UNITED ARAB EMIRATES

TRADE SUMMARY

The U.S. goods trade surplus with United Arab Emirates was $20.3 billion in 2012, an increase of $6.9 billion from 2011. U.S. goods exports in 2012 were $22.6 billion, up 41.9 percent from the previous year. Corresponding U.S. imports from United Arab Emirates were $2.2 billion, down 8.2 percent. United Arab Emirates is currently the 17th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in United Arab Emirates was $5.8 billion in 2011 (latest data available), up from $4.7 billion in 2010. U.S. FDI in the United Arab Emirates is led by the mining, wholesale trade, and manufacturing sectors.

IMPORT POLICIES

Tariffs

As a member of the Gulf Cooperation Council (GCC), the UAE applies the GCC common external tariff of 5 percent, with a limited number of GCC-approved country-specific exceptions. The UAE's exceptions include alcohol (50 percent) and tobacco (100 percent). A total of 811 items are exempt from customs duties, including imports of the diplomatic corps, military goods, personal goods, used household items, gifts, returned goods, and imports by philanthropic societies.

Import Licenses

Only firms with an appropriate license are permitted to engage in importation, and only UAE-registered companies, which must have at least 51 percent UAE ownership, may obtain such a license. This licensing provision does not apply to goods imported into free zones. Some goods for personal consumption do not require import licenses.

Documentation Requirements

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

GOVERNMENT PROCUREMENT

The UAE grants a 10 percent price preference for local firms in government procurement. The UAE requires companies to register with the government before they can participate in government procurement, but to be eligible for registration, a company must have at least 51 percent UAE ownership. This requirement does not apply to major projects or defense contracts where there is no local company able to provide the goods or services required. Both the federal government and the Abu Dhabi Emirate government are incorporating electronic procurement and tendering systems to ease the process and cost for suppliers and contractors.

The UAE's Industrial Development Program, previously known as the UAE Offset Program, requires defense contractors that are awarded contracts valued at more than $10 million to establish commercially viable joint ventures with local business partners that would be projected to yield profits equivalent to 60 percent of the contract value within a specified period (usually 7 years). To date, more than 40 such joint venture projects have been launched. There are also reports indicating that defense contractors can sometimes satisfy their offset obligations through an up-front, lump-sum payment directly to the UAE Industrial Development Program.

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

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The UAE has made the protection of intellectual property a priority in recent years. In 2011, the UAE established an independent office for intellectual property rights (IPR) at the Ministry of Economy and appointed an assistant undersecretary position for IPR for the first time. According to 2012 industry estimates, the rate of software piracy in the UAE remained the lowest in the Middle East and, after South Africa, the second lowest in the Middle East and Africa. While the UAE is recognized as a regional leader in fighting software piracy, some industry stakeholders believe the UAE could do more. For example, the recording industry has raised concerns regarding the UAE's failure to establish a royalty collecting mechanism for the use of recorded music. In addition, U.S. rights holders have raised concerns regarding the lack of transparency and information exchange when UAE customs officials conduct raids and seizures. The UAE government continues to work to improve protection of IPR by launching public awareness campaigns and seizing huge quantities of counterfeit goods, including CDs, DVDs, perfume, car parts, watches, garments, medicine, television and stereo sets, and printers. In May 2012, the Ministry of Economy announced preparations for a new law against commercial fraud and concealment, which UAE officials assert would boost IPR protection.

As the six Member States of the GCC explore further harmonization of their IPR regimes, the United States will continue to engage with GCC institutions and the Member States and provide technical cooperation on intellectual property policy and practice.

SERVICES BARRIERS

Agent and Distributor Rules

In order to distribute products in the UAE, foreign firms must employ a local agent. The Agency Law (Federal Law Number 18 of 1981 on the Organization of Commercial Agencies as amended by Federal Law Number 14 of 1988) established requirements for registered commercial agents. Only UAE nationals or companies wholly owned by UAE nationals can register with the Ministry of Economy as commercial agents.

The UAE government allows some food products to be sold by foreign companies without a local agent in order to stabilize the prices of these products. In January 2012, the UAE Cabinet approved the addition of 12 commodities to the previous list of 15 goods that can be sold without a local agent, including livestock, dairy products, fats and oils, honey, eggs, fruit juices, salt, yeast, animal feed, detergents, and hygiene products.

In March 2010, the UAE amended certain provisions of the Agency Law in Federal Law Number 2 of 2010 to prevent the termination or non-renewal of a commercial agency unless the foreign principal has material reason to justify the termination or non-renewal. In addition, the foreign principal may not re-register a commercial agency in the name of another agent even if the previous agency was for a fixed term unless: (1) it is amicably terminated by the principal and the agent; (2) termination or non-renewal is for justifiable reasons that are satisfactory to the Commercial Agencies Committee; or (3) a final judicial judgment is issued ordering the cancellation of the agency.

The 2010 amendments also reinstated (after being eliminated in 2006) the specialized Commercial Agencies Committee, which has original jurisdiction over disputes involving registered commercial agents. The UAE Cabinet further outlined the responsibilities of the Committee in April 2011 in Resolution Number 3 of 2011 (Concerning the Commercial Agency Committee). These responsibilities include receiving applications for settling agency disputes and managing the process of cancelling registered agencies. The Committee is permitted to abstain from settling a dispute referred to it and can advise the parties to refer the matter to litigation. A party may challenge the determination of the Committee by bringing a matter to the UAE courts within 30 days of receiving notice of the Committee's resolution. The Committee is permitted to seek the assistance of any expert or "appropriate person" for performing its duties. It also has the right to demand the submission of further information and documentation involved in the dispute.

Telecommunications

The UAE currently has two telecommunications companies that are largely government owned: Emirates Telecommunications Corporation (Etisalat), the former telecommunications monopoly; and Emirates Integrated Technology Company (which operates under the trade name Du). The UAE has committed that after December 31, 2015 it will issue more licenses, thereby eliminating the duopoly. While the Telecommunications Regulation Authority (TRA) reiterated in 2012 that it has no plans to grant licenses to any new operator before the end of 2015, local media reported in July 2012 that Etisalat is in talks with the UAE government about lifting the prohibition on foreign ownership of its stock.

The UAE restricts the provision of Voice over Internet Protocol (VoIP) services to licensed telecommunications companies. U.S. providers of VoIP services have raised concerns that the UAE limits their ability to provide these services by licensing only the two current telecommunications companies; other companies using this technology are subject to having their services blocked.

Transportation

Federal Law Number 9 of 2011 on Land Transport and Public Roads authorizes the National Transport Authority (NTA) to oversee licensing of all commercial transport vehicles, including those used by couriers. The NTA asserts that the law is intended to improve security and safety for land transportation across the UAE. However, Article Number 3 of the law restricts licenses of transportation activity to UAE citizens only.

Insurance

Foreign insurance companies may operate only as branches in the UAE. An insurance company established in the UAE must be a public joint stock company, with foreign equity limited to 25 percent. Since 2008, new insurance licenses have been issued only to UAE and GCC firms.

The Emirate of Abu Dhabi limits insurance coverage for construction projects and companies under the Abu Dhabi National Oil Company to Abu Dhabi-based insurance companies.

INVESTMENT BARRIERS

Except for those located in one of the UAE's free zones, companies must have at least 51 percent UAE ownership. A company engaged in importation and distribution must be either a 100 percent UAE-owned agency or a 51 percent UAE-owned limited liability company. The UAE government is reportedly considering liberalizing specific sectors where there is a need for foreign expertise or where local investments are insufficient to sustain 100 percent local ownership, but has yet to enact measures to achieve this end.

Foreign investors continue to raise concerns about resolution of investment disputes in the UAE. Among other issues, they are concerned that pursuing arbitration in disputes with a local company may jeopardize business activities in the UAE, and are concerned about a lack of impartiality within domestic courts and the long dispute resolution process in the domestic court system. Both the federal government and the Dubai Emirate government have taken steps to address these concerns. Such steps include a new commercial arbitration law, and the expansion of the jurisdiction of the Dubai International Financial Center courts to include commercial parties not located within the Center.

U.S. companies continue to raise concerns about lengthy delays and burdensome procedures in receiving payment for projects undertaken in the UAE, particularly for work done on behalf of certain government entities.