UNITED ARAB EMIRATES

TRADE SUMMARY

U.S. goods exports in 2013 were $24.6 billion, up 9.1 percent from the previous year. Corresponding U.S. imports from United Arab Emirates were $2.3 billion, up 1.7 percent. The U.S. goods trade surplus with United Arab Emirates was $22.3 billion in 2013, an increase of $2.0 billion from 2012. 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 $7.8 billion in 2011 (latest data available), up from $5.9 billion in 2011. Reported U.S. FDI in the United Arab Emirates is led by the finance/insurance sector.

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 requirement does not apply to goods imported into free zones. Some goods for personal consumption also 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

In 2013, the UAE established a set-aside of 10 percent of federal government procurement to support small and medium size enterprises (SMEs). This is in addition to the UAE's already existent 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, and in order 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 Tawazun Economic Council, 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). While industry has commented that the complexity of the offset program complicates implementation, over 40 such joint venture projects have been launched.

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

INTELLECTUAL PROPERTY RIGHTS PROTECTION

The music recording industry has continuously raised concerns regarding the UAE's failure to establish a royalty collecting mechanism for the use of recorded music. However, industry representatives indicate that the ministry responsible for administering the UAE copyright law, the Ministry of Economy, is closer to establishing such a mechanism in cooperation with various U.S. and local stakeholders.

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 of pirated and counterfeit goods. The UAE government continues to work to improve protection of intellectual property rights (IPR) by launching public awareness campaigns and seizing counterfeit goods, including CDs, DVDs, perfume, car parts, watches, garments, medicine, television and stereo sets, and printers. The Ministry of Economy announced preparations for a new law combatting commercial fraud, which UAE officials assert would boost IPR protection and enforcement. However, the international business community has expressed concerns with provisions in the draft law regarding the return of counterfeit items to their point of origin, rather than requiring immediate destruction. Ministry of Economy officials have assured that these particular provisions will be removed. As of December 2013, the UAE Federal National Council reported that the draft law is currently under review.

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 a 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. 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.

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 was implemented in September 2013 and restricts licenses of all commercial transport vehicles, including those used by couriers, 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, and foreign equity is limited to 25 percent. Since 2008, new UAE 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 national insurance companies.

INVESTMENT BARRIERS

Companies must have at least 51 percent UAE ownership, except for those located in one of the UAE's free zones. More specifically, 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 considered a revision to its Company Law that would liberalize specific sectors where there is a need for foreign expertise or where local investments are insufficient to sustain 100 percent local ownership. However, in February 2013, the UAE Federal National Council rejected a clause in the revised Company Law that would have allowed foreigners to fully own certain companies. The Ministry of Economy says it may reconsider this clause in an upcoming draft law on foreign investments.

In February 2013, the UAE also passed the Competition Law which introduced regulations on restrictive agreements, abuse of market power, and mergers and acquisitions. The law prohibits all agreements or alliances among establishments that aim to reduce or prevent competition, including schemes to fix prices through restricted production or distribution of goods or services. The law also bans collusion in bidding or refusal to deal with certain establishments during the bidding process, as well as market-sharing schemes that block market access for other establishments. Any dominant establishment is proscribed from abusing its position by engaging in price-fixing, predatory pricing, discrimination between customers with similar contracts without justification, and forcing customers to refrain from dealing with competing entities. The law includes stiff financial penalties ranging from approximately $140,000 to $1,400,000. However, since the law allows for exemptions for individual companies and does not cover telecommunications, transportation, oil and gas, finance and government enterprises, Emirati-owned firms do not face penalties if they engage in anti-competitive practices in these sectors.

Foreign investors continue to raise concerns about the 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. They have also raised concerns about a lack of impartiality within the Emirati court system, as well as about the length of dispute resolution proceedings within the domestic court system. Both the federal government and the Dubai emirate government have taken steps to address these concerns. For example, the federal government is drafting a new commercial arbitration law, and the Dubai International Financial Center courts are expanding their jurisdiction to include commercial parties not located within the center. Additionally, a new arbitration center is planned for the upcoming financial free zone in Abu Dhabi, the Abu Dhabi Global Market. The chambers of commerce in different Emirates have also established centers for commercial reconciliation and arbitration to help address dispute resolution issues.

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.