As shown in chart 3.3, the fluctuation in the gold export value (teal line) has been largely determined by the change in export quantity (red line). The two lines have a significant overlap over the years. Analysis of the change in gold export value by dividing it into the effects of changes in quantity and price indicates that approximately three-quarters of the fluctuations are attributed to changes in quantity.

²⁰ DFAT, *Trade statistical pivot tables*, <https://www.dfat.gov.au/trade/trade-and-investment-data-information-and-publications/trade-statistics/trade-statistical-pivot-tables>

²¹ UN Comtrade database, <https://comtradeplus.un.org/TradeFlow>

3.3 Australia's gold exports to the UAE



Data source: DFAT trade statistical pivot tables and UN Comtrade database and UN Comtrade database

It is worth noting that Australia's non-gold merchandise exports to the UAE have been on an upward trend since 2009, continuing through to 2019.

Minerals remain the largest export components, accounting for about 45 per cent of total merchandise exports over the five years (2015 to 2019) prior to the pandemic. But the share fell to 39 per cent in 2021, mainly due to a moderate fall in aluminium and coal exports compared to the growth in total merchandise exports.

More than 30 per cent of Australian merchandise exports over the five years prior to the pandemic were agricultural products, and the share rose to about 39 per cent in 2021.

Manufacturing goods account for about one quarter of Australia's total merchandise exports to the UAE.

Top export commodities

Table 3.4 reports Australia's top export commodities to the UAE. The ranking is based on the average annual export value from 2015 to 2019 prior to the COVID-19 pandemic. These top 20 commodities accounts for 80 per cent of Australia's total merchandise exports to the UAE.

Aluminium ores and concentrates including alumina is Australia largest export commodity group to the UAE, amounting about \$1.2 billion per year on average over the five years from 2005 to 2019, accounting for one third of Australia's total merchandise exports to the UAE.

Australia is a leading supplier of aluminium ores and concentrates, including alumina, to the UAE market, commanding a dominant market share of nearly 70 per cent.

3.4 Top 20 Australian commodity exports (SITC 3-digit) to the UAE

		2015-19 average	2020	2021
		\$000	\$000	\$000
1	285 Aluminium ores & conc (incl alumina)	1,186,229	779,542	525,570
2	012 Meat (excl beef), f.c.f.	229,367	236,314	198,903
3	054 Vegetables, f.c.f.	133,356	99,154	144,751
4	781 Passenger motor vehicles	126,728	5,270	5,546
5	011 Beef, f.c.f.	113,663	118,267	141,597
6	764 Telecom equipment & parts	107,017	122,101	157,954
7	784 Vehicle parts & accessories	106,025	149,987	158,004
8	057 Fruit & nuts	91,939	65,394	55,176
9	333 Crude petroleum	80,389	90,794	103,737
10	098 Edible products & preparations, nes	73,582	22,563	49,651
11	971 Gold	73,509	51,097	196,034
12	043 Barley	65,650	49,261	115,100
13	041 Wheat	64,580	59,946	95,031
14	667 Pearls & gems	56,038	73,223	30,212
15	222 Oil-seeds & oleaginous fruits, soft	51,743	675	181,702
16	673 Uncoated flat-rolled iron & steel	49,687	21,603	5
17	751 Office machines	44,879	948	3,125
18	752 Computers	41,731	46,365	58,905
19	022 Milk, cream, whey & yoghurt	38,995	14,224	26,224
20	683 Nickel	38,536	125,878	66,355

Source: DFAT trade statistical pivot tables and UN Comtrade database

It is interesting to note that crude petroleum (SITC 333) is Australia's 9th top export to the UAE despite the UAE being a large oil producer. This is because the Australian crude oil and condensate is insufficient and incompatible for domestic needs and is largely exported. According to Australian Institute of Petroleum (AIP), most of Australian crude oil production is located long distances from Australian refineries and has better transport proximity to key Asian markets; and much of Australia's crude oil is also of a quality (light sweet) which is commercially attractive for processing in other countries.²² The UAE has several crude oil streams, including the Murban – a light and sweet (low sulphur) crude oil, and its domestic refineries are capable to process the light sweet crude oil.

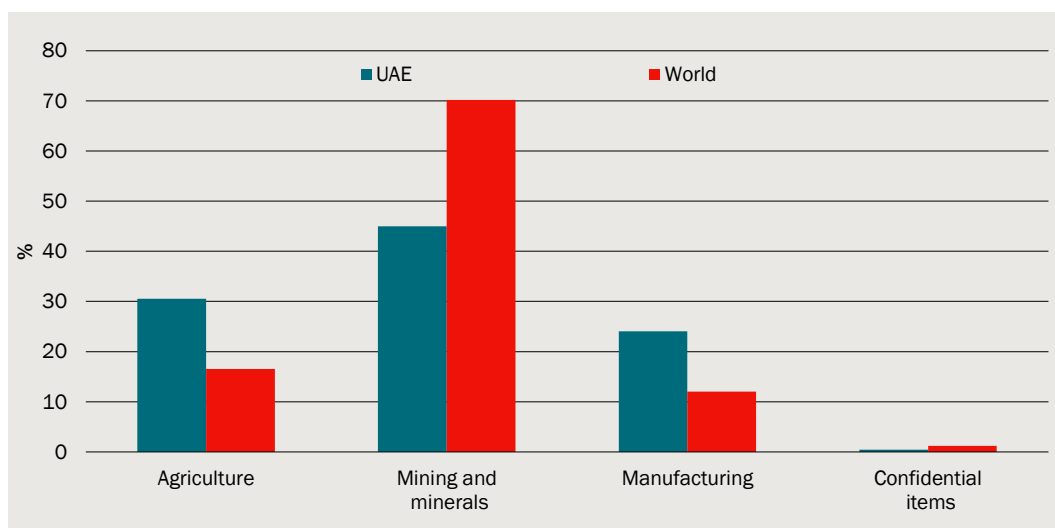
Australia's comparative performance in exporting to the UAE

Compared with relative sector share in Australia's total merchandise exports to the world, agriculture and manufacturing exports account for significantly higher share in Australia's exports to the UAE. As shown in chart 3.5, agricultural and manufacturing products account for 30.5 per cent and 24.1 per cent, respectively, of Australia's

²² Australian Institute of Petroleum, *Australian Crude Production and Refining*, <https://www.aip.com.au/resources/australian-crude-production-and-refining>

merchandise exports to the UAE on average over the five years from 2015 to 2019. In contrast, agricultural and manufacturing products account for only 16.6 per cent and 12 per cent, respectively, in Australia's total merchandise exports to the world.

3.5 Composition of Australian merchandise exports to the UAE and the world



Note: Average share for 2017-2021

Data source: DFAT trade statistical pivot tables

Key competitors in the UAE merchandise export market

Australia ranks 18th in average annual merchandise export value to the UAE between 2015 and 2019, as listed in table 3.6 which displays all these countries and their respective shares in the UAE's total merchandise import value.

3.6 Australia's key competitors in exporting goods to the UAE

Rank ^a	Country	2015-19	2020	2021
		%	%	%
1	China	12.7	15.9	14.9
2	India	7.9	6.7	6.0
3	United States of America	7.7	6.7	4.9
4	Japan	4.5	3.8	3.1
5	Germany	4.2	3.5	2.4
6	United Kingdom	2.5	2.4	1.5
7	Italy	2.3	2.2	2.3
8	Saudi Arabia	2.2	2.6	2.1
9	Viet Nam	2.2	2.4	2.2
10	France	2.1	1.9	1.8
11	Korea, Republic of	2.0	1.7	1.0
12	Switzerland	1.7	1.2	1.5
13	Türkiye	1.7	1.2	2.8

Rank ^a	Country	2015-19	2020	2021
		%	%	%
14	Belgium	1.3	0.9	0.9
15	Thailand	1.2	1.2	1.1
16	Hong Kong, China	1.2	0.5	0.4
17	Malaysia	1.0	0.9	0.8
18	Australia	0.9	0.7	0.7
	Rest of the world	40.9	43.5	49.6

^a based on the average export value between 2015 and 2019

Source: CIE compilation based on the UN Comtrade data

China

Mainland China is the top merchandise exporter to the UAE, with the highest average annual import value to the UAE over the five-year period from 2015 to 2019.²³ Hong Kong (HK) Special Administrative Region of China is the 16th largest merchandise exporter to the UAE.

Table 3.7 compares the main trade categories of imports to the UAE from China, HK and Australia. The table uses product groups defined by the WTO classification of agricultural and non-agricultural products, which is based on the HS system.²⁴ UAE's imports from China and HK are more than 14 times greater in value than its imports from Australia.

As shown in table 3.7, China primarily exports manufactured products to the UAE, while Australia specialises in exporting agricultural and mineral products. In this sense, China is not Australia's key competitor in the UAE market.

That said, China exports some agricultural and mineral products comparable to Australia, for example horticultural products (fruits, vegetables and plants), and aluminium and other base metals.

In fact, for some of the top 20 commodities that Australia exports to the UAE (as shown by the average annual export value from 2015 to 2019 in table 3.4), China exports comparable or even larger amount to the UAE, including:

- SITC 054 Vegetables, f.c.f. (comparable amount)
- SITC 764 Telecom equipment & parts (Chinese export to the UAE is two magnitudes larger than Australian exports)
- SITC 784 Vehicle parts & accessories (comparable amount)
- SITC 971 Gold (comparable amount)

²³ This section is based on import data reported by the UAE in the UN Comtrade database, without any adjustments. Note that the import data may differ from the export data reported by the source country.

²⁴ WTO, 'Definition of product groups used in part A.2', *Technical Notes on Country Pages*, https://www.wto.org/english/res_e/statis_e/daily_update_e/tariff_profiles/TariffProfileTechnicalNotes_E.htm

- SITC 673 Uncoated flat-rolled iron & steel (Chinese export is about one magnitude larger)
- SITC 751 Office machines (Chinese exports is one magnitude larger); and
- SITC 752 Computers (Chinese exports is two magnitudes larger)

3.7 Average annual UAE merchandise imports from China, HK and Australia: 2015-19 (aggregation based on HS)

	China		HK		Australia	
	US\$m	%	US\$m	%	US\$m	%
Agricultural products						
Animal products	17.37	0.05	0.38	0.01	305.26	11.76
Dairy products	0.09	0.00	0.00	0.00	44.88	1.73
Fruits, vegetables, plants	197.44	0.58	0.12	0.00	174.73	6.73
Coffee, tea	17.30	0.05	0.03	0.00	2.99	0.12
Cereals and preparations	4.61	0.01	0.20	0.01	140.06	5.39
Oilseeds, fats & oils	25.14	0.07	0.01	0.00	41.29	1.59
Sugars and confectionary	17.08	0.05	0.14	0.00	14.83	0.57
Beverages and tobacco	156.90	0.46	21.78	0.69	23.10	0.89
Cotton	0.12	0.00	0.00	0.00	0.00	0.00
Other agricultural products	49.71	0.15	0.63	0.02	11.65	0.45
Sub-total of agricultural products	485.77	1.42	23.29	0.73	758.80	29.23
Non Agricultural products						
Fish and fish products	26.39	0.08	0.12	0.00	1.63	0.06
Minerals and metals	3,245.44	9.49	3,080.06	97.11	1,427.42	54.98
Petroleum	268.38	0.78	0.08	0.00	112.74	4.34
Chemicals	1,426.48	4.17	3.49	0.11	71.63	2.76
Wood, paper, etc.	1,138.03	3.33	3.27	0.10	12.54	0.48
Textiles	961.87	2.81	0.62	0.02	11.59	0.45
Clothing	1,458.15	4.26	8.56	0.27	3.70	0.14
Leather, footwear, etc.	1,480.49	4.33	1.91	0.06	2.01	0.08
Non-electrical machinery	6,394.65	18.70	5.99	0.19	32.30	1.24
Electrical machinery	2,498.20	7.30	5.69	0.18	20.74	0.80
Transport equipment	714.85	2.09	2.58	0.08	123.32	4.75
Manufactures, not elsewhere specified	14,105.43	41.24	36.05	1.14	17.85	0.69
Sub-total of non-agricultural products	33,718.35	98.58	3,148.42	99.27	1,837.46	70.77
All commodities	34,204.11	100.00	3,171.71	100.00	2,596.26	100.00

Note: Import data reported by the UAE which may not match export data reported by the source country; Product groups defined by WTO based on HS system

Source: UN Comtrade database

India

India is the second largest merchandise exporter to the UAE, measured by the average annual import value to the UAE over the five-year period from 2015 to 2019. Table 3.8 compares the main trade categories of imports to the UAE from India and Australia. The imports of the from India are 8 times greater in value than its imports from Australia.

As shown in table 3.8, India exports a higher proportion of mineral products to the UAE compared to Australia and similar amounts for some agricultural products. Therefore, India is a significant competitor to Australia in these areas, particularly in the following commodities that are among Australia's top export to the UAE:

3.8 Average annual UAE merchandise imports from India and Australia: 2015-19 (aggregation based on HS)

	India		Australia	
	US\$m	%	US\$m	%
Agricultural products				
Animal products	268.96	1.26	305.26	11.76
Dairy products	33.60	0.16	44.88	1.73
Fruits, vegetables, plants	507.80	2.39	174.73	6.73
Coffee, tea	104.22	0.49	2.99	0.12
Cereals and preparations	654.39	3.08	140.06	5.39
Oilseeds, fats & oils	29.92	0.14	41.29	1.59
Sugars and confectionary	52.73	0.25	14.83	0.57
Beverages and tobacco	73.55	0.35	23.10	0.89
Cotton	1.69	0.01	0.00	0.00
Other agricultural products	155.12	0.73	11.65	0.45
Sub-total of agricultural products	1,881.97	8.85	758.80	29.23
Non Agricultural products				
Fish and fish products	171.91	0.81	1.63	0.06
Minerals and metals	12,809.64	60.24	1,427.42	54.98
Petroleum	1,469.89	6.91	112.74	4.34
Chemicals	882.27	4.15	71.63	2.76
Wood, paper, etc.	223.12	1.05	12.54	0.48
Textiles	389.07	1.83	11.59	0.45
Clothing	779.03	3.66	3.70	0.14
Leather, footwear, etc.	201.45	0.95	2.01	0.08
Non-electrical machinery	588.22	2.77	32.30	1.24
Electrical machinery	431.76	2.03	20.74	0.80
Transport equipment	471.09	2.22	123.32	4.75
Manufactures, not elsewhere specified	966.21	4.54	17.85	0.69
Sub-total of non-agricultural products	19,383.65	91.15	1,837.46	70.77
All commodities	21,265.62	100.00	2,596.26	100.00

Note: Import data reported by the UAE which may not match export data reported by the source country; Product groups defined by WTO based on HS system

Source: UN Comtrade database

- Vegetables, f.c.f. (SITC 054);
- Passenger motor vehicles (SITC 781);
- Beef, f.c.f. (SITC 011);
- Telecom equipment & parts (SITC 764);
- Vehicle parts & accessories (SITC 784);
- Fruit & nuts (SITC 057);
- Edible products & preparations, nes (SITC 098);
- Gold (SITC 971);
- Pearls & gems (SITC 667); and
- Uncoated flat-rolled iron & steel (SITC 673).

Additionally, the newly signed Comprehensive Economic Partnership Agreement (CEPA) between India and the UAE is predicted to give India more favourable access to the UAE market (more details in chapter 5).

United States of America

The United States is the third largest merchandise exporter to the UAE, with its average annual export value from 2015 to 2016 only slightly lower than India's average annual export value.

3.9 Average annual UAE merchandise imports from the US and Australia: 2015-19 (aggregation based on HS)

	USA		Australia	
	US\$m	%	US\$m	%
Agricultural products				
Animal products	345.65	1.67	305.26	11.76
Dairy products	50.17	0.24	44.88	1.73
Fruits, vegetables, plants	529.40	2.55	174.73	6.73
Coffee, tea	29.47	0.14	2.99	0.12
Cereals and preparations	91.08	0.44	140.06	5.39
Oilseeds, fats & oils	38.98	0.19	41.29	1.59
Sugars and confectionary	14.63	0.07	14.83	0.57
Beverages and tobacco	102.25	0.49	23.10	0.89
Cotton	0.02	0.00	0.00	0.00
Other agricultural products	184.39	0.89	11.65	0.45
Sub-total of agricultural products	1,386.04	6.68	758.80	29.23
Non Agricultural products				
Fish and fish products	18.74	0.09	1.63	0.06

	USA		Australia	
	US\$m	%	US\$m	%
Minerals and metals	1,958.66	9.44	1,427.42	54.98
Petroleum	234.13	1.13	112.74	4.34
Chemicals	2,010.01	9.68	71.63	2.76
Wood, paper, etc.	248.61	1.20	12.54	0.48
Textiles	105.53	0.51	11.59	0.45
Clothing	55.72	0.27	3.70	0.14
Leather, footwear, etc.	204.84	0.99	2.01	0.08
Non-electrical machinery	6,208.88	29.91	32.30	1.24
Electrical machinery	1,058.05	5.10	20.74	0.80
Transport equipment	5,970.87	28.76	123.32	4.75
Manufactures, not elsewhere specified	1,299.20	6.26	17.85	0.69
Sub-total of non-agricultural products	19,373.23	93.32	1,837.46	70.77
All commodities	20,759.27	100.00	2,596.26	100.00

Note: Import data reported by the UAE which may not match export data reported by the source country; Product groups defined by WTO based on HS system

Source: UN Comtrade database

Table 3.9 compares the main trade categories of imports to the UAE from the US and Australia.

According to table 3.9, the US exports a larger proportion of manufactured products to the UAE compared to Australia. However, its exports of agricultural and mineral products are higher in absolute value than Australia's exports. As a result, the US is a formidable competitor to Australia in these areas, particularly in the following commodities that are among Australia's top export to the UAE:

- Passenger motor vehicles;
- Telecom equipment & parts;
- Vehicle parts & accessories;
- Fruit & nuts;
- Crude petroleum;
- Edible products & preparations, nes;
- Gold;
- Pearls & gems;
- Office machines; and
- Computers.

Japan

Japan is the fourth largest merchandise exporter to the UAE. Its average annual export value to the UAE was over US\$12 billion during the period from 2015 to 2019, more than four times greater than Australia's exports to the UAE.

Japan's merchandise exports to the UAE primarily consist of non-agricultural commodities. As a result, Japan poses competitive challenge to Australia for several manufacturing products that are among Australia's top 20 exporting commodities to the UAE:

- Passenger motor vehicles;
- Telecom equipment & parts;
- Vehicle parts & accessories;
- Uncoated flat-rolled iron & steel;
- Office machines; and
- Computers.

European Union

The European Union (EU) is a significant trading partner with the UAE, with its member states ranking among the largest merchandise exporters to the UAE. Specifically, Germany is the 5th largest, Italy is the 7th, France is the 10th, and Belgium is the 14th largest merchandise exporter to the UAE. The EU's collective merchandise exports to the UAE surpass those of China.

Table 3.10 compares the main trade categories of imports to the UAE from EU and Australia.

3.10 Average annual UAE merchandise imports from the EU and Australia: 2015-19 (aggregation based on HS)

	EU		Australia	
	US\$m	%	US\$m	%
Agricultural products				
Animal products	402.15	1.08	305.26	11.76
Dairy products	478.90	1.29	44.88	1.73
Fruits, vegetables, plants	439.21	1.18	174.73	6.73
Coffee, tea	280.18	0.75	2.99	0.12
Cereals and preparations	224.45	0.60	140.06	5.39
Oilseeds, fats & oils	78.50	0.21	41.29	1.59
Sugars and confectionary	70.50	0.19	14.83	0.57
Beverages and tobacco	656.90	1.76	23.10	0.89
Cotton	0.44	0.00	0.00	0.00
Other agricultural products	524.21	1.41	11.65	0.45
Sub-total of agricultural products	3,155.44	8.47	758.80	29.23
Non Agricultural products				
Fish and fish products	28.98	0.08	1.63	0.06
Minerals and metals	6,510.05	17.47	1,427.42	54.98
Petroleum	323.48	0.87	112.74	4.34

	EU		Australia	
	US\$m	%	US\$m	%
Chemicals	5,362.60	14.39	71.63	2.76
Wood, paper, etc.	1,382.40	3.71	12.54	0.48
Textiles	236.59	0.63	11.59	0.45
Clothing	460.11	1.23	3.70	0.14
Leather, footwear, etc.	1,153.03	3.09	2.01	0.08
Non-electrical machinery	5,285.36	14.18	32.30	1.24
Electrical machinery	2,908.37	7.80	20.74	0.80
Transport equipment	7,852.25	21.07	123.32	4.75
Manufactures, not elsewhere specified	2,607.36	7.00	17.85	0.69
Sub-total of non-agricultural products	34,110.57	91.53	1,837.46	70.77
All commodities	37,266.01	100.00	2,596.26	100.00

Note: Import data reported by the UAE which may not match export data reported by the source country; Product groups defined by WTO based on HS system

Source: UN Comtrade database

According to table 3.10, EU exports a larger proportion of manufactured products to the UAE compared to Australia. However, its exports of agricultural and mineral products are higher in absolute value than Australia's exports. As a result, EU is a significant competitor to Australia in these areas, particularly in the following commodities that are among Australia's top export to the UAE:

- Vegetables, f.c.f.;
- Passenger motor vehicles;
- Telecom equipment & parts;
- Vehicle parts & accessories;
- Fruit & nuts;
- Edible products & preparations, nes;
- Gold;
- Pearls & gems;
- Uncoated flat-rolled iron & steel;
- Office machines;
- Computers; and
- Milk, cream, whey & yoghurt.

United Kingdom

The United Kingdom (UK) has a strong presence as the 6th largest merchandise exporter to the UAE. During the 2015 to 2019 period, the UK's average annual export value to the UAE was substantial, exceeding US\$6.6 billion. This figure was significantly higher, more than double, than Australia's exports to the UAE during the same period.

UK poses competitive challenges to Australia for the following products that are among Australia's top 20 exporting commodities to the UAE:

- Passenger motor vehicles; and
- Gold.

Southeast Asia countries

Vietnam, Thailand and Malaysia are the 9th, 15th and 17th largest merchandise exporters to the UAE, respectively. These countries have comparative advantage in labour intensive manufacturing, and pose competitive challenge to Australia for the following products that are among Australia's top exporting commodities to the UAE:

- Passenger motor vehicles;
- Telecom equipment & parts;
- Pearls & gems;
- Office machines; and
- Computers.

South Korea

South Korea ranks 11th among the largest merchandise exporters to the UAE, exporting twice as much as Australia during the 2015 to 2019 period. It poses competitive challenge to Australia for the following products that are among Australia's top 20 exporting commodities to the UAE:

- Passenger motor vehicles;
- Telecom equipment & parts;
- Vehicle parts & accessories; and
- Uncoated flat-rolled iron & steel.

Türkiye

Türkiye ranks 13th among the largest merchandise exporters to the UAE, exporting 1.7 times more goods than Australia. Despite this, the trade profiles between these two countries appear to be highly complementary. Out of Australia's top 20 exported commodities, only gold presents a significant competition from Türkiye, with Türkiye exporting 38 times more to the UAE than Australia.

Other countries

Brazil ranks 20th among the largest merchandise exporter to the UAE, following Australia. Despite this, Brazil exported three times more meat (excluding beef), twice as much beef, four times the amount of gold, and comparable amount of pearls and gems to the UAE compared to Australia, presenting a significant competition to Australia in these sectors.

During the period from 2015 to 2019, Pakistan's merchandise exports to the UAE were only one-quarter of Australia's merchandise exports to the UAE. However, Pakistan

exported a comparable amount of beef, approximately US\$82 million per year, to the UAE as Australia, presenting competition for this commodity.

Similarly, Argentina's merchandise exports to the UAE were only one-tenth of Australia's merchandise exports, leading to a limited presence in the UAE and not presenting a significant competition to Australia.

Paraguay and Uruguay have an even smaller presence in the UAE, with merchandise exports equivalent to only one per cent of Australia's merchandise export to the UAE during the 2015 to 2019 period. Hence, they do not pose a challenge to Australia.

Australian merchandise imports

Chart 3.11 reports the historical data of Australian merchandise imports from the UAE by major components.

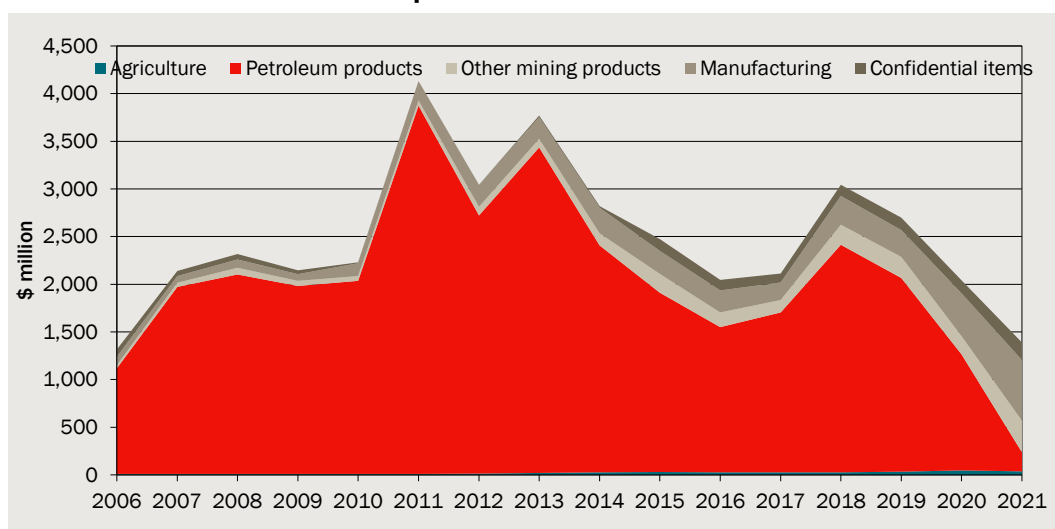
As shown by the large red area in chart 3.11, Australia's merchandise imports from the UAE are dominated by petroleum products (mainly crude petroleum). Up till 2019, petroleum products had accounted for more than 75 per cent, and in some years more than 90 per cent, of Australia's total imports from the UAE. The share has fallen to 75 per cent in 2019, 60 per cent in 2020 and further down to only 14 per cent in 2021.

Accordingly, total value of Australian imports from the UAE fell from \$3 billion in 2018 to \$1.4 billion in 2021.

The significant fluctuations in petroleum imports are likely due to the following factors:

- fluctuations in the price of petroleum products;
- substitution from other sources (for example, the UAE share of Australia's imports of total petroleum products had been falling from 10 per cent in 2011 to 5.3 per cent in 2019 and 2020); and
- reduced refinery capacity in Australia.

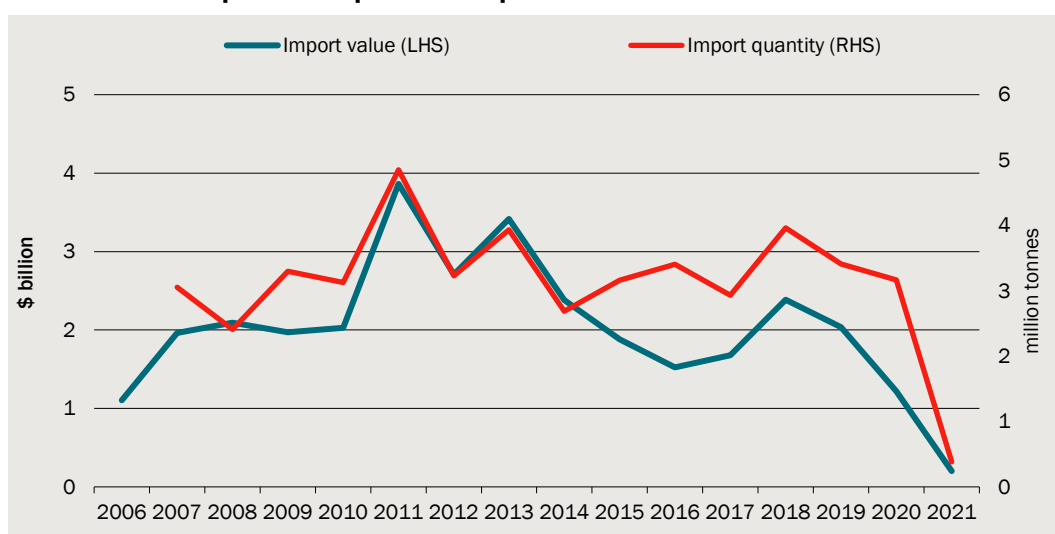
3.11 Australian merchandise imports from the UAE



Data source: DFAT trade statistical pivot tables

Most of the fluctuations in petroleum products import value can be attributed to the changes in import quantities. As shown in chart 3.12, there is a noticeable correlation between import value (teal line) and import quantity (red line). Analysis of the total change in petroleum import value by separating it into the effects of changes in quantity and price reveals that approximately two-thirds of the fluctuations in import value are a result of changes in import quantities.

3.12 Australia's petroleum products imports from the UAE



Data source: DFAT trade statistical pivot tables and UN Comtrade database and UN Comtrade database

Services trade

Australia's services trade with the UAE accounts for about one third of bilateral total trade of goods and services.

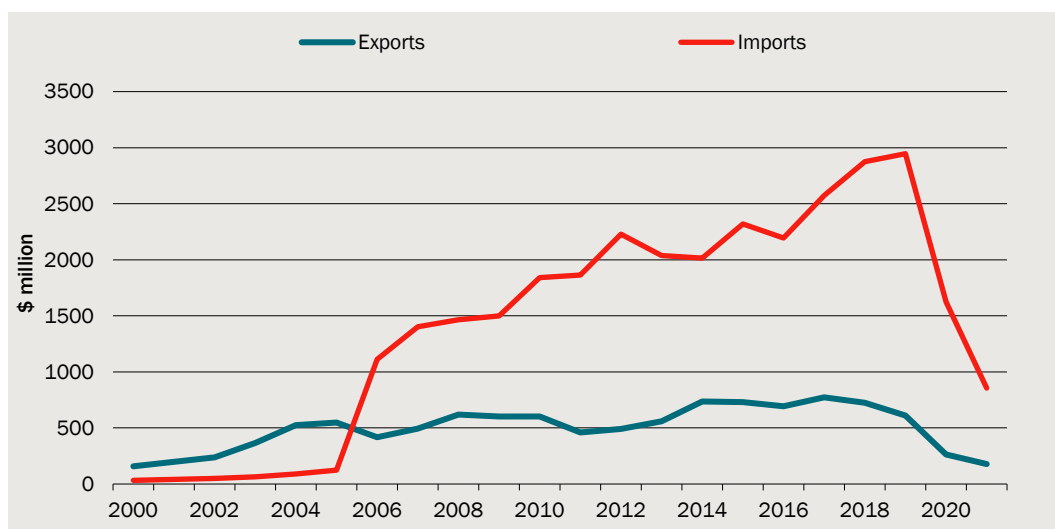
Chart 3.13 shows Australia's services trade with the UAE. As shown in the chart, Australia's services trade position with the UAE was reversed in 2006 – turning from a net exporter to a net importer. This was due to the rapid growth of transport and travel imports from the UAE from 2006 (more details below).

Furthermore, Australia's services imports from the UAE grew much faster than that of exports. The average growth rate before the pandemic was 28.3 per cent per annum for imports and only 6.3 per cent for exports.

Over the 5 years (2015 to 2019) prior to the COVID-19 pandemic, Australia exported \$706 million per year of services to the UAE while imported \$2.58 billion per year on average. Imports have been more than three times the value of exports.

Both imports and exports suffered from the pandemic – bilateral trade in services fell by 56.7 per cent for exports and 44.9 per cent for imports in 2020, and further 33 per cent fall for exports and 47.3 per cent fall for imports in 2021.

3.13 Australia's services trade with the UAE



Data source: DFAT trade time series data

Along with the easing and/or lifting of the restriction measures for the pandemic, services trade is expected to recover. For example, Tourism Research Australia (TRA) forecast international visitor arrivals to move higher than pre-pandemic levels in 2025 and international tourist spendings return to pre-pandemic levels in 2024.²⁵ Given that international travels have been subject to the most restrictive measures, it is reasonable to assume that other sectors will recover at a speedier pace.

Services exports

Chart 3.14 reports Australia's total services exports to the UAE (teal line) along with major components (stacked areas). The components are derived from the OECD-WTO Balanced Trade in Services (BaTIS) Database²⁶, with adjustments to conform with the totals reported in the DFAT pivot trade tables. Services exports in 2020 and 2021 are not decomposed because BaTIS provides data up to 2019 only.

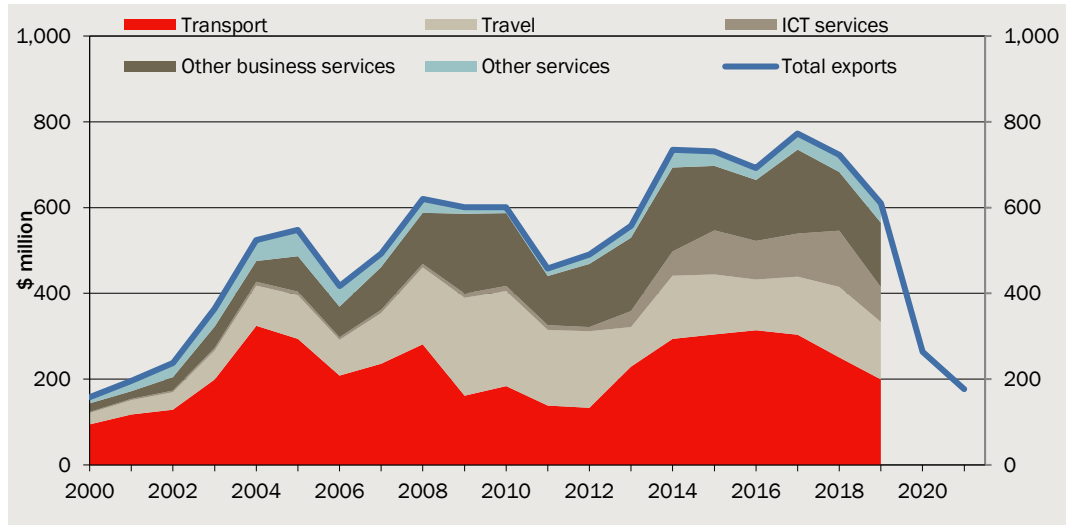
Chart 3.15 decomposes the services exports to UAE to more detailed sectors. The chart presents the average share of each component over the five years (2015-2019) prior to the pandemic.

Transport, travel, other business services and telecommunications, computer, and information services are the top service export sectors, accounting for 95 per cent of total services exports to the UAE over the five years prior to the pandemic (chart 3.15).

²⁵ TRA (Tourism Research Australia) 2022, *Tourisms Forecasts for Australia 2022 to 2027*, December 2022, <https://www.tra.gov.au/economic-analysis/tourism-forecasts-australia/tourism-forecasts-for-australia-2022-2027#:~:text=We%20expect%20the%20recovery%20of,total%2011.0%20million%20by%202027>.

²⁶ OECD-WTO, *International Balanced Trade Statistics*, <https://stats.oecd.org/>

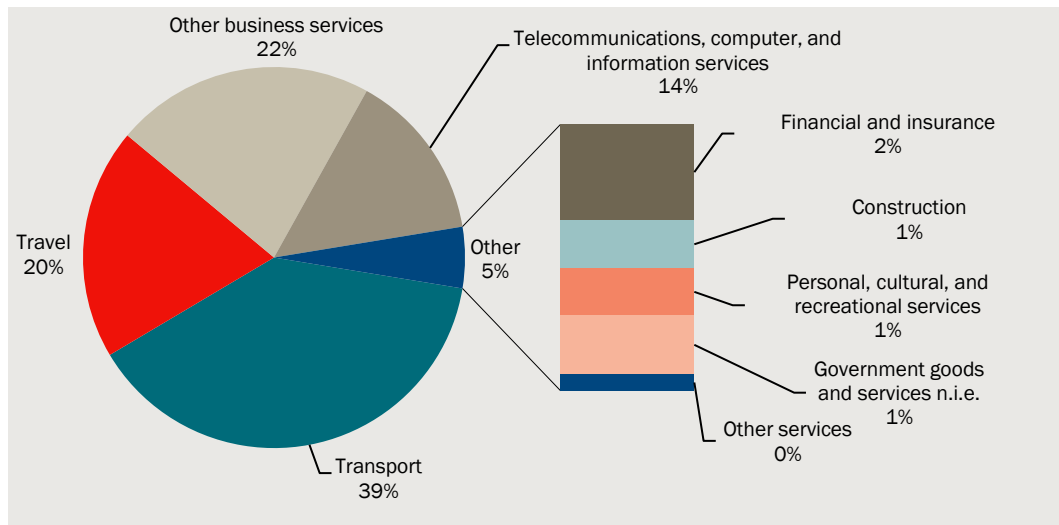
3.14 Australia's services exports to the UAE by services sector



Note: ICT services – Telecommunications, computer, and information services

Data source: DFAT trade time series data and OECD-WTO Balanced Trade in Services Database

3.15 Composition of Australia's services exports to the UAE



Note: 5-year average over 2015 to 2019

Data source: CIE calculation based on DFAT trade time series data and OECD-WTO Balanced Trade in Services Database

Transport is the largest services export sector, accounting for 39 per cent of total exports to the UAE, although the relative importance has been falling – from 60 per cent in early 2000s to the current share.

The second largest services export sector to the UAE is other business services (SJ), accounting for 22 per cent of total services exports. The sector includes research and development services, professional and management consulting services, and technical, trade-related and other business services. The importance of this sector has been increasing, as its share in total services exports increased from around 12 per cent in early 2000s to the current level.

This is an area of further growth for Australia because of strong scientific research and professional service capabilities in some areas, for example biomedical and pharmaceuticals. Pharmaceuticals may be a particular export growth sector welcomed by the UAE as evidenced by a separate Annex on pharmaceuticals in the Comprehensive Economic Partnership Agreement (CEPA) between the UAE and India.

Travel is the third largest services export sector, accounting for almost 20 per cent of total exports over the five years prior to the pandemic, increasing from about 17 per cent in early 2000s. Travel in services trade classification is closely related to international tourism as it includes ‘goods and services which are acquired by residents who stay abroad for less than one year’. The average value of travel exports to the UAE was around \$140 million per year prior to the pandemic and is expected to return to the pre-pandemic level by 2024 according to TRA as discussed above.

Education²⁷ is an area of potential growth for Australia. The UAE is not a big source of international students studying in Australia. The average annual enrolment of the UAE international students was about 440 from 2015 to 2019, according to data from the Department of Education.²⁸

However, several Australian institutions are active in the UAE market, including three Australian universities (Murdoch, Wollongong and Curtin) each with campuses in the UAE, and several schools.

Australian educational providers are also canvassing partnerships with local institutions to export education services and to deliver the Australian curriculum in-country. Positive interactions between our education systems may also support our interests in attracting Emirati and other UAE-based students to study in Australia.

Services imports

Chart 3.16 reports the total services imports from the UAE (teal line) from the DFAT trade data and the major components (stack areas) implied by OECD-WTO services data.

It can be seen from the chart that the jump in services imports in 2006 was due to the significant increase in transport and travel imports – they jumped from \$57 million and \$45 million, respectively, in 2005 to \$588 million and \$393 million, respectively, in 2006.

Transport and travel have since become the largest components of services imports from the UAE. Over the 5 years (2015 to 2019) prior to the COVID-19 pandemic, transport and travel accounted for 41.7 per cent and 31.9 per cent, respectively, of total services

²⁷ Education services are typically classified under the personal, cultural and recreational services sector in the sixth edition of IMF’s Balance of Payments and International Investment Position Manual (BPM6). However, education related travel and accommodation and food services are included in the travel sector. BPM6 is available at the following link: <https://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>.

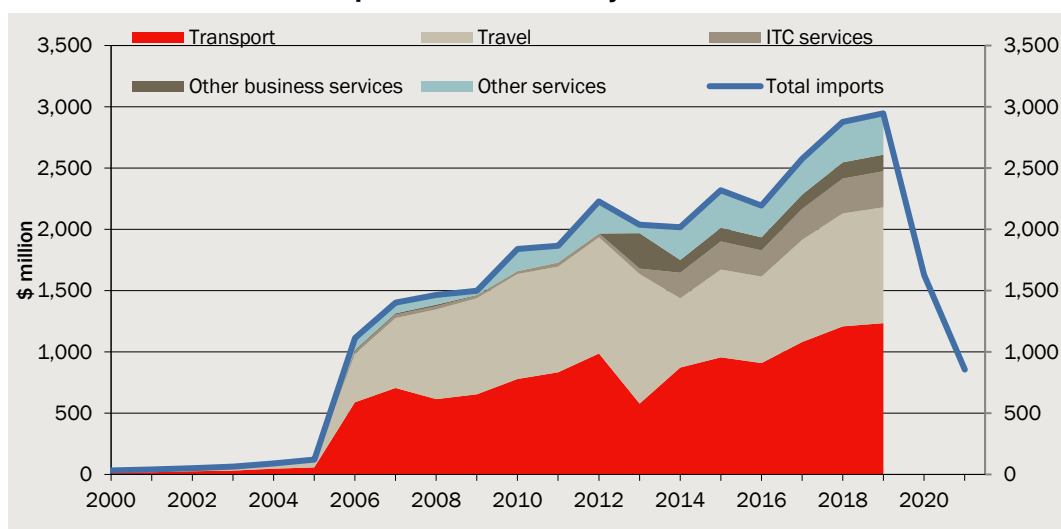
²⁸ Department of Education, *International student numbers by country, by state and territory*, <https://www.education.gov.au/international-education-data-and-research/international-student-numbers-country-state-and-territory>

imports from the UAE (chart 3.17). The increased imports of transport and travel services from the UAE also reflect the fact that the UAE has become a global hub for freight transport and air passenger travel over the years.

Telecommunications, computer, and information services (ITC services) and other business services imports became more prominent around 2013 and 2014. They account for 9.9 per cent and 4.7 per cent, respectively, of the average total imports over the 5 years prior to the pandemic.

Financial, insurance and pension services account for 4.1 per cent of total services imports, while construction 2.9 per cent (chart 3.17).

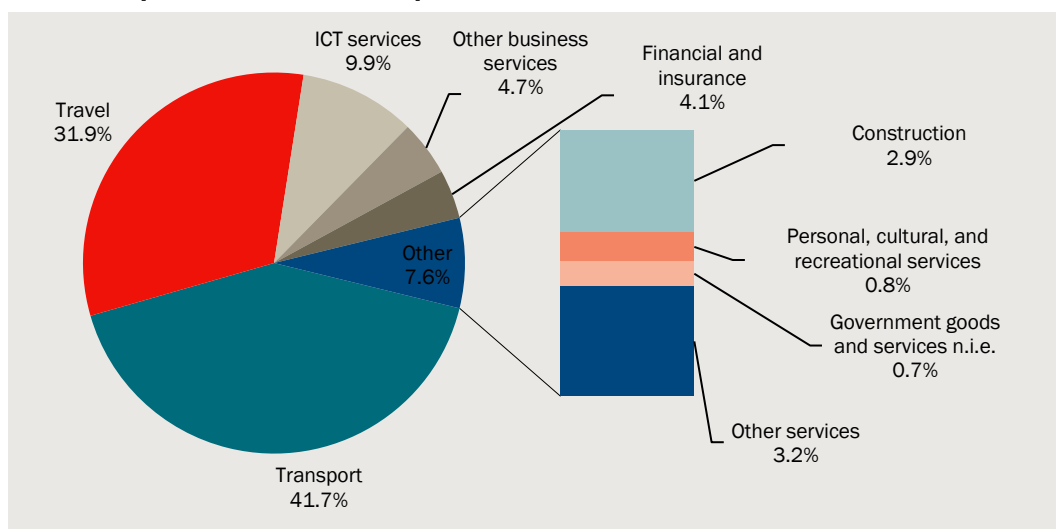
3.16 Australian services imports from the UAE by services sector



Note: ICT services – Telecommunications, computer, and information services

Data source: DFAT trade time series data and OECD-WTO Balanced Trade in Services Database

3.17 Composition of services imports from the UAE



Note: 5-year average over 2015 to 2019; ICT services – Telecommunications, computer, and information services

Data source: CIE calculation based on DFAT trade time series data and OECD-WTO Balanced Trade in Services Database

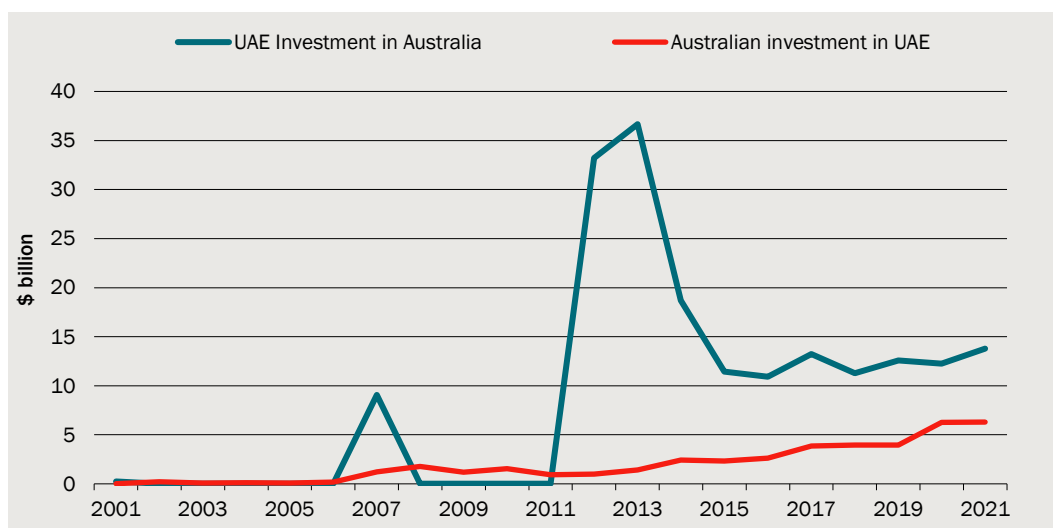
Investment

In 2021, the UAE was the 25th largest investor in Australia with a total investment stock of \$13.8 billion including direct, portfolio, financial derivative and other investments, according to ABS data.

The UAE's investment in Australia saw a significant boost over 2012 and 2013 with over \$33 billion investment each year from the UAE (chart 3.18). Since 2015, the investment stock has been kept slightly above \$10 billion.

By contrast, Australia's investment in the UAE is moderate. As of 2021, Australia invested \$6.3 billion in the UAE, less than half of the UAE investment stock in Australia.

3.18 Bilateral total investment stock between Australia and the UAE



Note: total investment stock including direct, portfolio, financial derivative and other investments

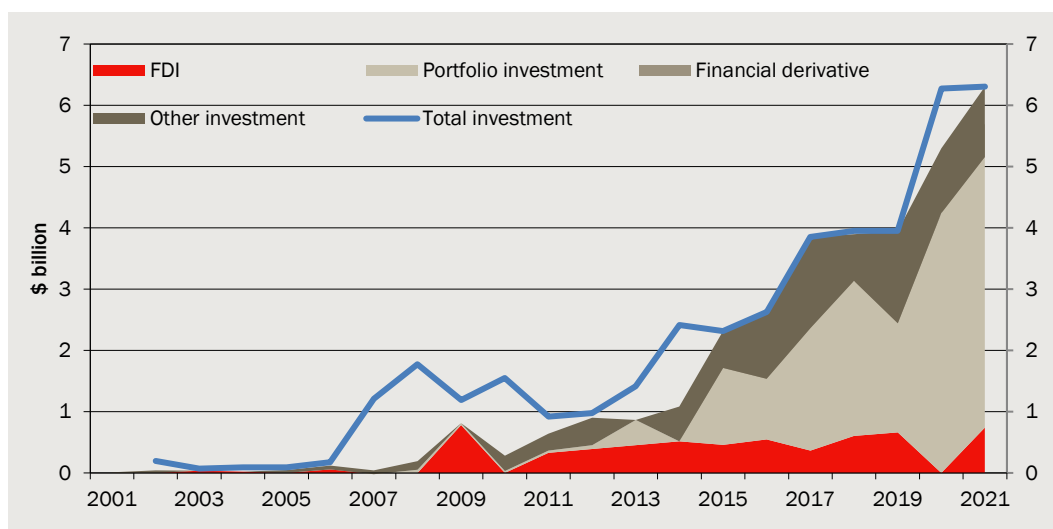
Data source: ABS data on international investment position

Australian investment in the UAE

It is difficult to identify the composition of Australia's total investment in the UAE because most of items in the ABS data tables are listed as 'not available for publication (np)'. As shown in chart 3.19, there is a gap between the total (teal line) and identifiable components (stacked areas).

Nevertheless, it can be seen from the chart that the majority of Australia's investment in the UAE takes the form of portfolio investment and other investment assets (typically including short-term loans, deposits, trade credits, and other accounts receivable or payable). They accounted for over 90 per cent of Australia's total investment stock in the UAE as of 2021.

3.19 Australian investment in the UAE



Note: The gap between total and individual components is due to not available for publication (np) items

Data source: ABS 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2021, Table 5; FCSA Foreign Direct Investment by Country by Economic Activity

As a result, direct investment is small. ABS reported Australia's total direct investment stock in the UAE for several years – \$34 million in 2003, \$21 million in 2004, \$788 million in 2009 and \$455 million in 2012. In some other years, ABS reported part of the FDI stock, 'Direct investment abroad, Equity capital and reinvested earnings' which was \$600-700 million in recent years. In summary, FDI is about 10 per cent of Australia's total investment stock in the UAE, derived from limited data published by the ABS, and the Federal Competitiveness and Statistics Authority (FCSA) of the UAE.

The FCSA has released data on FDI stock from Australia to the UAE between 2007 to 2016.²⁹ While the information is no longer current, it provides valuable insights into the economic sectors that Australians have invested in within the UAE. It should be noted that the FCSA's figures may differ from those of other sources, such as the ABS and the IMF.

Table 3.20 reports the composition of Australia's FDI stock in the UAE from 2012 to 2016, for which data is available. Notably, in 2012, 80 per cent of the total Australian FDI stock was in the manufacturing sector, but in the next year, this share dropped to one tenth of one per cent, before rising to some 6 per cent in 2016. Instead, between 2013 and 2016, Australia's FDI stock in the UAE was predominantly in the following two sectors:

- Real estate activities – accounting for 43.6 per cent of Australia's total FDI stock in the UAE as of 2016; and

²⁹ FCSA, *Foreign Direct Investment by Country by Economic Activity*, Federal Competitiveness and Statistics Centre (FCSA), [https://uaestat.fcsc.gov.ae/vis?lc=en&fs\[0\]=FCSC%20-%20Statistical%20Hierarchy%20%7CForeign%20Investment%23NAT_FI%23&fs\[1\]=Country%20%7CAustralia%2336%23&pg=0&fc=Country&snb=1&df\[ds\]=FCSC-RDS&df\[id\]=DF_FI_COUNTRY&df\[ag\]=FCSA&df\[vs\]=1.4.0&pd=%2C&dq=.A.....36&ly\[rw\]=ECON_ACTIV&ly\[cl\]=TIME_PERIOD](https://uaestat.fcsc.gov.ae/vis?lc=en&fs[0]=FCSC%20-%20Statistical%20Hierarchy%20%7CForeign%20Investment%23NAT_FI%23&fs[1]=Country%20%7CAustralia%2336%23&pg=0&fc=Country&snb=1&df[ds]=FCSC-RDS&df[id]=DF_FI_COUNTRY&df[ag]=FCSA&df[vs]=1.4.0&pd=%2C&dq=.A.....36&ly[rw]=ECON_ACTIV&ly[cl]=TIME_PERIOD)

- Wholesale and retail trade, repair of motor vehicles and motorcycles – accounting for 37.6 of Australia’s total FDI flow in the UAE as of 2016.

Professional, scientific and technical activities represented 7.8 per cent of Australia’s total FDI stock in the UAE as of 2016, and construction accounting for 4.5 per cent.

3.20 Composition of Australia’s FDI stock in the UAE

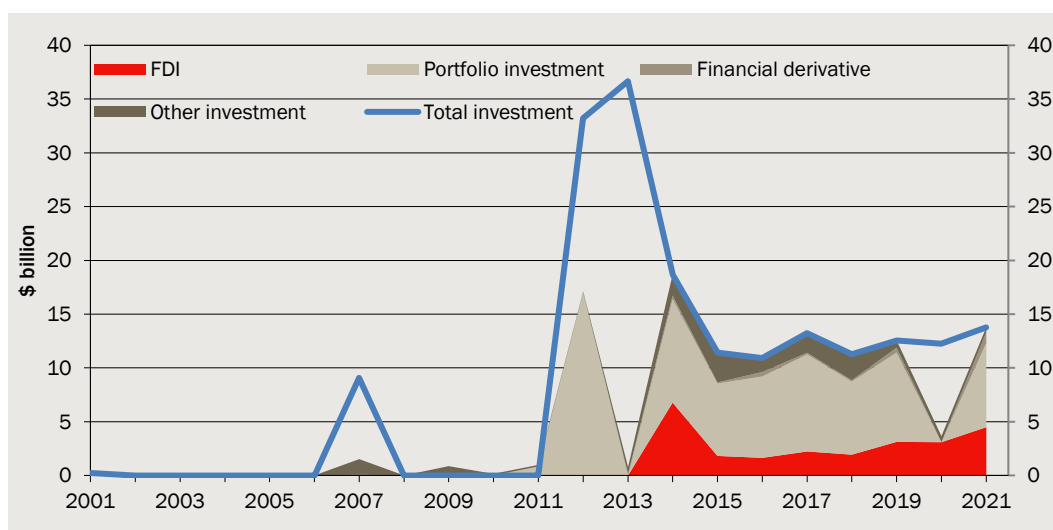
	2012	2013	2014	2015	2016
	%	%	%	%	%
Manufacturing	79.99	0.09	0.23	6.81	5.90
Construction	0.00	-0.76	-4.79	5.31	4.52
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.21	67.84	34.35	37.71	37.63
Information and communication	0.01	0.04	0.13	0.16	0.13
Financial and insurance	0.00	0.00	0.00	0.00	0.41
Real estate activities	3.56	30.20	59.69	47.24	43.62
Professional, scientific and technical activities	0.23	2.55	10.37	2.76	7.77
Administrative and support services	0.00	0.01	0.00	0.01	0.01
Education	0.00	0.00	0.01	0.00	0.00
Total	100.00	100.00	100.00	100.00	100.00

Source: CIE compilation based on FCSA data

UAE investment in Australia

Similarly, there are a large number of ‘np’ entries in the inbound investment stock from the UAE in ABS statistics, leaving gaps between the total investment (teal line in chart 3.21) and individual items (stacked areas).

3.21 UAE’s total investment stock in Australia



Note: The gap between total and individual components is due to not available for publication (np) items

Data source: ABS 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2021, Table 2

The surge in total investment position in 2012 and 2013 was largely due to two factors. First, the presence of ‘np’ entries in previous years made figures look significant. Second, the Abu Dhabi Investment Authority (ADIA), the UAE’s sovereign wealth fund, made ‘heavily skewed’ infrastructure investment ‘towards developed markets, and in particular the US, Western Europe and Australia’.³⁰ But ADIA’s 2016 annual report no longer mentioned Australia, suggesting a potential shift in the fund’s investment strategy.

For years over 2014 to 2019 and in 2021, all components were identifiable (as shown in chart 3.21, there are no gaps between total investment and the stacked components for these years).

With available data, it can be seen that UAE’s direct investment in Australia fluctuates from \$6.77 billion in 2014 to a low of \$1.64 billion in 2016 and then gradually up to \$4.48 billion in 2021 (red area in chart 3.21).³¹ Direct investment accounts for one fifth to one third of total investment stock in these years (table 3.225.3).

Portfolio investment appears the largest component of investment stock from the UAE in Australia with available data. It was \$17 billion in 2013, and between \$7 billion and \$9 billion in recent years (light grey area in chart 3.21). It accounts for one half to two thirds of the UAE’s total investment stock in Australia (table 3.22).

3.22 UAE investment stock in Australia in selected years

	2014		2015-19 average		2021	
	\$billion	%	\$billion	%	\$billion	%
Direct investment	6.77	36.2	2.15	18.1	4.48	32.5
Portfolio investment	9.64	51.6	7.69	64.7	7.86	57.1
Financial derivative	0.30	1.6	0.25	2.1	0.97	7.1
Other investment	1.97	10.6	1.80	15.1	0.46	3.3
Total	18.68	100.0	11.89	100.0	13.77	100.0

Source: ABS 5352.0 - International Investment Position, Australia: Supplementary Statistics, 2021, Table 2

According to the UAE Ministry of Economy, the UAE has invested in the following sectors in Australia:³²

- Ship platforms, Steamships, And ship repair
- Food industry

³⁰ ADIA 2012, *2012 Review: Prudent Global Growth*, Abu Dhabi Investment Authority, p.33
https://www.adia.ae/media/azure/adia/media/annual_review_website_2012.pdf

³¹ It is noted that there was significant total investment from the UAE in Australia - \$9.07 billion in 2007, \$33.2 billion in 2012 and \$36.7 billion in 2013. Direct investment in these years must be high despite the data not being available for publication. Portfolio investment in 2012 was \$17 billion, and other investment was \$101 million. Financial derivative liabilities are usually small - \$142 million in 2013 and less than \$1 billion in 2021. On this basis, it could be estimated that direct investment in 2012 may be as high as \$15-\$16 billion. Direct investment in 2013 could be as high as \$18-\$19 billion if assuming similar level of portfolio investment as in 2012.

³² Ministry of Economy, *UAE Foreign Direct Investments Dashboard*,
<https://www.moec.gov.ae/en/foreign-direct-investment-dashboard>

- Porcelain and ceramics industry
- packaging for food products packaging industry
- Air transport of passengers and cargo
- Exploration of oil and natural gas
- Financial and banking sector
- Power generating
- Shipping and storage
- Tourism and Travel
- Petrochemical industry
- Communications and information technology
- Waste-to-Energy
- Express delivery and logistics services

4 *Trade regime in the UAE*

The UAE has an open trade regime with low tariffs, zero tariff quota rates and few non-tariff barriers (along with some important technical barriers in agriculture and food products).³³

Economic relationships

The UAE became a contracting party to the General Agreement on Tariffs and Trade (GATT) in 1994, and subsequently became a member of the World Trade Organization (WTO) in April 1996.

The UAE is also a signatory to the Information Technology Agreement (ITA) of the WTO.

The UAE is a party to some regional and bilateral trade agreements.

Gulf Cooperation Council (GCC)

The GCC commenced the creation of a customs union in 2003 and fully completed it by 1 January 2015. In January 2015 the common market was also further integrated, including full equality among GCC citizens to work in public and private sectors, the ability to access social insurance and retirement coverage, real estate ownership rights, capital movement, and access to education, health and other social services, in all member states.

As a member of the GCC, the UAE shares a common market and a customs union with other member states such as Saudi Arabia, Kuwait, Bahrain and Oman.

Greater Arab Free Trade Area Agreement (GAFTA)

The Greater Arab Free Trade Area Agreement (GAFTA) is a pan-Arab free trade zone that came into existence in 1997. It was founded by 14 countries including the UAE. It now has 18 member states.

Under the GAFTA, the UAE has free trade access to Saudi Arabia, Kuwait, Bahrain, Qatar, Oman, Jordan, Egypt, Iraq, Lebanon, Morocco, Tunisia, Palestine, Syria, Libya, and Yemen.

³³ WTO Secretariat 2022, *Secretariat report - Trade Policy Review: United Arab Emirates Executive Summary*, p.7, available at https://www.wto.org/english/tratop_e/tpr_e/tp523_e.htm. Technical barriers in food and agriculture were identified in a number of submissions to DFAT.

Other bilateral agreements

Through the GCC, the UAE signed a Free Trade Agreement (FTA) with Singapore on 15 December 2018. It is the first FTA that the GCC has with countries outside the GCC.

The Agreement is a comprehensive one that includes trade in goods, rules of origin, customs procedures, trade in services and government procurement.

Also through the GCC, the UAE signed a FTA with the European Free Trade Association (EFTA) on 22 June 2009, and the Agreement entered into force on 1 July 2014.

The FTA covers trade in goods (industrial and processed agricultural goods, fish and other marine products), trade in services, government procurement and competition. For investment and intellectual property rights, the Parties agreed to conduct negotiations on those topics after the entry into force of the Agreement. Basic agricultural products are covered by the bilateral agricultural agreements, which are part of the instruments establishing the free trade area between the Parties.

The UAE signed its first bilateral trade agreement with India on 18 February 2022.³⁴ The Comprehensive Economic Partnership Agreement (CEPA) between the UAE and India includes 18 chapters and 11 annexes. None of the other GCC countries are parties to the CEPA. The CEPA includes provision for a Joint Committee to assess, revise and propose amendments to the CEPA, including improving market access.

The UAE has also concluded CEPAs with Israel and Indonesia.

The UAE is currently engaged in talks within the GCC framework about free trade agreements with China, the European Union, Japan, Pakistan, South Korea, Türkiye, and Mercosur member countries (Argentina, Brazil, Paraguay and Uruguay).³⁵

As detailed in the previous chapter, several of these countries pose significant competitors to Australia. The proposed FTA with the UAE may provide Australia with a competitive advantage, or mitigate the disadvantage if they secure trade agreement with the UAE.

Bilateral investment treaties and provisions

According to the United Nations Conference on Trade and Development (UNCTAD),³⁶ the UAE has signed 109 bilateral investment treaties (BITs), out of which 70 are currently in force (table 4.1). Additionally, the UAE, either independently or through GCC, has signed 14 treaties (such as CEPA/FTA) with investment provisions (TIPs),

³⁴ Ministry of Economy, *Comprehensive Economic Partnership Agreement*, <https://www.moec.gov.ae/en/cepa>

³⁵ Ministry of Economy, *GCC Free Trade Agreements Support the UAE's Top Global Rankings*, <https://www.moec.gov.ae/en/-free-trade-agreements>

³⁶ UNCTAD, *International Investment Agreements Navigator*, United Nations Conference on Trade and Development, <https://investmentpolicy.unctad.org/international-investment-agreements/countries/220/united-arab-emirates>

out of which 8 are currently in force. The UAE has signed both BITs and TIPs with certain countries, such as India and Indonesia.

4.1 Number of UAE's bilateral investment treaties and provisions

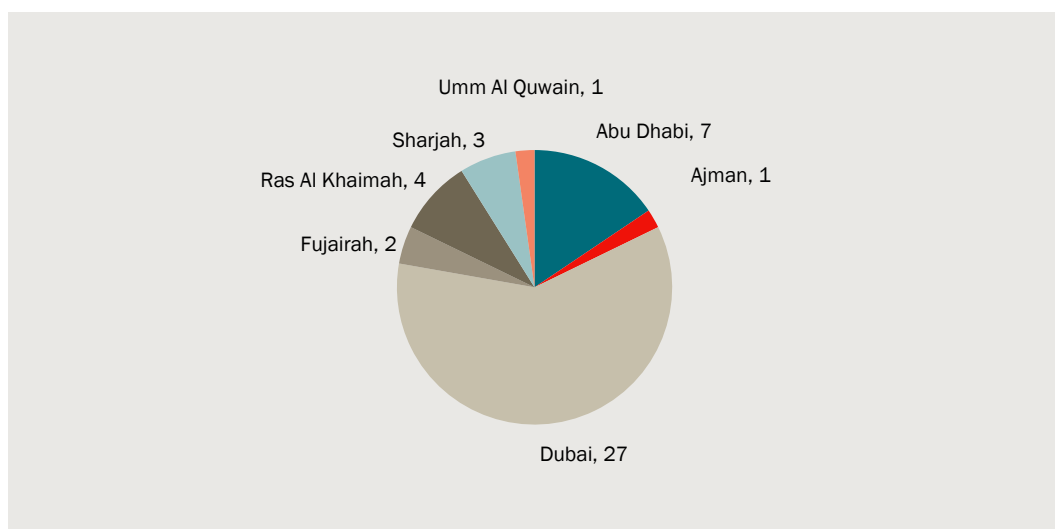
	Bilateral Investment Treaties (BITs)	Treaties with Investment Provisions (TIPs)
Signed (not in force)	39	6
In force	70	8
Total	109	14

Source: UNCTAD, <https://investmentpolicy.unctad.org/international-investment-agreements/countries/220/united-arab-emirates>

Free trade zones in the UAE

There are more than 40 free zones across the UAE, with about half located in Dubai (chart 4.2).

4.2 Number of free zones in emirates



Data source: <https://gulfnews.com/lifestyle/community/45-free-zones-in-the-uae-find-the-right-one-for-your-new-business-1.1716197>

These free zones have a special tax, customs and import regime, including³⁷

- 100 per cent foreign ownership;
- 100 per cent import and export tax exemptions;
- 100 per cent repatriation of capital and profits;
- corporate tax exemptions for up to 50 years; and
- no personal income taxes.

³⁷ ENEC, *UAE Freezone Investor Guide*, <https://www.moec.gov.ae/en/free-zones>

These free zones have attracted foreign direct investment in the form of 200,000 companies, according to *UAE Freezone Investor Guide*.³⁸

Tariff regime

Table 4.3 Summarises the UAE's MFN tariff regime. Tariff information are aggregated and reported by the grouping of agricultural and non-agriculture products defined by the WTO based on HS codes.³⁹

For MFN, import duties in the UAE are mainly defined as ad valorem (AV) duties. 1,183 (or 93.8 per cent) out of 1,261 tariff lines (TLs) for agricultural products and 6,237 (or 99.6 per cent) of 6 264 TLs for non-agricultural products are AV duties (table 4.3). A small number of commodities are subject to non-AV tariffs (58 for agricultural products and 11 for non-agricultural products) or banned from importing (20 for agricultural products such as pigs, nutmeg-based spices, poppy seeds, and 16 for non-agricultural products).

There are 21.3 per cent of TLs for agricultural products and 9.3 per cent of TLs for non-agricultural products which are duty free.

Tariffs are generally below 5 per cent with the exception for beverage and tobacco products with an average tariff of 24.1 per cent. Alcohol, carbonated drinks and added sugar face 50 per cent tariffs, while tobacco and energy drinks face 100 per cent tariffs.⁴⁰ It appears that these high tariffs are mainly due to cultural and religious considerations.

4.3 The UAE's MFN tariff summary, 2020 (aggregation based on HS)

	Number of TLs	Number of AV duties	Average AV duties	Duty free TLs ^b	Number of TLs with non-AV duties	Number of TLs banned
	Number	Number	%	%	Number	Number
Agricultural products						
Animal products	157	135	2.67	40.1	19	3
Dairy products	45	45	5.00	0.0	0	0
Fruits, vegetables, plants	363	346	3.66	25.6	10	7
Coffee, tea	44	42	3.81	22.7	2	0
Cereals and preparations	189	188	3.54	29.1	0	1
Oilseeds, fats & oils	101	92	4.78	4.0	6	3
Sugars and confectionary	40	39	3.33	32.5	1	0
Beverages and tobacco	124	104	24.13	0.8	17	3

³⁸ <https://www.enec.gov.ae/doc/freezone-investor-guide-rev11-5fad25b64c542.pdf>

³⁹ WTO, 'Definition of product groups used in part A.2', *Technical Notes on Country Pages*, https://www.wto.org/english/res_e/statis_e/daily_update_e/tariff_profiles/TariffProfileTechnicalNotes_E.htm

⁴⁰ Austrade, *GCC Non Tariff Measure Snapshot: Food & Agribusiness*, p.3

	Number of Tls	Number of AV duties	Average AV duties	Duty free Tls ^b	Number of Tls with non-AV duties	Number of Tls banned
	Number	Number	%	%	Number	Number
Cotton	5	5	5.00	0.0	0	0
Other agricultural products	193	187	4.20	15.5	3	3
Total/average of agricultural products^a	1,261	1,183	5.55	21.3	58	20
Non Agricultural products						
Fish and fish products	303	303	3.55	29.0	0	0
Minerals and metals	1,219	1,209	4.89	2.1	0	10
Petroleum	35	35	5.00	0.0	0	0
Chemicals	1,328	1,327	4.51	9.7	0	1
Wood, paper, etc.	506	506	4.59	8.1	0	0
Textiles	726	726	4.97	0.6	0	0
Clothing	254	254	5.00	0.0	0	0
Leather, footwear, etc.	207	199	5.00	0.0	3	5
Non-electrical machinery	652	652	4.19	16.3	0	0
Electrical machinery	357	349	3.34	32.5	8	0
Transport equipment	240	240	4.46	10.8	0	0
Manufactures, not elsewhere specified	437	437	4.46	10.8	0	0
Total/average of non-agricultural products^a	6,264	6,237	4.53	9.3	11	16
Total/average of all commodities^a	7,525	7,420	4.69	11.3	69	36

^a weighted average with number of ad valorem (AV) duties for average AV duty and with number of tariff lines (TL) for average % of duty free TL; ^b share of HS 6-digit subheadings in the total number of subheadings in the product group. Partially duty-free subheadings are taken into account on a *pro rata* basis.

Note: Product groups defined by WTO based on HS system

Source: CIE compilation based on WTO tariff data

For Australia's top export commodities to the UAE (ranked by the average exports over the five years from 2015 to 2019 prior to the COVID-19 pandemic, as listed in table 4.4 in the previous table), the AV tariff rate is generally at 5 per cent or slightly lower, with notable exception for wheat, barley and medicament on which no tariffs are imposed (table 4.4).

4.4 UAE's MFN tariff on top Australian export commodities (SITC 3-digit)

	Average export value (2015-19)	Number of Tls	Number of AV duties	Average AV duties ^a	Duty free Tls ^b	Number of Tls with non-AV duties	Number of Tls banned
	\$m	Number	Number	%	%	Number	
Aluminium ores & conc (incl alumina)	1,186	2	2	5.00	0.00	0	0
Meat (excl beef), f.c.f. ^b	229	69	59	1.50	15.94	10	0
Vegetables, f.c.f.	133	87	87	3.84	47.13	0	0
Passenger motor vehicles	127	46	46	5.00	0.00	0	0

	Average export value (2015-19)	Number of TLTs	Number of AV duties	Average AV duties ^a	Duty free TLTs ^b	Number of TLTs with non- AV duties	Number of TLTs banned
	\$m	Number	Number	%	%	Number	
Beef, f.c.f.	114	7	7	0.79	42.86	0	0
Telecom equipment & parts	107	61	61	0.09	78.69	0	0
Vehicle parts & accessories	106	31	31	5.00	0.00	0	0
Fruit & nuts	92	77	77	2.22	58.44	0	0
Crude petroleum	80	1	1	5.00	0.00	0	0
Edible products & preparations, nes	74	63	62	4.94	6.35	0	1
Gold	74	7	7	0.01	57.14	0	0
Barley	66	2	2	0.00	100.00	0	0
Wheat	65	6	6	0.00	100.00	0	0
Pearls & gems	56	12	12	5.00	16.67	0	0
Oil-seeds & oleaginous fruits, soft	52	21	18	5.00	14.29	0	3
Uncoated flat-rolled iron & steel	50	29	29	5.00	0.00	0	0
Office machines	45	30	30	0.00	90.00	0	0
Computers	42	35	35	0.00	91.43	0	0
Milk, cream, whey & yoghurt	39	35	35	5.00	0.00	0	0
Nickel	39	12	12	5.00	0.00	0	0
Medicaments (incl veterinary)	35	33	33	0.00	100.00	0	0
Worn clothing & rags	34	3	3	5.00	0.00	0	0
Specialised machinery & parts	30	96	96	2.04	55.21	0	0
Sub-total for top exports	2,873	765	751	3.63	41.0	10	4
Other Australian exports	593	6,815	6,723	3.46	7.84	59	33
All Australian exports	3,466	7,580	7,474	3.60	11.19	69	37

^a Weighted average using Australia's average annual exports to the UAE as weights; ^b Some special categories are subject to non-AV tariff and/or banned from importing

Source: CIE compilation based on WTO tariff data

Table 4.5 reports the theoretical tariff revenue collected by the UAE on Australian merchandise exports to the UAE based on the MFN tariff rates and the average annual export value over the 5-year period from 2015 to 2019. It is estimated that a total tariff of \$125 million could be collected on Australian goods exported to the UAE. It should be noted that this estimate does not provide any indication of the incidence of tariffs, which refers to the economic burden of the tariff and who ultimately bears the cost.

4.5 Theoretical tariff revenue collected by the UAE on Australian merchandise exports (SITC 3-digit) to the UAE

	Average Australian export value (2015-19)	Tariff rate	Tariff revenue
	\$m	%	\$m
Aluminium ores & conc (incl alumina)	1,186	5.00	59
Meat (excl beef), f.c.f.	229	1.50	3
Vegetables, f.c.f.	133	3.84	5
Passenger motor vehicles	127	5.00	6
Beef, f.c.f.	114	0.79	1
Telecom equipment & parts	107	0.09	0
Vehicle parts & accessories	106	5.00	5
Fruit & nuts	92	2.22	2
Crude petroleum	80	5.00	4
Edible products & preparations, nes	74	4.94	4
Gold	74	0.01	0
Barley	66	0.00	0
Wheat	65	0.00	0
Pearls & gems	56	5.00	3
Oil-seeds & oleaginous fruits, soft	52	5.00	3
Uncoated flat-rolled iron & steel	50	5.00	2
Office machines	45	0.00	0
Computers	42	0.00	0
Milk, cream, whey & yoghurt	39	5.00	2
Nickel	39	5.00	2
Medicaments (incl veterinary)	35	0.00	0
Worn clothing & rags	34	5.00	2
Specialised machinery & parts	30	2.04	1
Sub-total for top exports	2,873	3.63	104
Other Australian exports	593	3.46	21
All Australian exports	3,466	3.60	125

Source: CIE calculation

There is no tariff quota system in the UAE.

Non-tariff barriers

Import bans and restrictions

Import bans

The UAE prohibit imports of a number of products that are not compliant with religious beliefs or morals. 35 tariff lines covering live pigs, ivory, spices containing nutmeg, narcotic plants as sources of pharmaceuticals, asbestos and products containing asbestos, used tyres, somalin charcoal, gambling devices, nylon fishing nets and radiative substances (table 4.6).

4.6 Prohibited goods (HS)

Goods	HS code	Auhorities
Plant source of narcotic drugs	12079100, 12079910, 12079920, 12113000, 12119020, 12119060, 13021100	Ministry of Health and Prevention Ministry of Interior
Live swine	01031000, 01039100, 01039200	Ministry of Climate Change and Environment
Used or retreated tyres	40121100, 40121200, 40121300, 40121900, 40122000, 40129000	Emirates Authority for Standardization and Metrology
Items that contradict Islamic faith and public morals	09082100 (nutmeg) and other HS codes	
Items infringing IP rights	HS tariff codes are not disclosed	Ministry of Economy
Ivory and related products	05071000	Ministry of Climate Change and Environment
Asbestos and related products	25241000, 25249010, 25249020, 25249030, 25249040, 25249090, 68114000, 68128000, 68129300, 68132000	Ministry of Climate Change and Environment
Somalian charcoal	38021000, 38029000	Ministry of Foreign Affairs & International Cooperation
Gambling tools, machineries and devices of all kinds	95043000	Ministry of Interior
Nylon fishing nets	56081100	Ministry of Climate Change and Environment
Radiation and nuclear fallout contaminated substances	28445000, 81121300, 81060000	Federal Authority for Nuclear Regulation

Source: CIE Compilation of WTO Secretariat report 2022 table 3.4 page 50 and WTO Tariff Analysis Online

In addition, in the March 2019, the UAE Ministry of Climate Change and Environment issued decree No.98 banning the import of all waste-derived fuel⁴¹.

⁴¹ Tai, K C. 2022, *2022 National Trade Estimate Report on Foreign Trade Barrier*, Office of United States Trade Representative, 26 July 2022, pp. 501–503

Special goods

Table 4.7 lists the products classified as special goods, which are restricted for importation to the UAE. The controlling authorities impose specific regulations on requirements of their imports.

4.7 Restricted goods

Goods	Authorities
Live animals, meat and edible products of swine, plants, fertilizers, insecticides, and hazardous and medical waste	Ministry of Climate Change and Environment
Firearms, ammunitions, explosives, and fireworks	Ministry of Defence / Armed Forces / Ministry of Interior
Pharmaceutical products and medical/surgical instruments and machines	Ministry of Health and Prevention
Print materials, publications, and media products	National Media Council
Nuclear energy-related product	Federal Authority for Nuclear Regulation
New tyres E-cigarettes and electronic hookahs	Emirates Authority for Standardization and Metrology
Transmitters and radio equipment	Telecommunications and Digital Government Regulatory Authority
Alcoholic beverages	Dubai Police
Rough diamonds	UAE Kimberley Process office
Cash money and checks for passengers, shipments and parcels	Central Bank
Products harmful to the ozone layer	Ministry of Climate Change and Environment

Source: WTO Secretariat report 2022, table 3.5 page 51

Import licensing

Importers require a trade licence issued from any of the Emirates which is renewable annually, and importers must register on the electronic clearance system, or alternatively use an authorized customs broker.

According to the WTO Secretariat 2022 *Trade Policy Review* for the UAE, import licenses are only granted to UAE-registered companies. This requirement does not apply to goods imported into free trade zones (see the section on page 36), or goods imported for personal consumption.

Customs procedures, valuation, and requirements

Customs declarations must be submitted electronically or physically using the customs clearance system. The customs authorities charge fees of no more than 100 Dirhams (US\$27.23) for different customs services. In addition, Dubai Customs charges additional

20 Dirhams (US\$5.45) as the Knowledge and Innovation fees on any government services (except health services) which cost 50 Dirhams (US\$13.61) or above.⁴²

Trade facilitation is on the way to simplify custom procedures and enhance functionality of the customs system. Measures include:

- direct access to customs clearance systems for importers to transfer information and submit declaration;
- the UAE Customs Gateway project as a national customs clearance system which is being developed into a single access point for users for customs services across 25 UAE agencies; and
- the UAE Authorised Economic Operators Program which is deigned to be applied by all GCC members and to allow a joint status recognition under a future unified policy.

Nevertheless, the time and cost to import remain high compared to other high-income economies. The OECD's 2019 Trade Facilitation Indicators show an overall solid performance but also that the UAE lagged OECD countries in relative terms in the areas of advance rulings, appeal procedures, internal and external border coordination, and impartiality.⁴³

Additional customs barriers may occur in cases of customs disputes. Where no transaction values are provided, the customs value is determined based on the WTO Customs Valuation Agreement. Following a request by the importer and approval by the Federal Customs Authority of UAE, the sequential order of Articles 5 and 6 of the Customs Valuation Agreement can be reversed. A Customs Valuation Committee (CVC) will be established to settle disputes regarding customs valuation where such issues cannot be resolved at customs posts. Legal actions can be taken in case importers do not agree with any decision made by the CVC. No information was available regarding the use of these mechanisms.⁴⁴

The UAE notified its customs valuation legislation to the WTO in July 2004 but has not yet responded to the WTO Checklist of Issues that describes how the Customs Valuation Agreement is being implemented.⁴⁵

Rule of origin

The UAE do not have specific provisions relating to rules of origin. Since early 2020, importers are no longer required to submit a Certificate of Origin with every shipment but can declare origin in the invoice, unless they intend to claim preferential duty treatment.⁴⁶

⁴² Dubai Customs, *Dubai Customs Services Guide Version 8*, Dubai Customs, p.10

⁴³ WTO Secretariat (2022), op.cit., pp.44-45

⁴⁴ WTO Secretariat (2022), op.cit., pp.44-45

⁴⁵ Tai (2022), op.cit., pp. 501–503

⁴⁶ WTO Secretariat (2022), op.cit., pp.6, 46.

Value added tax and excise tax

The GCC-wide Value Added Tax (VAT) Agreement was introduced in 2016, and as a result, the UAE imposed a VAT of 5 per cent since 1 January 2018. Implementation of the VAT by the Federal Tax Authority was outlined in the VAT Executive Regulations of Federal Decree-Law No. 8 of 2017 on Value Added Tax (Cabinet Decision No. 52 of 2017). Imports for temporary admission, imported into warehouses, in transit, or for re-export are not treated as imports and are therefore not liable for VAT.⁴⁷

The UAE also imposed an excise tax on selected products in 2017 following the GCC-wide Common Excise Tax Agreement. Products falling under the excise tax regime include carbonated drinks, energy drinks, tobacco, electronic smoking devices and sweetened drinks, with rates range from 50 to 100 per cent. In particular, the excise tax on tobacco is 0.4 Dirham (US\$0.11) per cigarette.⁴⁸

Anti-dumping, countervailing, and safeguard measures

The UAE amended its domestic trade remedy legislation to bring it into conformity with the 2010 amended GCC Common Law on Antidumping, Countervailing Measures and Safeguard Measures, while also introducing a national mechanism that can be applied independently from the GCC Common Law. There were no official requests for initiation of investigations for anti-dumping, countervailing duties, or safeguard measures at the UAE level.⁴⁹

Standards and technical requirements

Products covered by technical regulations require a certificate of conformity prior to their import. Under the UAE Conformity Assessment Scheme (ECAS), the Ministry of Industry and Advanced Technology (MoIAT) accepts certificates of conformity issued by specifically MoIAT-accredited conformity assessment bodies in the UAE and abroad, including calibration and testing laboratories, certification bodies, inspection bodies, medical laboratories, and halal certification bodies.

The UAE made 214 notifications under the Agreement on Technical Barriers to Trade, most of which are drafted standards under review. These draft notifications are applied to items as textiles, building materials, energy drinks, dairy, juice, honey, and organic products. To date, mandatory ECAS Market of Conformity are required for cosmetics, tobacco products, and energy drinks.

In addition, a mandatory Emirates Quality Mark is in place for bottled drinking water, natural mineral water, and ice for human consumption.

The Emirates Conformity Assessment Scheme (ECAS) monitors industry compliance with UAE standards for goods to be sold in the country. ECAS, initially notified to the WTO in 2004, applies to items such as textiles, building materials, energy drinks, dairy,

⁴⁷ WTO Secretariat (2022), op.cit, p.49

⁴⁸ WTO Secretariat (2022), op.cit, p.49

⁴⁹ WTO Secretariat (2022), op.cit, p.51

juice, honey and organic products. In addition, obtaining the Emirates Quality Mark (EQM) is mandatory for bottled drinking water, natural mineral water and ice for human consumption.

Trade barriers may arise from ununified labelling requirements at Emirate level. Labelling requirements are fairly harmonized apart from new conformity measures across some products (EQM).

Requirements for labels generally include all ingredients, food additives, the origin of any ingredients of animal origin, the country of origin, the producer's address, expiry dates, and storage conditions. These must be in Arabic, which can be added on a separate sticker that is difficult to remove and does not cover any of the original label. Dubai Municipality also requires the inclusion of a barcode, lot number, net content weight, name of the packer, distributor or importer, nutritional declaration, and warning statements if any.⁵⁰ Electrical household products also require a mandatory "green product" energy and water efficiency label issued by the MoIAT. Tobacco packages require a special health warning in Arabic. Individual Emirates have issued their own detailed food labelling requirements, for example, Abu Dhabi also issued its own Food Law.⁵¹

Areas of improvement in labelling requirement include:⁵²

- streamlining and digitizing customs clearance;
- unify core technical regulations, product standards and customs requirements across GCC states;
- adoption of increased shelf life on products in line with scientific research and validation; and
- clarification on mandatory Quality Marks on certain products.

On technical barriers, a number of submission to DFAT raised concerns about recognition of Australian food standards, consignment testing and shelf life requirements and labelling. While relatively technical, these issues were considered to disadvantage Australian exporters in the UAE market.

Sanitary and Phytosanitary Regulations

A few sanitary and phytosanitary (SPS) measures may affect Australian exports.

The Ministry of Climate Change and Environment of the UAE issued Resolution 98 on imported livestock. The Resolution provides that an importer must provide identification marks for the imported animals according to an import permit system, and any changes

⁵⁰ Abu Dhabi Agriculture and Food Safety Authority 2019, *General Food Labelling Requirements*

⁵¹ WTO Secretariat (2022), op.cit, p.58

⁵² Austrade, *GCC Non Tariff Measure Snapshot: Food & Agribusiness*, p.2

or modification to the animal's identifications are prohibited. Importation of Australia live sheep, goats, cows, birds, day-old chicks, and hatching eggs are authorised.⁵³

Abu Dhabi Food Control Authority regulates food additives and provides a general rule that imports of food additive shall be free from pork products or ethanol alcohol that is sourced from unnatural fermentation or used as solvent for additives exclusively in certain proportions. The Food Standards Australia New Zealand (FSANZ) is included as a reliable regional reference in case of missing information on the food additive from the General Standard for Food Additives.

In May 2020, the UAE issued Federal Law No. 9 regarding the biosafety of agricultural biotechnology products. The law prohibits the import, export, re-export, transit, production, and circulation of any agricultural products with biotechnology content of equal to or higher than 0.9 percent. For agricultural products with a biotechnology content less than this threshold, a permit is required.

Halal certification

Only 3 Islamic Bodies in Australia (24 in total) were recognized across the GCC nations, and 3 more were recognised by the UAE. An added layer of increased lead time and costs that impact the region's attractiveness to export into.⁵⁴

Barriers to services trade and foreign investment

Foreigners providing services in the UAE are subject to regulations concerning registration and licensing, foreign ownership, and professional qualification. They determine how foreign service providers enter UAE market and operate businesses. As highlighted by the WTO Secretariat Trade Policy Review,⁵⁵ barriers identified in trade in services are strongly related to regulations on foreign investment and ownership of commercial companies. The Department of Investment and Talent Attraction had intensified a few administrative areas that need to be streamlined and unified, including⁵⁶

- FDI registration and licensing procedures,
- review and approval of foreign investment requests by local authorities,
- dispute settlement between investors and local authorities, and
- information dissemination and data disclosure on investment environment and opportunities.

Some stakeholders in submissions have noted the presence of these behind the border barriers to services trade for some industry groups. The UAE has made commitments on

⁵³ Ministry of Climate Change and Environment of the UAE 2023, *List of Approved Countries for Importing Live Animals*, Jan 2023, available at <https://www.moccae.gov.ae/en/our-services/list-of-approved-disapproved-countries-for-import.aspx#page=1>

⁵⁴ Austrade, op.cit., p.6

⁵⁵ WTO Secretariat (2022), op.cit., pp.79-123

⁵⁶ WTO Secretariat (2022), op.cit., p.37

some of these issues in their trade agreements, and stakeholders have noted the importance of greater market access in business, professional and financial services – including construction, minerals, resources, engineering and education. This access, particularly in the education sector, also relates to mutual recognition of professional qualifications along with streamlined visa arrangements.

Restriction on foreign ownership

Pursuant to the revised provisions of Federal Decree-Law No. 26 of 2020 amending the provisions of Federal Law No. 2 of 2015 on Commercial Companies, foreigners are allowed to establish companies with 100 per cent full ownership if their practices are included in the positive list of full foreign ownership activity determined by each emirate.⁵⁷

Foreign businesses outside the list who want to register as commercial agents must include either a UAE national sponsor, UAE public joint stock company owned at least 51 per cent by UAE nationals, a UAE private entity owned by a public joint stock company with at least 51 per cent UAW ownership, or a UAE private entity fully owned by UAE nationals.

The following economic activities are subject to nation-wide foreign ownership restrictions, except for those included in the positive list of full foreign ownership.⁵⁸

Agriculture

Non-GCC nationals can own only up to 49 per cent of an agribusiness. One exemption is in Abu Dhabi where full foreign ownership is granted for management and operation of farms and manors.

Oil and natural gas production

Oil and natural gas production permits are usually granted on project basis to state-owned or controlled companies. Participation of international oil companies is limited to minority ownership interest and the provision of technical services in the state-controlled companies. Nevertheless, full foreign ownership is allowed in mechanical, civil structural and electrical service providers contracted in oil and gas producers in Abu Dhabi and Dubai.

Financial services

In banking, foreign banks in the onshore economy must establish a branch or representative office, rather than trading as subsidiary. National banks are required to set

⁵⁷ The UAE Government Portal, 'Full foreign ownership of commercial companies', *The Official Portal of the UAE Government*, 2022, <<https://u.ae/en/information-and-services/business/full-foreign-ownership-of-commercial-companies>>

⁵⁸ WTO Secretariat (2022), op.cit., pp.79-123

up as public joint stock companies in which UAE nationals own at least 60 per cent of shares.

Insurance companies require a minimum capital of AED 100 million and must be held at least 51 per cent by UAE- or GCC- entities.

In reinsurance, UAE or GCC nationals must retain primary ownership by holding more than 51 per cent of a reinsurance firm.

In the onshore capital market, foreign ownership of shares of publicly listed companies is limited to 49 per cent.

Telecommunication

Foreign ownership restriction is still in place, with the minimum of 51 per cent UAE ownership for all UAE licensee companies.

Transport

Air navigation services are not open to foreign ownership. All airports and ports are government-owned. Foreign port operators can operate ports or terminals under a concession agreement.

Registering a vessel in the UAE under a UAE flag for maritime transport requires majority UAE ownership with at least 51 per cent of the ownership belonging to a UAE national or a company with management based in UAE.

Construction

Major construction companies operating in the UAE include domestic commercial companies, domestic state-owned companies, and foreign companies that are incorporated locally. Commercial presence continues to be required for a contractor to carry out construction work in the UAE, through either a representative office, or an incorporation as a company with foreign equity participation up to 49 per cent. As part of the reform of the Commercial Companies Law in 2020, foreign ownership limits to certain construction activities were eliminated, with full foreign ownership permitted.

Health services

Owners of private health facilities in the mainland economy must be UAE nationals. Foreigner can own up to 100 per cent of private health facilities including general hospitals with a capacity of more than 50 beds, specialised hospitals with a capacity of more than 50 beds, hotel clinics, academic institution clinics and clinics within construction companies, subject to approval of the local competent authorities.⁵⁹

⁵⁹ Abu Dhabi Media Office 2021, 'Department of Health: Abu Dhabi stimulates foreign direct investment opportunities in the healthcare sector', Abu Dhabi Media Office, 28 July 2021, <https://www.mediaoffice.abudhabi/en/health/department-of-health-abu-dhabi-stimulates-foreign-direct-investment-opportunities-in-the-healthcare-sector/>

Additional constraints in licensing and operation

Foreign investors and international service providers may encounter barriers in licensing and operations within the UAE. Licensing for some economic activities is restricted to UAE or GCC nationals, creating a barrier for foreign entities. Moreover, foreign service providers may face additional operational regulations and costs that are specific to their status as non-UAE entities.

Fisheries

Only UAE national can obtain a professional fishing license. A fishing boat can only sail with its UAE owner or a UAE citizen acting on behalf of the captain.

Banking

Foreign banks registered and operating within the Financial Free Zones, are not eligible to deal with UAE Dirham or take deposits from the UAE onshore economy unless licenced by the Central Bank.

In addition, a profit tax of 20 per cent is levied on foreign bank branches by local authorities in each Emirate. This is not applied to domestic banks.

Onshore capital market

Foreign investment funds must obtain approval from the UAE Securities and Commodities Authority (SCA) before they can be marketed in the UAE. After registering in with the SCA, foreign financial institutions can market investment funds through, either professional investors (including institutional investors, large corporations and high-net-value individuals), or retail investors through a local promoter.

Construction

Licensing is regulated at the emirate level. Special licensing procedures take place in free zones, for instance, interior design consultants in Dubai. Companies and individuals can only operate construction-related activities at the Emirate where they are licensed. UAE residency is required to be registered as an individual professional service provider in the UAE.

Transport

Inter-emirate and international road freight and land passenger transport are licensed to UAE nationals only. Foreign service providers are not allowed to provide cabotage operations or pick up loads that are sent to a third country without special permit.

In addition, foreign flag vessels must have a contract with one of the federal or local governments to operate in UAE waters and may not carry out cabotage on their own account.

Varied requirements across Emirates

Foreign investors and service providers face a heterogeneous collection of requirements set up by each Emirate, which implies additional impediment in seeking market access for them. One common variation in requirements by Emirate is minimum capital requirements and local employment requirements.

In addition, land ownership regulation varies from Emirate to Emirate. In Dubai, only UAE or GCC entities can own property anywhere in the Emirate. Non-UAE or -GCC entities can only own land in designated zones in the form of a freehold, a 99-year leasehold, or a 50-year usufruct. Likewise, Abu Dhabi also restricts ownership to UAE or GCC nationals who can lease the land to foreign. From 2019 April onwards, non-UAE or GCC entities are allowed to own freehold property within certain investment areas for an unrestricted period of time. A public joint stock company with majority UAE ownership are allowed to own a freehold interest in land and property anywhere in the Emirate of Abu Dhabi.

5 *A free trade agreement with the UAE*

Likely offer from the UAE

The FTAs that the UAE has signed may provide some indication of the potential offer that the UAE may take into negotiations on goods and services market access in a prospective FTA with Australia. However, it cannot be assumed with certainty that the UAE will make the same offer.

Trade in goods

GCC-Singapore and GCC-EFTA FTAs

Table 5.1 compares the tariff rates under the relevant FTAs with the MFN rates. These rates are simple average of 8-digit HS tariff lines, and reported by product groups defined by the WTO classification of agricultural and non-agricultural products based on the HS system⁶⁰.

It can be seen that there are significant tariff reductions under the EFTA and Singapore FTAs from the MFN rates – reducing from 4.69 per cent to 0.14 per cent and 0.04 per cent, respectively.

For agricultural products, the UAE offered more favourable tariff treatment to Singaporean products than to EFTA – average tariff rate reduced to 1.57 per cent for EFTA compared to 0.18 per cent for Singapore. This might be due to the reciprocal effect because Singapore has a free trade regime with virtually no tariffs. It is also possible that generous tariff reductions were granted because Singapore is not a substantial producers/exporter of agricultural products.

5.1 Comparison of UAE's MFN and preferential tariff rates (AV-equivalent, aggregation based on HS)

	MFN	EFTA	Singapore	GCC/LAS ^a
	%	%	%	%
Agricultural products				
Animal products	2.67	1.03	0.07	0.00
Dairy products	5.00	0.83	0.91	0.00

⁶⁰ WTO, 'Definition of product groups used in part A.2', *Technical Notes on Country Pages*, https://www.wto.org/english/res_e/statis_e/daily_update_e/tariff_profiles/TariffProfileTechnicalNotes_E.htm

	MFN	EFTA	Singapore	GCC/LAS ^a
	%	%	%	%
Fruits, vegetables, plants	3.66	1.48	0.04	0.00
Coffee, tea	3.81	2.50	0.00	0.00
Cereals and preparations	3.54	2.05	0.00	0.00
Oilseeds, fats & oils	4.78	0.65	0.00	0.00
Sugars and confectionary	3.33	3.53	0.00	0.00
Beverages and tobacco	24.13	6.25	2.27	0.00
Cotton	5.00	0.00	0.00	0.00
Other agricultural products	4.20	0.60	0.03	0.00
Average of agricultural products	5.55	1.57	0.18	0.00
Non Agricultural products				
Fish and fish products	3.55	0.08	0.00	0.00
Minerals and metals	4.89	0.00	0.01	0.00
Petroleum	5.00	0.00	0.00	0.00
Chemicals	4.51	0.02	0.03	0.00
Wood, paper, etc.	4.59	0.00	0.01	0.00
Textiles	4.97	0.01	0.01	0.00
Clothing	5.00	0.00	0.00	0.00
Leather, footwear, etc.	5.00	0.00	0.00	0.00
Non-electrical machinery	4.19	0.00	0.01	0.00
Electrical machinery	3.34	0.00	0.06	0.00
Transport equipment	4.46	0.00	0.10	0.00
Manufactures, not elsewhere specified	4.46	0.00	0.03	0.00
Average of non-agricultural products	4.53	0.01	0.02	0.00
Average of all commodities	4.69	0.14	0.04	0.00

^a GCC – Gulf Cooperation Council; LAE – League of Arab States

Note: Simple average of HS 8-digit tariff lines; Product groups of agricultural and non-agricultural products defined by WTO based on HS system

Source: CIE estimates

Because Australia has different profiles to Singapore and the EFTA, these offers may suggest a smaller reduction in tariff rates for Australia. Table 5.2 compares the weighted average of MFN and preferential tariff rates using the Australian average annual exports to the UAE over the five-year period from 2015 to 2019 as the weights.

5.2 UAE's MFN and preferential tariff rates using Australian exports as weights (aggregation based on HS)

	MFN	EFTA	Singapore
	%	%	%
Agricultural products			
Animal products	1.80	0.00	0.27
Dairy products	5.00	1.64	0.00

	MFN	EFTA	Singapore
	%	%	%
Fruits, vegetables, plants	3.18	0.00	0.00
Coffee, tea	2.73	0.00	0.77
Cereals and preparations	0.06	0.00	0.01
Oilseeds, fats & oils	5.00	0.00	0.02
Sugars and confectionary	5.00	0.00	0.09
Beverages and tobacco	2.84	0.00	0.05
Cotton	0.00	0.00	0.00
Other agricultural products	2.52	0.00	0.02
Average of agricultural products	2.22	0.09	0.13
Non Agricultural products			
Fish and fish products	2.44	0.00	0.00
Minerals and metals	4.66	0.00	0.00
Petroleum	5.00	0.00	0.00
Chemicals	3.00	0.00	0.00
Wood, paper, etc.	4.74	0.00	0.00
Textiles	4.99	0.01	0.00
Clothing	5.00	0.04	0.00
Leather, footwear, etc.	4.82	0.00	0.00
Non-electrical machinery	2.23	0.00	0.00
Electrical machinery	3.10	0.00	0.00
Transport equipment	4.93	0.22	0.00
Manufactures, not elsewhere specified	0.80	0.00	0.00
Average of non-agricultural products ^a	4.18	0.02	0.00
Average of all commodities ^a	3.60	0.04	0.04

^a Excluding Confidential items of trade (988)

Note: weighted average using Australian exports to the UAE in 2021 at 3-digit SITC tariff lines; Product groups of agricultural and non-agricultural products defined by WTO based on HS system

Source: CIE estimates

As shown in table 5.2, the weighted MFN rate for Australian products is 3.6 per cent, rather than 4.69 per cent in the previous table. While the offers in the EFTA and Singapore FTAs mean virtually duty free for Australian products, the changes, and thus the impacts (see discussion in the last section of this chapter), will be smaller.

India-UAE CEPA

The CEPA aims to eliminate tariffs to more than 10,000 tariff lines within a period of 10 years. Indian goods exported to the UAE that complying with the rules of origin will be granted the following access status:

- A: immediate elimination of tariff;
- C: tariff elimination by year 5;
- E: tariff elimination by year 10; and

- TR: tariff reduction

Some 6,090 tariff lines (80 per cent) out of a total of 7,581 tariff lines defined at the HS 8-digit level are granted immediate elimination of tariffs up on the CEPA taking effect. In total, 97.5 per cent of tariff lines will have tariffs eliminated or reduced in 10 years (table 5.3).

Chart 5.4 shows the average tariff rates for Indian products under different access categories. Because a majority of tariff lines are granted immediate elimination of tariffs, the average tariff rate will fall significantly in the first year of implementation of the CEPA – from 4.45 per cent to 0.74 per cent (dashed red line in chart 5.4).

There are a small number of tariff lines (187 or 2.5 per cent of total tariff lines) are either excluded from the Agreement, prohibited or special goods (bottom of table 5.3).

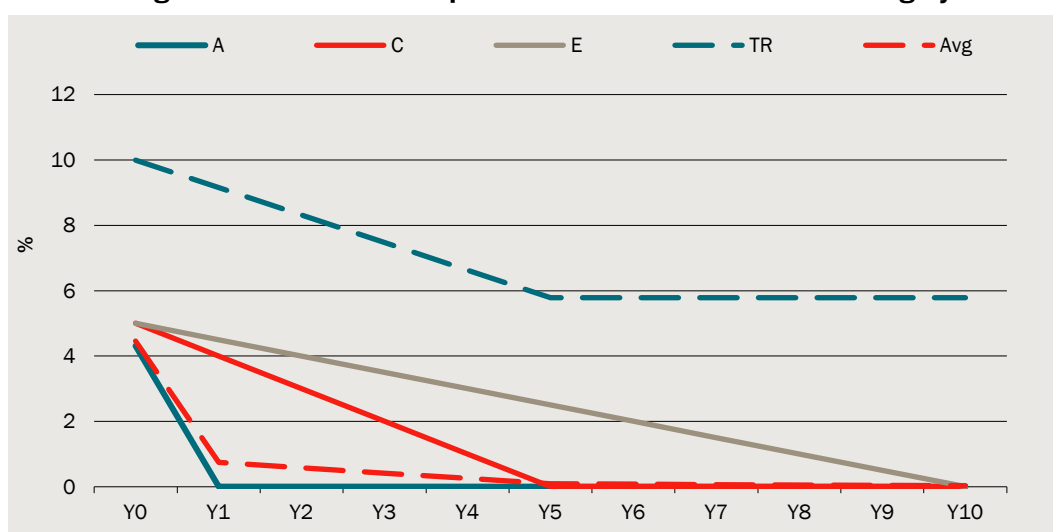
5.3 Access granted to Indian goods under India-UAE CEPA

Category	Tariff lines ^a	Share of total	Average base rate ^b
	#	%	%
Accesses			
A: Immediate elimination	6,090	80.3	4.31
C: Access at Year 5	1,089	14.4	5.00
E: Access at Year 10	180	2.4	5.00
TR: Tariff reduction	35	0.5	10.00
Sub-total for accesses	7,394	97.5	4.45
Other			
F: Excluded	64	0.8	n.a.
G: Prohibited	54	0.7	n.a.
H: Special goods	69	0.9	n.a.
Subtotal for other	187	2.5	n.a.
Total	7,581	100.0	

^a number of tariff lines defined at HS 8-digit level; ^b simple average at HS 8-digit level

Source: CIE compilation based on Annex 2B to India-UAE CEPA

5.4 Average tariff rates on Indian products under different access category



Note: simple average at HS 8-digit level

Data source: CIE compilation based on Annex 2B to India-UAE CEPA

Table 5.53.20 summarises the tariff schedules offered by the UAE for Indian products with the WTO grouping. It can be seen that the offers are similar to those for Singapore and EFTA countries.

5.5 Tariff schedules for Indian products offered by the UAE (aggregation based on HS)

	Base	Year 01	Year 02	Year 05	Year 10
	%	%	%	%	%
Agricultural products					
Animal products	2.29	0.28	0.21	0.00	0.00
Dairy products	5.00	0.00	0.00	0.00	0.00
Fruits, vegetables, plants	3.50	0.34	0.25	0.00	0.00
Coffee, tea	3.64	0.00	0.00	0.00	0.00
Cereals and preparations	3.56	0.06	0.05	0.00	0.00
Oilseeds, fats & oils	4.36	0.63	0.48	0.00	0.00
Sugars and confectionary	3.25	0.00	0.00	0.00	0.00
Beverages and tobacco	19.52	1.06	0.80	0.00	0.00
Cotton	5.00	0.00	0.00	0.00	0.00
Other agricultural products	4.07	0.12	0.09	0.00	0.00
Average of agricultural products	5.14	0.32	0.24	0.00	0.00
Non-agricultural products					
Fish and fish products	3.55	0.00	0.00	0.00	0.00
Minerals and metals	5.02	1.71	1.36	0.33	0.17
Petroleum	5.00	0.00	0.00	0.00	0.00
Chemicals	4.51	0.59	0.45	0.00	0.00
Wood, paper, etc.	4.59	0.55	0.43	0.06	0.00

	Base	Year 01	Year 02	Year 05	Year 10
	%	%	%	%	%
Textiles	4.97	0.03	0.02	0.00	0.00
Clothing	5.00	0.00	0.00	0.00	0.00
Leather, footwear, etc.	4.81	1.18	0.88	0.00	0.00
Non-electrical machinery	4.19	1.77	1.38	0.21	0.00
Electrical machinery	3.24	1.35	1.07	0.26	0.00
Transport equipment	4.45	0.05	0.04	0.00	0.00
Manufactures, not elsewhere specified	4.46	0.15	0.11	0.00	0.00
Average of non-agricultural products	4.55	0.82	0.64	0.11	0.03
Average of all products	4.65	0.73	0.57	0.09	0.03

Note: simple average at HS 8-digit level; Product groups of agricultural and non-agricultural products defined by the WTO based on HS system

Source: CIE compilation based on Annex 2B to India-UAE CEPA

Similar to the case in the Singapore and EFTA FTAs, these offers lead to smaller changes when weighting according to Australian trade profiles. Table 5.6 summarises the weighted average of tariff schedules using the annual average Australian exports to the UAE over the five-year period from 2015 to 2019 as the weights.

The magnitude of tariff changes in the first year will be similar to the offers in the Singaporean and EFTA FTAs using Australian trade profile as the weights.

5.6 Tariff schedules for Indian products offered by the UAE using Australian exports (aggregation based on HS)

	Base	Year 01	Year 02	Year 05	Year 10
	%	%	%	%	%
Agricultural products					
Animal products	1.80	0.00	0.00	0.00	0.00
Dairy products	5.00	0.00	0.00	0.00	0.00
Fruits, vegetables, plants	3.18	0.00	0.00	0.00	0.00
Coffee, tea	2.73	0.00	0.00	0.00	0.00
Cereals and preparations	0.06	0.00	0.00	0.00	0.00
Oilseeds, fats & oils	5.00	0.00	0.00	0.00	0.00
Sugars and confectionary	5.00	0.00	0.00	0.00	0.00
Beverages and tobacco	2.84	0.12	0.09	0.00	0.00
Cotton	0.00	0.00	0.00	0.00	0.00
Other agricultural products	2.52	0.18	0.13	0.00	0.00
Average of agricultural products	2.22	0.01	0.00	0.00	0.00
Non-agricultural products					
Fish and fish products	2.44	0.00	0.00	0.00	0.00
Minerals and metals	4.66	0.09	0.08	0.02	0.00
Petroleum	5.00	0.00	0.00	0.00	0.00
Chemicals	3.00	0.66	0.50	0.00	0.00

	Base	Year 01	Year 02	Year 05	Year 10
	%	%	%	%	%
Wood, paper, etc.	4.74	2.71	2.04	0.03	0.00
Textiles	4.99	0.00	0.00	0.00	0.00
Clothing	5.00	0.00	0.00	0.00	0.00
Leather, footwear, etc.	4.82	1.83	1.38	0.00	0.00
Non-electrical machinery	2.23	1.32	1.09	0.41	0.00
Electrical machinery	3.10	1.40	1.15	0.39	0.00
Transport equipment	4.93	0.00	0.00	0.00	0.00
Manufactures, not elsewhere specified	0.80	0.02	0.02	0.00	0.00
Average of non-agricultural products ^a	4.18	0.24	0.19	0.05	0.00
Average of all products ^a	3.60	0.17	0.14	0.04	0.00

^a Excluding Confidential items of trade (988)

Note: weighted average using Australian exports to the UAE in 2021 at 3-digit SITC tariff lines; Product groups of agricultural and non-agricultural products defined by the WTO based on HS system

Source: CIE estimates

Services trade

This section provides a summary of the UAE's previous offers related to services trade in trade agreements, while the following section summarises their offers related to investment. It is important to note that the discussions here do not reflect on the Australia-UAE bilateral trade in services and investment relationship or Australia's approach to trade in services and investment in its FTAs that may influence the market access outcomes in a prospective FTA between Australia and the UAE.

Commitments under WTO General Agreement on Trade in Services (GATS)

Under the GATS, the UAE has made specific commitments in the following areas:⁶¹

- Business services (including some professional services, computer and related services, research and development services, and other business services);
- Communication services (courier services only);
- Construction and related engineering services;
- Environmental services;
- Banking and other financial services (excluding insurance, settlement and clearing services for financial assets; and market access in relation to additional licences); and
- Tourism and travel related services (hotels and restaurants and travel guide services only).

⁶¹ WTO 1996, *United Arab Emirates – Schedule of Specific Commitments under the General Agreement on Trade in Services*, GATS/SC/121, World Trade Organization, 2 April 1996, <https://docs.wto.org/dol2fe/Pages/SS/directdoc.aspx?filename=Q:/SCHD/GATS-SC/SC121.pdf&Open=True>, pp.5-14

A horizontal limitation applies on market access for all sectors listed in the UAE's schedule, requiring commercial presence through 'either (i) a representative office or (ii) an incorporation as a company with maximum foreign equity participation of 49% subject to UAE law'.⁶²

A horizontal limitation also applies to national treatment (an undertaking that foreign services suppliers will be treated the same as nationals) regarding acquisition of land and real estate, taxation, and the provision of government subsidised services.⁶³ There are also horizontal limits on the movement of natural persons. For instance, foreign business visitors shall not stay in the UAE for more than 90 days. Intra-corporate transfers of managers, executives and specialists who has been employed by a juridical person of another member outside the UAE for less than one year are also subject to limitations, with no more than 50 per cent of total number of such personnel being eligible for transfer, and for a maximum duration of one year. This period can be renewed twice for a maximum total period of three years.⁶⁴

GCC-Singapore FTA

The services trade chapter in the GCC-Singapore FTA builds on the commitments made by Singapore and the GCC countries at the multilateral level, in particular, the WTO General Agreement on Trade in Services (GATS). A positive listing approach is followed by both sides to liberalise various services sectors beyond their WTO commitments. In a positive listing approach, a country explicitly ('positively') list the sectors and subsectors in which it undertakes market access and national treatment commitments. This means that only those sectors and subsectors that are specifically listed in the agreement will be covered by the commitments made by the country.

Singaporean service providers are granted preferential access in the UAE and other GCC member countries, with some variation in coverage of sub-sectors and limitations on market access and national treatment across GCC member countries. The following sectors are include:

- professional services such as legal services, accounting services and engineering services; and
- business services such as construction services, distribution services and hospital services.

Some of the GCC member countries also have specific provisions for services trade with Singapore under the FTA. The UAE relaxes foreign equity limits in construction services, distribution services, hospital services and legal advisory services.

The FTA also provides rights and obligations to facilitate the movement of natural persons engaged in the conduct of trade and investment between the Parties. A natural person of a Party means a natural person who is a national or permanent resident of a GCC member country or Singapore.

⁶² WTO (1996), op.cit., p.1

⁶³ WTO (1996), op.cit. p.1

⁶⁴ WTO (1996), op.cit., pp.2-4

It also has a chapter on electronic commerce as a means of supplying services. It addresses non-discriminatory and fair treatment of digital products, such as software, e-books and e-movies, originating from Singapore and the respective GCC countries. Both sides also commit to not impose customs duties on digital products delivered electronically.

GCC-EFTA FTA

The chapter on Trade in Services in the GCC-EFTA FTA closely follows the GATS approach. Positive listing of the commitments is followed as a basis to determine the obligations taken by each party. Both sides' commitments under the FTA go beyond their current level of obligations in the WTO.

Moreover, additional commitments are accorded by the UAE in this FTA, such as professional services, environmental, construction, health, tourism, transportation, telecommunication and maritime services.

The FTA facilitates recognition of the services providers' qualifications, aiming to enhance transparency of the procedures and requirements related to the requirements and procedures of the technical qualifications and standards and licensing requirements.

The agreement also includes separate annexes on movement of natural persons supplying services (Annex X), financial services (Annex XI) and telecommunication services (Annex XII).

It also has an annex on e-commerce (Annex XVI) that aims to enhance the cooperation in the field of regulating commercial exchanges via electronic media. The Parties recognise the need to create an environment of trust and confidence for users of electronic commerce including protection of personal data. .

India-UAE CEPA

The chapter on Trade in Services in the India-UAE CEPA closely follows the GATS approach. A positive listing is followed to liberalise various services sectors beyond the WTO commitments.

The agreement offers improved market access across 11 broad services sectors and around 111 sub-sectors. It is anticipated that this will lead to a boost in the total value of bilateral trade in services, surpassing US\$15 billion within five years.⁶⁵ It is important to note that the UAE has not made any commitments in energy and energy related services.

In terms of market access, the UAE has eased the foreign ownership requirement for Indian services providers. Representative offices and branches will have no foreign ownership limitations, while companies operating in sectors and subsectors specified in the Schedule of Special Commitments will face relaxed foreign ownership requirement. In general, the maximum limit for foreign ownership will be lifted from 49 per cent to 70-

⁶⁵ PIB 2022, *India-UAE Comprehensive Economic Partnership Agreement (CEPA) enters into force*, The Press Information Bureau (PIB) Delhi, 1 May 2022, <https://pib.gov.in/PressReleasePage.aspx?PRID=1821785>

75 per cent foreign ownership immediately and/or 100 per cent in 3-10 years after the agreement enter into force. However, it is important to note that the 49 per cent maximum foreign ownership requirement will remain for certain sectors such as telecommunications, distribution (wholesale and retail) services, financial services (except in Dubai International Financial Centre), part of maritime services (international freight and maritime auxiliary services), and services provided by midwives, nurses, physiotherapists and par-medical personnel, postal services and courier services.

Regarding national treatment, certain restrictions on the acquisition of land and real estate, taxation, and the provision of government subsidised services will remain (as defined as limitations under the horizontal commitments). Additional requirements may also apply to services providers in specific services areas. For example, non-UAE lawyer cannot plead in UAE courts, or act before official bodies, or perform notarial functions. The provision of audiovisual services is subject to obtaining licenses and approvals from competent UAE media authorities.

The agreement also has separate annexes on telecommunications (Annex 8C), movement of natural persons supplying services (Annex 8D) to the trade in services chapter and a chapter on digital trade.

Investment provisions

According to UNCTAD, the UAE has signed bilateral investment treaties (BITs) with India, Singapore and Switzerland (a member state of the EFTA).⁶⁶

The GCC-EFTA and GCC-Singapore FTAs do not have a dedicated chapter on investment. Investment is covered by services trade chapters or by a side letter.

The GCC-Singapore FTA covers investment in the trade of services chapter, that is, the agreement only covers investment in services sectors through commercial presence as defined in Article 5.1(u)(iii). For services sectors that are granted market access, limitations on foreign ownership or the total value of foreign investment are relaxed, unless otherwise specified in the Schedule of specific commitments (Article 5.3(2)(f)).

There are no specific provisions contained in the GCC-EFTA on Investment, but a side letter, forming part of the Agreement, sets forth the Parties' obligation to conduct negotiations on business establishment in non-services sectors within two years after the entry into force of the Agreement.⁶⁷ The UAE-India CEPA includes an investment chapter that outlines general principles of promoting bilateral investment. It establishes a UAE-India Technical Council on Investment and Trade Promotion and Facilitation (the Council) to promote and enhance the investment and trade cooperation and facilitation between the UAE and India.

⁶⁶ UNCTAD, op.cit.

⁶⁷ EFTA, 'Gulf Cooperation Council (GCC)', *Free Trade Agreements and Trade Relations by Partners*, European Free Trade Area (EFTA), <https://www.efta.int/free-trade/free-trade-agreements/gcc#anchor-7>

Furthermore, the UAE and India have renewed in the CEPA their commitment to the ongoing negotiation to replace the existing UAE-India BIT. They have agreed to finalise a new agreement by June 2022. However, according to news reports as of October 2022, the negotiation has not been concluded.⁶⁸

Potential impacts of an Australian FTA with the UAE

We use the above tariff changes in the GCC-Singapore and GCC-EFTA FTAs and UAE-India CEPA as the base to estimate the possible increase in Australian exports as a result of the potential FTA with the UAE. Australia's average annual export values to the UAE over the five-year period from 2015 to 2019 are used as the base value for the calculation to reflect the country's trade profile with the UAE.

Each of the tariff reductions in tables 5.2 and 5.6 would imply a reduction in the Australian export prices (from the perspective of UAE importers) which would be expected to lead to an increase in Australia's market share. The magnitude of this increase is determined by the rate of substitution between Australian and other products.

For the results presented here, we use the rate of substitution (also known as the 'Armington elasticity') from the GTAP model⁶⁹ with adjustments. The elasticity measures the effect of changes in consumer prices due to changes in tariffs⁷⁰ on the demand for exports. An elasticity of 1 indicates that a 1 per cent decrease in consumer prices due to tariff changes will result in a 1 per cent increase in the demand for exports. The assumed elasticity for the impact estimation is provided in table A.1 in the appendix (with Appendix B showing the detailed calculations for Australia's top 20 exports).

In particular, we estimated the tariff, import price changes and thus export changes at the 3-digit SITCr4 (Standard International Trade Classification revision 4) level reported by the DFAT's Trade statistical pivot tables.

Table 5.7 reports the estimated increase in Australian exports (as a consequence of the FTA offer) to the UAE using the pre-COVID-19 (2015-2019) average export values as the base value.

⁶⁸ Nashar, K. and M. Aamir 2022, 'India-UAE High-level Joint Task Force on Investments holds 10th meeting', *Emirates News Agency-WAM*, 11 October 2022, <https://www.wam.ae/en/details/1395303090951>

⁶⁹ Aguiar, A., Chepeliev, M., Corong, E., McDougall, R., and van der Mensbrugge, D. 2019, "The GTAP Data Base: Version 10", *Journal of Global Economic Analysis*, 4(1), 1-27, <https://www.jgea.org/ojs/index.php/jgea/article/view/77>

⁷⁰ It's important to note that the reduction in tariffs does not directly translate to a proportional reduction in consumer prices. For example, a 10 per cent tariff rate would result in a consumer price that is 1.1 times the import price before the tariff was applied. A reduction of 10 per cent in the tariff rate would result in a new tariff rate of 9 per cent. The new consumer price would then be 1.09 times the import price prior to tariff. Therefore, the reduction in consumer price would only be 0.91 per cent ($= [1.09/1.1 - 1] * 100\%$).

As these agreements provide similar level of reduction in tariff rates (see tables 5.2 and 5.6), the impacts on Australian exports to the UAE are similar – some \$490 million, or around 14 per cent, increase from the base level (5-year average over 2015-19).

The growth in non-agricultural exports outpaces agricultural exports threefold, due to the following factors:

- greater total value of non-agricultural exports –the total value of non-agricultural exports is 2.4 times of that of agricultural exports; and
- higher tariff reduction for non-agriculture exports – as shown in tables 5.2 and 5.6 B.1, the weighted average tariff rate was reduced from 3.3 per cent to zero for non-agricultural exports, compared to a reduction from 2.3 per cent to virtually zero for agricultural export.

As a result, the non-agricultural export growth rate is higher, at 15 per cent, compared to agricultural export growth, which stands at around 11 per cent.

5.7 Estimated increase in Australian exports to the UAE if the same FTA offers are granted (aggregation based on HS)

	UAE offers in FTA with Singapore	UAE offers in FTA with EFTA	UAE offers in India CEPA – Year 10
	\$m	\$m	\$m
Agricultural products			
Animal products	50.48	45.85	50.49
Dairy products	12.43	18.51	18.51
Fruits, vegetables, plants	25.91	25.90	25.91
Coffee, tea	0.25	0.18	0.25
Cereals and preparations	0.41	0.33	0.41
Oilseeds, fats & oils	12.39	12.36	12.39
Sugars and confectionary	4.22	4.14	4.22
Beverages and tobacco	2.07	2.01	2.07
Cotton	0.00	0.00	0.00
Other agricultural products	1.47	1.46	1.47
Sub-total of agricultural products	109.63	110.73	115.72
Non Agricultural products			
Fish and fish products	0.09	0.09	0.09
Minerals and metals	176.45	176.45	176.40
Petroleum	39.91	39.91	39.91
Chemicals	18.59	18.61	18.61
Wood, paper, etc.	4.30	4.30	4.30
Textiles	15.29	15.29	15.31
Clothing	1.54	1.54	1.54
Leather, footwear, etc.	1.32	1.32	1.32
Non-electrical machinery	34.48	34.48	34.48

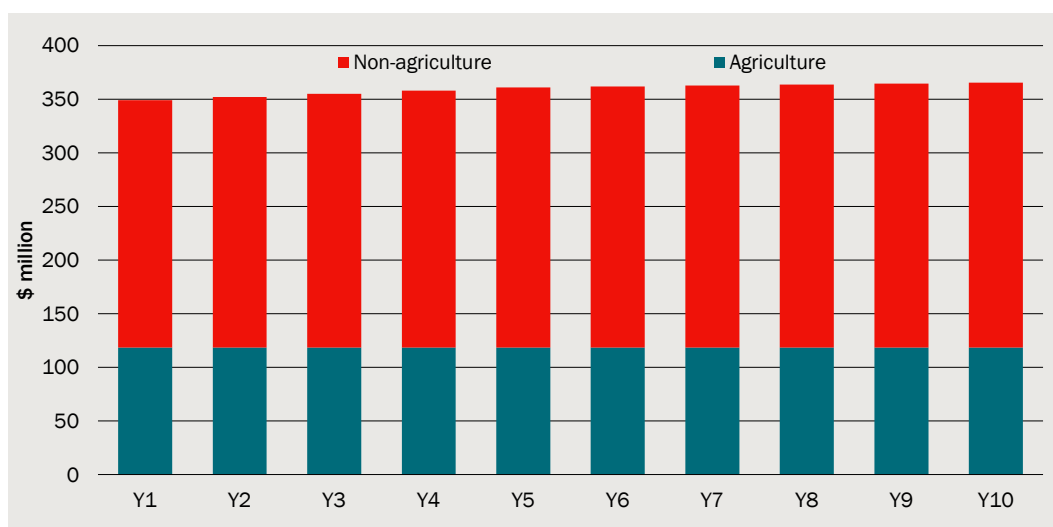
	UAE offers in FTA with Singapore	UAE offers in FTA with EFTA	UAE offers in India CEPA – Year 10
	\$m	\$m	\$m
Electrical machinery	9.08	9.09	9.09
Transport equipment	67.89	70.99	70.99
Manufactures, not elsewhere specified	9.33	9.33	9.33
Sub-total of non-agricultural products	378.29	381.41	381.37
All commodities	487.92	492.14	497.09

Note: Using Australia's average annual export value to the UAE over 2015-2019 as the base value; Product groups of agricultural and non-agricultural products defined by WTO based on HS system

Source: CIE estimates

While the results for the India CEPA reported in table 5.7 represent full impact at Year 10 of the agreement, the initial impacts in the first year would be equivalent to more than 95 per cent of the full impact (chart 5.83.2). This is due to the immediate elimination of tariffs on a majority of tariff lines as discussed above (table 5.3 and chart 5.4).

5.8 Australia's merchandise export increase over time implied by the offers in India CEPA



Note: Using Australia's export value to the UAE in 2021 as the base value

Data source: CIE estimates

Because some of Australia's top export products to the UAE have already had low or no import duties, their growth is limited. For example, wheat and barley are duty free under the MFN, and thus no further increase in the exports (table 5.9).

5.9 Estimated increase in top Australian merchandise exports (SITC 3-digit) to the UAE

	UAE offers in FTA with Singapore	UAE offers in FTA with EFTA	UAE offers in India CEPA – Year 10
	\$m	\$m	\$m
Aluminium ores & conc (incl alumina)	101.68	101.68	101.68

	UAE offers in FTA with Singapore	UAE offers in FTA with EFTA	UAE offers in India CEPA – Year 10
	\$m	\$m	\$m
Meat (excl beef), f.c.f.	29.73	29.73	29.74
Vegetables, f.c.f.	18.25	18.25	18.25
Passenger motor vehicles	30.82	33.79	33.79
Beef, f.c.f.	6.88	6.88	6.88
Telecom equipment & parts	0.88	0.88	0.88
Vehicle parts & accessories	28.27	28.27	28.27
Fruit & nuts	7.40	7.40	7.40
Crude petroleum	39.81	39.81	39.81
Edible products & preparations, nes	13.86	9.23	13.86
Gold	0.09	0.09	0.09
Barley	0.00	0.00	0.00
Wheat	0.00	0.00	0.00
Pearls & gems	15.48	15.48	15.48
Oil-seeds & oleaginous fruits, soft	12.07	12.07	12.07
Uncoated flat-rolled iron & steel	13.96	13.96	13.96
Office machines	0.00	0.00	0.00
Computers	0.00	0.00	0.00
Milk, cream, whey & yoghurt	7.48	13.56	13.56
Nickel	15.41	15.41	15.41
Medicaments (incl veterinary)	0.00	0.00	0.00
Worn clothing & rags	11.89	11.89	11.89
Specialised machinery & parts	4.90	4.90	4.90
Subtotal for top exports	358.85	363.28	367.92

Note: Using Australia's export value to the UAE in 2021 as the base value

Source: CIE calculations

As a result, only 16 out of 23 Australia's top exports to the UAE have made to the top 20 export growth commodities (table 5.10). The commodities in the top 20 list are the same, while the order is slightly different between the offers for Singapore, EFTA and India.

5.10 Estimated top export increases (SITC 3-digit) following an FTA

Commodity	UAE offers in FTA with Singapore	UAE offers in FTA with EFTA	UAE offers in India CEPA – Year 10
	\$m	\$m	\$m
1 Aluminium ores & conc (incl alumina)	101.68	101.68	101.68
2 Crude petroleum	39.81	39.81	39.81
3 Passenger motor vehicles	30.82	33.79	33.79
4 Meat (excl beef), f.c.f.	29.73	29.73	29.74
5 Vehicle parts & accessories	28.27	28.27	28.27
6 Vegetables, f.c.f.	18.25	18.25	18.25
7 Pearls & gems	15.48	15.48	15.48

	Commodity	UAE offers in FTA with Singapore	UAE offers in FTA with EFTA	UAE offers in India CEPA – Year 10
		\$m	\$m	\$m
8	Nickel	15.41	15.41	15.41
9	Uncoated flat-rolled iron & steel	13.96	13.96	13.96
10	Edible products & preparations, nes	13.86	9.23	13.86
11	Oil-seeds & oleaginous fruits, soft	12.07	12.07	12.07
12	Worn clothing & rags	11.89	11.89	11.89
13	Milk, cream, whey & yoghurt	7.48	13.56	13.56
14	Fruit & nuts	7.40	7.40	7.40
15	Jewellery ^a	7.23	7.23	7.23
16	Beef, f.c.f.	6.88	6.88	6.88
17	Mechanical handling equip & parts ^a	6.07	6.07	6.07
18	Aircraft, spacecraft & parts ^a	5.51	5.51	5.51
19	Specialised machinery & parts	4.90	4.90	4.90
20	Internal combustion piston engines ^a	4.88	4.88	4.88
	Total	381.57	386.00	390.64

^a New to the top export growth list

Note: Using Australia's export value to the UAE in 2021 as the base value

Source: CIE calculations

The total value of Australia's top 20 export growth commodities is estimated to be between \$380 million to \$390 million, making up 78-79 per cent of total gains in export growth that may be expected from the potential FTA between Australia and the UAE.

Details about the estimation are given in appendix B.

As noted, in food and agriculture, there are some NTBs that are currently considered to reduce the competitiveness of the Australian product. Any relaxation or removal of these would yield benefits in addition to those calculated above.

It is important to note that the estimates provided above do not forecast future export flows. Rather, they represent the potential increase in exports following the implementation of a FTA with the UAE, based on a similar trade pattern and level as seen prior to the COVID-19 pandemic.

It should be emphasised that the estimates provided should be viewed as upper bounds for the potential increase in exports, as they are based on a particular set of parameters that may overstate the actual impact. For instance, the demand for aluminium ore and condensate may be inelastic to tariff and price changes. Thus, while the estimates provide a useful indication of the potential benefits, the actual impact of a free trade agreement on exports may be smaller than the estimated figures suggest.

6 Conclusion

Overall

A free trade, or closer economic, agreement between Australia and the UAE is a feasible prospect. There are potentially healthy gains in Australian exports for particular product and services, providing a welcome extra source of diversification for exporters.

As indicated by other FTAs that the UAE has had with other countries, the focus of a potential FTA between Australia and the UAE could be on tariff reduction and/or elimination, along with addressing non-tariff barriers and barriers to trade in services and investment.

Agricultural products are important in the bilateral trade relationship. As a large food producer, Australia is an important partner to the UAE in its food security.

Some non-agricultural products are also important, including mineral products such as metals and coal.

If Australia were to achieve similar duty reductions as India, Singapore and EFTA countries have achieved through FTAs, the potential increase in Australia's export to the UAE is up to \$490 million per year, or equivalent to 14 per cent of the current level of Australian exports.

A potential FTA would also provide an opportunity to lock-in meaningful market-access and address behind-the-border barriers that would give greater certainty to services exporters including professional services and education.

For investment, the UAE has set up some 40 free zones that grant foreign entities national treatment and provide further tax benefits. A CEPA could enhance the investment relationship between Australia and the UAE.

Stakeholder views

Economics benefits

The majority of stakeholders who made submissions to DFAT regarding a potential agreement with the UAE strongly supported the idea. In general, they considered that the removal of tariffs, NTBs and other behind the border restrictions to trade in goods and services would provide valuable opportunities.

Live animal trade

Stakeholders revealed mixed views about Australia's live exports to the UAE — some supporting and others opposing to this trade. It was consistently noted, however, that the extent and nature of this trade is largely within the control of the Australian government.

Social and human rights issues

While most stakeholders focused on the economic potential of an FTA, some submissions suggested other social, political and environmental issues that may need to be taken into account in the negotiation.

Some stakeholders raised concerns about human rights conditions in the Middle East in general and the UAE in particular. This includes concerns around labour rights and related issues. These submissions argued that some conditions should be required in the negotiations to ensure 'fair trading relationships with all countries, based on the principles of human rights, labour rights and environmental sustainability.'

Submissions suggested that such conditions may include, for example, ratification of important international human rights treaties, improvement in human rights and labour market legislation.

It is important to note that the UAE continues to make adjustments to labour rights legislation including a 2021 regulation of labour relations in the private sector that prohibits forced labour and discrimination on the basis of gender, race, colour, sex, religion, national or social origin or disability⁷¹.

Environmental issues

Some stakeholders also raised environmental protection issues — including climate change — given that the UAE being a large fossil fuel producer. That said, it is important to note that the UAE is aiming to be a regional leader on tackling climate change. It was the first country in the Middle East and North Africa region to commit to net zero emissions by 2050. The UAE will host COP28 in 2023. Australia has joined the UAE led Agriculture Innovation Mission for Climate (AIM-C) and the (the UAE/Indonesia co-led) Mangrove Alliance for Climate (MAC), an initiative that seeks to increase global mangrove cover by 20 per cent by 2030.

In fact, the proposed FTA with the UAE may help to further boost the cooperation between Australia and the UAE in environmental matters, increasing two-way investment in renewable energy, including hydrogen, through engagement with the Australia UAE-Business Council.

⁷¹ See <https://u.ae/en/information-and-services/jobs/labour-rights#:~:text=The%20law%20prohibits%20forced%20labour,Issuing%20Federal%20Decree%20Law%20No.>

A *Armington elasticity for regional allocation*

A.1 **Armington elasticity for regional allocation of imports**

Number	Code	Description	Elasticity (ESUBM)
1	pdr	Rice: seed, paddy	10.1
2	wht	Wheat: seed, other	8.9
3	gro	Other grains	2.6
4	v_f	Vegetables, fruit and nuts	3.7
5	osd	Oil seeds	4.9
6	c_b	Sugar crops	5.4
7	pfb	Fibres crops	5.0
8	ocr	Other crops	6.5
9	ctl	Cattle	4.0
10	oap	Other animal products	2.6
11	rmk	Raw milk	7.3
12	wol	Wool	12.9
13	frs	Forestry	5.0
14	fsh	Fishing and hunting	2.5
15	coa	Coal mining	6.1
16	oil	Extraction of crude petroleum	10.4
17	gas	Extraction of natural gas	34.4
18	oxt	Other mining	1.8
19	cmt	Cattle meat	7.7
20	omt	Other meat	8.8
21	vol	Vegetable oils	6.6
22	mil	Dairy products	7.3
23	pcr	Processed rice	5.2
24	sgr	Sugar and molasses	5.4
25	ofd	Other food	4.0
26	b_t	Beverages and tobacco products	2.3
27	tex	Textile	7.5
28	wap	Wearing apparel	7.4
29	lea	Leather and related products	8.1
30	lum	Lumber and wood products	6.8
31	ppp	Paper and paper products	5.9
32	p_c	Refined petroleum and coke	4.2
33	chm	Chemicals and chemical products	6.6
34	bph	Pharmaceuticals	6.6

Number	Code	Description	Elasticity (ESUBM)
35	rpp	Rubber and plastic products	6.6
36	nmm	Other non-metallic mineral products	5.8
37	i_s	Iron and steel	5.9
38	nfm	Non-ferrous metals	8.4
39	fmp	Fabricated metal products	7.5
40	ele	Computer, electronic and optical products	8.8
41	eeq	Electrical equipment	8.8
42	ome	Other machinery and equipment	8.1
43	mvh	Motor vehicles	5.6
44	otn	Other transport equipment	8.6
45	omf	Other manufacturing	7.5
46	ely	Electricity	5.6
47	gdt	Gas manufacture and distribution	5.6
48	wtr	Water supply, sewerage and waste management	5.6
49	cns	Construction	3.8
50	trd	Wholesale and retail trade	3.8
51	afs	Accommodation and food services	3.8
52	otp	Land transport and pipelines	3.8
53	wtp	Water transport	3.8
54	atp	Air transport	3.8
55	whs	Warehousing and support activities	3.8
56	cmn	Information and communication	3.8
57	ofi	Other financial intermediation	3.8
58	ins	Insurance	3.8
59	rsa	Real estate services	3.8
60	obs	Other business services	3.8
61	ros	Recreation and other services	3.8
62	osg	Other government services	3.8
63	edu	Education	3.8
64	hht	Human health and social work	3.8
65	dwe	Ownership of dwellings	3.8

Source: GTAP database version 10

B Top 20 growing sectors in Australian exports: FTA scenarios

This appendix presents the estimated top 20 sectors with the highest expected growth in Australian exports to the UAE under different Free Trade Agreement (FTA) scenarios, including those under the Singaporean FTA, EFTA FTA, and Indian CEPA.

Singapore-style FTA

B.1 Top 20 growing export sectors (SITC 3-digit) under the Singaporean FTA

	Base export value ^a	MFN rate	FTA offer	Implied price change	Elasticity	Export growth	
	\$m	%	%	%		%	\$m
Aluminium ores & conc (incl alumina)	1,186.23	5.00	0.00	-4.76	1.80	8.57	101.68
Crude petroleum	80.39	5.00	0.00	-4.76	10.40	49.52	39.81
Passenger motor vehicles	126.73	5.00	0.44	-4.34	5.60	24.32	30.82
Meat (excl beef), f.c.f.	229.37	1.50	0.00	-1.47	8.80	12.96	29.73
Vehicle parts & accessories	106.02	5.00	0.00	-4.76	5.60	26.67	28.27
Vegetables, f.c.f.	133.36	3.84	0.00	-3.70	3.70	13.69	18.25
Pearls & gems	56.04	5.00	0.00	-4.76	5.80	27.62	15.48
Nickel	38.54	5.00	0.00	-4.76	8.40	40.00	15.41
Uncoated flat-rolled iron & steel	49.69	5.00	0.00	-4.76	5.90	28.10	13.96
Edible products & preparations, nes	73.58	4.94	0.00	-4.71	4.00	18.83	13.86
Oil-seeds & oleaginous fruits, soft	51.74	5.00	0.00	-4.76	4.90	23.33	12.07
Worn clothing & rags	33.75	5.00	0.00	-4.76	7.40	35.24	11.89
Milk, cream, whey & yoghurt	38.99	5.00	2.24	-2.63	7.30	19.18	7.48
Fruit & nuts	91.94	2.22	0.00	-2.17	3.70	8.04	7.40
Jewellery	20.24	5.00	0.00	-4.76	7.50	35.71	7.23
Beef, f.c.f.	113.66	0.79	0.00	-0.79	7.70	6.05	6.88
Mechanical handling equip & parts	16.52	4.75	0.00	-4.53	8.10	36.72	6.07
Aircraft, spacecraft & parts	13.45	5.00	0.00	-4.76	8.60	40.95	5.51
Specialised machinery & parts	30.26	2.04	0.00	-2.00	8.10	16.18	4.90

	Base export value ^a	MFN rate	FTA offer	Implied price change	Elasticity	Export growth	
	\$m	%	%	%		%	\$m
Internal combustion piston engines	12.65	5.00	0.00	-4.76	8.10	38.57	4.88
Total	2,503.16						381.57

^a Australia's average annual exports to the UAE over five years from 2015 to 2019

Source: CIE estimates

EFTA-style FTA

B.2 Top 20 growing export sectors (SITC 3-digit) under the EFTA FTA

	Base export value ^a	MFN rate	FTA offer	Implied price change	Elasticity	Export growth	
	\$m	%	%	%		%	\$m
Aluminium ores & conc (incl alumina)	1,186.23	5.00	0.00	-4.76	1.80	8.57	101.68
Crude petroleum	80.39	5.00	0.00	-4.76	10.40	49.52	39.81
Passenger motor vehicles	126.73	5.00	0.00	-4.76	5.60	26.67	33.79
Meat (excl beef), f.c.f.	229.37	1.50	0.00	-1.47	8.80	12.96	29.73
Vehicle parts & accessories	106.02	5.00	0.00	-4.76	5.60	26.67	28.27
Vegetables, f.c.f.	133.36	3.84	0.00	-3.70	3.70	13.69	18.25
Pearls & gems	56.04	5.00	0.00	-4.76	5.80	27.62	15.48
Nickel	38.54	5.00	0.00	-4.76	8.40	40.00	15.41
Uncoated flat-rolled iron & steel	49.69	5.00	0.00	-4.76	5.90	28.10	13.96
Milk, cream, whey & yoghurt	38.99	5.00	0.00	-4.76	7.30	34.76	13.56
Oil-seeds & oleaginous fruits, soft	51.74	5.00	0.00	-4.76	4.90	23.33	12.07
Worn clothing & rags	33.75	5.00	0.00	-4.76	7.40	35.24	11.89
Edible products & preparations, nes	73.58	4.94	1.65	-3.14	4.00	12.55	9.23
Fruit & nuts	91.94	2.22	0.00	-2.17	3.70	8.04	7.40
Jewellery	20.24	5.00	0.00	-4.76	7.50	35.71	7.23
Beef, f.c.f.	113.66	0.79	0.00	-0.79	7.70	6.05	6.88
Mechanical handling equip & parts	16.52	4.75	0.00	-4.53	8.10	36.72	6.07
Aircraft, spacecraft & parts	13.45	5.00	0.00	-4.76	8.60	40.95	5.51
Specialised machinery & parts	30.26	2.04	0.00	-2.00	8.10	16.18	4.90
Internal combustion piston engines	12.65	5.00	0.00	-4.76	8.10	38.57	4.88
Total	2,503.16						386.00

^a Australia's average annual exports to the UAE over five years from 2015 to 2019

Source: CIE estimates

Indian CEPA

B.3 Top 20 growing export sectors (SITC 3-digit) under the EFTA FTA

	Base export value ^a	MFN rate	FTA offer	Implied price change	Elasticity	Export growth	
	\$m	%	%	%		%	\$m
Aluminium ores & conc (incl alumina)	1,186.23	5.00	0.00	-4.76	1.80	8.57	101.68
Crude petroleum	80.39	5.00	0.00	-4.76	10.40	49.52	39.81
Passenger motor vehicles	126.73	5.00	0.00	-4.76	5.60	26.67	33.79
Meat (excl beef), f.c.f.	229.37	1.50	0.00	-1.47	8.80	12.97	29.74
Vehicle parts & accessories	106.02	5.00	0.00	-4.76	5.60	26.67	28.27
Vegetables, f.c.f.	133.36	3.84	0.00	-3.70	3.70	13.69	18.25
Pearls & gems	56.04	5.00	0.00	-4.76	5.80	27.62	15.48
Nickel	38.54	5.00	0.00	-4.76	8.40	40.00	15.41
Uncoated flat-rolled iron & steel	49.69	5.00	0.00	-4.76	5.90	28.10	13.96
Edible products & preparations, nes	73.58	4.94	0.00	-4.71	4.00	18.84	13.86
Milk, cream, whey & yoghurt	38.99	5.00	0.00	-4.76	7.30	34.76	13.56
Oil-seeds & oleaginous fruits, soft	51.74	5.00	0.00	-4.76	4.90	23.33	12.07
Worn clothing & rags	33.75	5.00	0.00	-4.76	7.40	35.24	11.89
Fruit & nuts	91.94	2.22	0.00	-2.17	3.70	8.04	7.40
Jewellery	20.24	5.00	0.00	-4.76	7.50	35.71	7.23
Beef, f.c.f.	113.66	0.79	0.00	-0.79	7.70	6.05	6.88
Mechanical handling equip & parts	16.52	4.75	0.00	-4.53	8.10	36.72	6.07
Aircraft, spacecraft & parts	13.45	5.00	0.00	-4.76	8.60	40.95	5.51
Specialised machinery & parts	30.26	2.04	0.00	-2.00	8.10	16.18	4.90
Internal combustion piston engines	12.65	5.00	0.00	-4.76	8.10	38.57	4.88
Total	2,503.16						390.64

^a Australia's average annual exports to the UAE over five years from 2015 to 2019

Source: CIE estimates



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