U.S. DEPARTMENT OF STATE

DIPLOMACY IN ACTION

Executive Summary

The UAE maintains a position as the major trade and investment hub for a large geographic region, which includes not only the Middle East and North Africa, but also South Asia, Central Asia, and Sub-Saharan Africa. The country ranked 19th in the World Economic Forum's 2013-2014 Global Competitiveness Index, and 23rd on the World Bank's 2013 Doing Business report, improvements of five and three places respectively from the previous year. Multinational companies cite the UAE's political and economic stability, rapid population and GDP growth, efficient and fast growing capital markets, an absence of corporate and personal taxes, or any evidence of systematic corruption, as positive factors maintaining the UAE's attractiveness to foreign investors, with inward FDI recording a 20% year-on-year increase to reach $12 billion, accounting for over 40% of the total inward FDI of the entire GCC.

Despite the rapid growth and high levels of foreign investment, the regulatory and legal framework in the UAE favors local over foreign investors. There is no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. The UAE maintains non-tariff barriers to investment in the form of restrictive agency, sponsorship, and distributorship requirements. In order to do business in the UAE outside one of the free zones, a foreign business in most cases must have a UAE national sponsor, agent or distributor, with at least 51% of the business. Foreign investors also express concern over weak dispute resolution mechanisms and insolvency laws, spotty intellectual property rights protections, and a lack of regulatory transparency. Labor rights and conditions, although improving and an area of focus for the UAE Government (UAEG), require continued attention as the UAE does not provide workers with the right to organize or collective bargaining rights.

The UAEG is however, opening up its trade sectors in line with its WTO obligations. Investment laws and regulations are evolving and are expected to become more conducive to foreign investment. There are currently several major federal laws in draft status meant to address a number of the concerns that have discouraged foreign investment in the UAE. These laws include updates to the existing Companies Law, Insolvency Law, and Arbitration Law, in addition to a proposed Foreign Investment Law. The UAEG has publicly declared its commitment to cut red tape for foreign investors with the intent of not only becoming the most competitive economy in the Gulf but one of the top economies globally.

Overall, despite its challenges, foreign companies and investors continue to find the UAE a profitable and attractive destination for operations and investment.

1. Openness to, and Restrictions Upon, Foreign Investment

Investment laws and regulations are evolving in the United Arab Emirates (UAE) and are expected to become more conducive to foreign investment. At present, the regulatory and legal framework favors local over foreign investors. There is no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. The UAE maintains non-tariff barriers to investment in the form of restrictive agency, sponsorship, and distributorship requirements. In order to do business in the UAE outside one of the free zones, a foreign business in most cases must have a UAE national sponsor, agent or distributor, with at least 51% of the business. However, the UAE Government (UAEG) is opening up its trade sectors in line with its WTO obligations. The UAEG has publicly declared its commitment to cut red tape for foreign investors with the intent of not only becoming the most competitive economy in the Gulf but one of the top economies globally.

Regulation of the establishment and conduct of business in the UAE is shared at the federal and emirate levels, with the ultimate authority at the federal level on most matters. The UAE Federal Cabinet will from time to time send draft laws to the emirate governments for comment and definition, which must then be resubmitted for full promulgation by the federal government. Many federal government functions, such as customs enforcement, are enforced primarily by emirate level authorities.

There is no personal income tax in the UAE. Foreign banks, outside of the free zones, pay 20 percent tax on their profits. Foreign oil companies with equity in concessions pay taxes and royalties on their proceeds. There are no consumption taxes, and the GCC states formally implemented a single import tariff of five percent on most goods January 1, 2003. Companies located in the numerous "free zones" across the UAE are exempt from the tariff on imports and re-exports that do not leave the zones. The exceptions to the five percent tariff in the UAE are a 50 percent tariff for alcohol, a 100 percent tariff for tobacco, and duty exemptions for 53 food and agricultural items. There are significant restrictions on importation of firearms and pork products. Import tariffs are collected and retained by each emirate. Dubai imposes a rental housing tax on expatriates equaling five percent of the rental charges. The GCC, including the UAE, has previously considered establishing a VAT across its six member states. However, according to local government officials, a VAT is not imminent. Hotels and some restaurants/coffee shops charge 10 to 15 percent service charges, which may be listed as a “service charge” or “municipality fee” on the bill.

Currently, there are four major federal laws affecting foreign investment in the UAE: the Companies Law, the Commercial Agencies Law, the Industry Law, and the Government Tenders Law. These laws, especially the Federal Companies Law, are seen as the largest obstacles to foreign direct investment in the UAE.

The Federal Companies Law applies to all commercial companies established in the UAE and to branch offices of foreign companies operating in the UAE. Companies established in the UAE are required to have a minimum of 51 percent UAE national ownership. Regardless, profits may be apportioned differently and often are negotiated at fixed amounts. Branch offices of foreign companies are required to have a national agent with 100% UAE national ownership unless the foreign company has established its office pursuant to an agreement with the federal or an emirate government. The new draft Companies Law, as reported by government media, is near final form and awaits the final determinations from the President before it is decreed and published in the national gazette. However, the revised draft has been under consideration for several years and there has been no guidance given as to how quickly the new law might be issued and implemented.

Foreign investors may purchase 108 of the 135 issues on the UAE stock markets, the Abu Dhabi Securities Market (ADX) and Dubai Financial Market (DFM). The remaining 27 issues are primarily those of government-related entities (GREs), such as the national telecommunications and oil companies. Companies on the exchanges are subject to the Federal Companies Law, thus foreign investors are allowed to own up to 49 percent of a company. However, some company by-laws prohibit foreign ownership, and others limit it to less than the legally allowable 49 percent, although several major companies raised their foreign ownership limits in 2013 in anticipation of an increase in foreign investment generated by announcements that ratings agencies MSCI and Standard & Poor's would upgrade the UAE from "frontier" to "emerging" market status. The international financial crisis and foreign speculation contributed to significant declines in local equity valuations since 2008, but the markets have rebounded strongly in 2013. The Emirates Securities and Commodities Authority (SCA), the UAE's regulator, is considering raising the minimum level of capital for brokerages.

The Commercial Agencies Law provisions are collectively set out in Federal Law No. 18 of 1981 on the Organization of Commercial Agencies as amended by Federal Law No. 14 of 1988 (the Agency Law) and applies to all registered commercial agents. Federal Law No. 18 of 1993 (Commercial) and Federal Law No. 5 of 1985 (Civil Code) govern unregistered commercial agencies. The Commercial Agencies Law requires that foreign principals distribute their products in the UAE only through exclusive commercial agents that are either UAE nationals or companies wholly owned by UAE nationals. The foreign principal can appoint one agent for the entire UAE or for a particular emirate or group of emirates. The Ministry of Economy handles registration of commercial agents. It remains difficult, if not impossible, to sell in UAE markets without a local agent. Only UAE nationals or companies wholly owned by UAE nationals can register with the Ministry of Economy as local agents.

The federal Industry Law stipulates that industrial projects must have 51 percent UAE national ownership. The law also requires that projects either be managed by a UAE national or have a board of directors with a majority of UAE nationals. Exemptions from the law are provided for projects related to extraction and refining of oil, natural gas, and other raw materials. Additionally, projects with a small capital investment or projects governed by special laws or agreements are exempt from the industry law.

In September 2011, the Ministry of Economy announced that 19 federal laws were in draft status and government leaders have said that these laws would address a number of concerns that have discouraged foreign investment in the UAE. These laws include updates to the Companies Law, Insolvency Law, and Arbitration Law, in addition to a proposed Foreign Investment Law. The Draft Commercial Companies Law reached a milestone in May 2013 when it was passed by the Federal National Council (the "FNC"). The final steps towards enactment of the law include signature by the President and publication in the Official Gazette. The law, when enacted, should provide a stronger, more modern basis for corporate regulation in the UAE. However, the draft provisions that would have relaxed the foreign ownership limit were rejected by the FNC. An FNC spokesperson stated that this topic will be addressed in a separate draft "Investment Law."

According to media outlets, the new Investment Law would give the UAE cabinet the power to allow foreign ownership of up to 100 percent in companies outside free zones. Decisions would be made by an oversight board on an exceptional basis, taking into account the uniqueness of the project or company, its positioning in the UAE's overall economic strategy, and employment of UAE citizens. The new law would include a regulatory framework for such foreign investment and would detail advantages, tax exemptions and guarantees for foreign investors, as well as rights and obligations.

In February 2013, the UAE Government finalized the drafting of a new anti-corruption law in accordance with the United Nations Convention against Corruption. That same month, a new competition law came into force with the aim of providing a comprehensive regime covering merger controls, prohibitions on restrictive agreements, and prohibitions on abuse of a dominant market position. In June 2013, the FNC passed a draft law on small and medium-sized enterprises (SMEs) to facilitate the promotion and development of these enterprises. According to the draft law, federal departments have to award at least 10 percent of their purchases of goods and services to micro, small and medium enterprises. The law is waiting the President's signature. In December 2013, the long awaited insolvency draft law reached the Ministry of Justice for its approval. The arbitration law is still in the drafting stage. None of these laws have yet been published in the official gazette, which is the final step before implementation.

The UAE restricts foreign ownership of land, with rules varying from emirate to emirate. Individual emirate policies allow non-GCC nationals to have freehold or leasehold rights in designated areas, but do not give property owners permanent residence visas or an automatic right to work in the emirate. However, because specific laws regarding "freehold" ownership remain to be codified and procedures for title documentation and conveyance remain to be established, potential buyers are unsure whether they will have an absolute "freehold" title that means the same as it does in Europe or the United States.

In February 2009, the Higher Corporation for Specialized Economic Zones (ZonesCorp), an industrial zone based in Abu Dhabi, signed Memorandums of Understanding with the Ministry of Economy (MoE) and the Abu Dhabi Chamber of Commerce and Industry (ADCCI) to develop an industrial environment in Abu Dhabi and facilities, transactions and services for local, regional and international investors. Through the electronic exchange of data and information, the MoU gives ZonesCorp the authority to issue, amend and renew Chamber of Commerce Certificates for industrial businesses operating in the industrial cities, as well as collect fees on the Chamber's behalf, streamlining the process and saving time for investors. ZonesCorp has also established a one-stop-shop for investors.

In 2008, the Abu Dhabi Chamber of Commerce and Industry also created a one-stop shop for investors, with the exception of investors dealing in Israeli currency and the currencies of those countries subject to United Nations sanctions.

In 2006, the UAE Cabinet amended the law regarding ownership of insurance companies to state that insurance companies must be 75 percent owned by a UAE national or 100 percent by UAE legal persons, i.e., a UAE corporation. No new insurance companies or new branches have been authorized since 2008. Any new companies entering the market are required to meet high level international rating criteria and must complete a viability study to prove that it will be offering new products to the market. About half of the insurance companies in the UAE are foreign.

The UAE ranked 19th in the World Economic Forum's 2013-2014 Global Competitiveness Index.

Measure	Year	Ranking
TI Corruption Index	2013	26th
Heritage Economic Freedom	2014	28th
World Bank Doing Business	2014	23rd
MCC Government Effectiveness	NA	
MCC Rule of Law	NA	
MCC Control of Corruption	NA	
MCC Fiscal Policy	NA	
MCC Trade Policy	NA	
MCC Regulatory Quality	NA	
MCC Business Start Up	NA	
MCC Land Rights Access	NA	
MCC Natural Resource Mgmt	NA	
MCC Access to Credit	NA	
MCC Inflation	NA	

2. Conversion and Transfer Policies

The UAE's exchange system is generally free of restrictions on payments and transfers from international transactions. The UAEG passed comprehensive anti-money laundering legislation following the attacks of September 11, 2001, that imposes strict documentary requirements on large wire transfers.

Travelers entering the UAE must declare currency amounts of more than 100,000 Dirhams (approximately USD 27,250) as part of these measures.

Since February 2002, the UAE dirham has been officially fixed to the U.S. dollar. The exchange rate is 3.67 UAE dirhams per one U.S. dollar. Every bank transaction in U.S. dollars is subject to a one percent fee. In 2009, UAE withdrew from the planned GCC monetary union.

3. Expropriation and Compensation

Foreign investors have not been involved in any expropriations in the UAE in recent years. There are no set rules governing compensation if expropriations were to occur, and individual emirates probably would treat this differently. In practice, authorities in the UAE would not expropriate unless there was a compelling development or public interest need to do so, and in such cases compensation would likely be generous.

4. Dispute Settlement

There have been a few substantial investment disputes during the past few years involving U.S. or other foreign investors and government and/or local businesses. There have also been several contractor/payment disputes, with the government as well as local businesses. Dispute resolution can be difficult and uncertain. Disputes generally are resolved by direct negotiation and settlement between the parties themselves, by recourse in the legal system, or arbitration. Small, medium, and some larger enterprises continue to fear being frozen out of the UAE market for escalating payment issues through civil or arbitral courts, particularly when politically influential local parties are involved. Some firms may feel compelled to exit the UAE market, as they are unable to sustain pursuit of legal or dispute resolution mechanisms that can add months or years to the dispute resolution process. Arbitration may commence by petition to the UAE federal courts on the basis of mutual consent (a written arbitration agreement), independently (by nomination of arbitrators), or through a referral to an appointing authority without recourse to judicial proceedings. Enforcing arbitration judgments rendered in the UAE requires court certification and can be a lengthy process. Judicial proceedings may continue for several years and can be invalidated for procedural considerations.

The UAEG's accession to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards became effective in November 2006. An arbitration award issued in the UAE is now enforceable in all 138 states that have acceded to the Convention, and any award issued in another member state is directly enforceable in the UAE. The Convention supersedes all incompatible legislation and rulings in the UAE, and should be welcomed by many businesses that consider arbitration the most advantageous form of dispute resolution. The Embassy does not yet have any experience with U.S. firms attempting to use arbitration under the UN convention on the recognition and enforcement of foreign arbitral awards. A 2010 case in the emirate of Fujairah was the first reported recognition of a foreign arbitral judgment but its collection status is unknown. Concerns have been raised about delays and other obstacles encountered by firms seeking to enforce their arbitration awards in the UAE despite the recognition of progress in compliance with this convention. More recently, an appeal on a foreign arbitration award in the Dubai Court of First Instance was upheld. A local office of an international law firm said that the successful appeal is a “significant milestone for the profile of Dubai and the UAE as a progressive jurisdiction for handling international commercial disputes.”

The UAE constitution established a federal court system while acknowledging the right of the individual emirates to opt out, which Abu Dhabi, Dubai and Ras Al Khaimah have done. However, some issues must be heard in the federal court system, namely: security matters, conflicts between emirates, constitutionality of a federal law, trials of ministers and senior officials and jurisdictional issues.

There is no independent judiciary in the UAE. The Ministry of Justice appoints judges to the federal courts, while judges in Abu Dhabi, Dubai and Ras Al Khaimah are appointed by the respective rulers of those emirates. The majority of judges are non-Emirati. Each emirate applies federal law in its judicial system. While there is some variation, each system generally consists of the courts of first instance, courts of appeal, and a court of cassation. The federal Supreme Court sits in Abu Dubai. The court of first instance consists of civil, criminal, and Sharia (Islamic law) courts. Sharia law is applicable to both Muslims and non-Muslims, but the UAE’s

Sharia courts focused primarily on family, inheritance and personal status matters. A properly executed last will and testament will take precedence, however, and is recommended by local attorneys as the best way for expatriates to ensure that the default inheritance laws of the UAE are not applied unless so desired. Courts will interpret statutory law and Sharia law in deciding cases. In its September 2013 edition, UAE Ministry of Interior's monthly publication, 999 Magazine, advised non-Muslims living in the UAE to make a will in case of death or undergo time-consuming procedures to ensure that the inheritance scheme is implemented according to their own country's laws.

Commercial disputes involving foreign parties tend to come before the civil courts in the federal system; a panel of three judges ordinarily hears commercial disputes. Commercial disputes might also come before the criminal courts, if one of the parties alleges criminal fraud or theft arising from a contractual dispute. The Embassy is aware of a number of such cases, which also may include travel bans against parties to the dispute until the case is resolved in court. All cases involving banks and financial institutions are required to be heard by civil courts. In Abu Dhabi, all non-arbitration commercial disputes are first brought to the Abu Dhabi Conciliation Department. If the parties are unable to reach a settlement, they can begin legal proceedings in the court of first instance.

The Code of Civil Procedure contains comprehensive rules regarding the various types of preventive and provisional remedies prior to litigation and the issuance of judgments, including the attachment of property, confiscation of the defendant's passport and prohibitions on travel, as well as the detention of the defendant in certain instances. However, the courts must certify all arbitration decisions, and though they do not review substantive claims, they can invalidate decisions based on procedural considerations. Parties can also appeal certification decisions thus prolonging enforcement indefinitely. In June 2009, the Abu Dhabi Judicial Department (ADJD) established commercial directories, including directories for bonds and shares, banks, construction and real estate disputes, insurance, and financial papers. The directories provide a one-stop reference for legal conduct of business in the UAE. Most are available on line.

In 1993 the Abu Dhabi Chamber of Commerce and Industry formed the Abu Dhabi Commercial Conciliation and Arbitration Center in an effort to accelerate commercial dispute resolution. The Center has jurisdiction to conciliate or arbitrate commercial disputes. The Center's executive regulations govern the conciliation and arbitration procedure. Though referral by the parties to the Dispute Center ostensibly requires them to accept the finality of the Center's decision, the courts must still certify the decision and enforcement can be delayed. The Center conducts proceedings in Arabic or any other agreed upon language.

The Dubai Chamber of Commerce and Industry (DCCI) has promulgated similar commercial conciliation and arbitration rules that permit parties to have conciliation or arbitration proceedings under the auspices of the Chamber.

In 2004, the Dubai International Arbitration Center (DIAC) was made independent of the Chamber. The Arbitration Center aims to bring international standards of arbitration to business in Dubai, and has been heavily involved in real estate disputes in the years following the financial crisis. The UAE is a member of the International Center for the Settlement of

Investment Disputes. In May 2009, Sharjah issued an Emiri Decree (No. 6 of 2009) concerning the formation of the Sharjah International Commercial Arbitration Center, under the umbrella of the Sharjah Chamber of Commerce.

Several companies have sought dispute resolution at the Court of Dubai International Financial Center (DIFC), a financial free zone. The DIFC courts have become increasingly available to the UAE business community. The DIFC Court system operates independently of the UAE legal system on commercial disputes as part of the DIFC free zone. In October 2011, Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, signed a law allowing any Dubai-based business to use the English language DIFC Courts to resolve commercial disputes. Regional businesses have begun to take advantage of this new capability. The DIFC Court does not preside over cases involving financial crimes or other crimes connected to individuals operating within the DIFC.

In a few instances over the last few years, and especially during the 2008debt crisis, expatriate investors, property owners, and business partners involved in commercial disputes in the UAE have found themselves the object of criminal legal proceedings. Recognizing the merit of keeping these cases out of criminal courts, in 2011 the UAE government began using a quasi-judicial system of alternative dispute resolution which refers certain matters to a committee prior to possible criminal prosecution and works with the parties to reach a mutually acceptable solution; the system is not well publicized nor fully understood.

The UAE federal commercial code, promulgated in 1993, devotes an entire chapter to bankruptcy: the only comprehensive legislation in the UAE on the subject. Monetary judgments in bankruptcy cases are made in the local currency, and UAE courts enforce the judgments of foreign courts if there is reciprocity based on bilateral or international treaties. In the judgment of western legal experts, the commercial code chapter on bankruptcy governs the procedures and effects of bankruptcy in the UAE, but does not provide a mechanism for the orderly evaluation and distribution of assets of a bankrupt entity. Government officials continue to report progress revising insolvency laws in the wake of the global financial crisis but no specific evidence of this was available for 2013.

The Dubai real estate sector continued its post-2009 return to health as the market grew steadily and the government introduced several initiatives to ensure the long-term stability of the sector. The 2008financial crisis had left many contractors, trade creditors and investors in Dubai's pre-2009 real estate boom struggling to regain lost investments, with several highly publicized efforts highlighting repayment problems. In the aftermath, the Dubai Land Department's Real Estate Regulatory Authority (RERA) reviewed nearly 500 development projects and cancelled at least 237 of them that were less than 60 percent complete. In 2012, Dubai developed internet based applications and searchable public databases to track projects, rate real estate developers on project delivery and payment, and verify the registration of real estate brokers, among other things. Other projects created interfaces for searching and recording transaction prices (like the Multiple Listing Service used in the United States). During 2013, Dubai introduced mandatory standard real estate purchase contracts, new lending requirements, mortgage caps, and increased title transfer fees to discourage speculation (to be phased in over several years), the use of rental indices to limit rent increases and obliging landlords to phase major rent increases in over a 5-

year period, requiring developers to pay for land in full before construction, and to complete projects before sales. While the rest of the modernization program proposed by RERA may take several years to fully implement, the scope of the proposed reforms is intended to offer future investors and service providers a better dispute settlement process, greater transparency and ultimately lower risk, and they have made significant progress in this regard.

5. Performance Requirements and Incentives

The regulatory and legal framework in the UAE favors local over foreign investors.

Government tendering is not conducted according to generally accepted international standards, and re-tendering is the norm. To bid on federal projects, a supplier or contractor must be either a UAE national or a company in which UAE nationals own at least 51 percent of the capital or have a local agent or distributor. Federal tenders must be accompanied by a bid bond in the form of an unconditional bank guarantee for five percent of the value of the bid. UAE federal government entities can tender internationally since foreign companies sometimes are the only suppliers of specialized goods or services that are not widely available.

Incentives are given to foreign investors in the free zones. Outside the free zones, no incentives are given, although the ability to purchase property as freehold in certain favored projects in Dubai would appear to be incentives aimed at attracting foreign investment.

6. Right to Private Ownership and Establishment

There are no restrictions on the right of private entities to establish and own business enterprises and engage in all forms of remunerative activity.

7. Protection of Property Rights

In 2005, the emirate of Abu Dhabi passed a law allowing Emiratis to hold title on properties in the emirate and opened up some foreign leasehold rights to surface property in certain designated areas. Most construction, both commercial and residential, is financed by a specialized agency of the government of Abu Dhabi, and commercial banks finance the remainder. Their collateral traditionally has been access to the rent stream of the building or the personal guarantee of the developer. A domestic mortgage industry is also developing.

In December 2010, Abu Dhabi Executive Council (ADEC) issued Resolution No. 64 of 2010 on Regulations of Property Ownership that defines the general framework and rules for property registration in lieu of the property ownership law in the emirate of Abu Dhabi. This resolution encourages real estate developers and investors to register their properties and associated rights as well as to streamline conversion of real estate rights easily and swiftly. According to the resolution, non-UAE natural or juristic persons enjoy the right to own, buy, sell, rent, mortgage and invest in investment areas. Non-UAE nationals may hold “mustaha” rights for up to 50 years (subject for renewal to a similar duration) and sign usufruct contracts for up to 99 years in properties located inside investment areas. Both the right of usufruct and the right of “mustaha” are essentially forms of long-term lease with the primary difference being that the right of "mustaha" includes a right to build or develop upon the property of another, whereas the right of usufruct does not.

The UAE has made the protection of intellectual property a priority. 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 2013 industry estimates, the rate of software piracy in the UAE remained one of the lowest in the Middle East and in the range of 35 to 37 percent. However, industry stakeholders believe the UAE can do more. For example, some regional anti-piracy advocates believe government use of pirated and unlicensed software and internet piracy is still high in the UAE. 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 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 has drafted a new law combatting commercial fraud, which UAE officials assert will boost IPR protection. However, the foreign business community has expressed serious concern with particular language of the draft law which stipulates "defective" and "substandard" goods should be returned to the point of origin rather than immediately destroyed. The amended draft law does indicate that "counterfeit" goods should be destroyed, but it remains unclear as to how implementing regulations will outline procedures for distinguishing between these types of goods, ensuring that counterfeit goods will be destroyed. The UAE Federal National Council passed the amended draft law on March 4, 2014.

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 to provide technical cooperation on IPR policy and practice.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Kaveh Vessali VessaliKV@state.gov

Local lawyers list: http://abudhabi.usembassy.gov/attorney_list.html

8. Transparency of the Regulatory System

The fundamental instrument by which all of the emirates regulate business activity is the requirement that any place of business must acquire and maintain a proper license. The procedures for obtaining a license, which are publicly available, vary from emirate to emirate.

A license is not required unless a place of business is set up in the UAE. In other words, foreign businesses exporting to the UAE but without a regular or continuing business presence in the UAE do not need a license. Licenses available include trade licenses, industrial licenses, service licenses, professional licenses, and construction licenses.

Several federal regulations govern business activities in the UAE outside free trade zones. Activities within the free zones are governed by special by-laws.

Since July 2012, the UAE has been in the process of developing a "twin peaks" regulatory framework, whereby the Central Bank regulates banks not residing within a free zone, while the Securities and Commodities Authority (SCA) has become increasingly focused on commercial and consumer-oriented areas, including oversight over financial markets and investor protection. The Central Bank remains responsible for monetary policy, macro-economic stability and system risk management.

9. Efficient Capital Markets and Portfolio Investment

Reflecting the ongoing move towards a "twin peak" regulatory framework, the UAE issued new investment funds regulation in September 2012 to further govern the marketing of investment funds established outside the UAE to investors in the UAE and the establishment of local funds domiciled inside the UAE. This regulation set forth several key changes. The SCA has taken over the licensing, regulation and overseeing the marketing of investment funds in the UAE from the Central Bank. The marketing of a foreign fund (including "offshore" UAE-based funds, such as those domiciled in the DIFC) now require the appointment of a locally licensed placement agent. Other restrictions contained in the regulations, such as the limitations on funds investing more than 15 percent in any one underlying issuer, have led fund managers to question whether the UAE is seeking to attract international or regionally-focused investment funds to be domiciled in the country.

Following a banking crisis caused by accumulating bad debts after the oil boom in the mid-1980s, the Central Bank stopped giving licenses to new foreign banks. However, in September 2003, the UAE Central Bank announced that it would allow the operation of more banks from other countries on a reciprocal basis. The Central Bank has since granted licenses to some GCC banks. In 2008, the Central Bank allowed several foreign banks operating in the UAE to set up new branches. According to Central Bank statistics, there have been no new foreign bank branches licensed since 2009.

Citibank is the only U.S. bank in the UAE that offers full banking services. There are a number of U.S. financial institutions with either representative offices in the UAE or that have established a presence in the DIFC. The largest banks in terms of assets include Emirates NBD, National Bank of Abu Dhabi, Mashreq Bank, and Abu Dhabi Commercial Bank. The Central Bank prohibits lending an amount greater than seven percent of a bank's capital base to any single customer. Foreign banks with branches in the UAE are not permitted to calculate loans as a percentage of their global capital, which may however be used to calculate the capital adequacy ratio. In a revision to the rule, the Central Bank in 1993 said it would exclude from the requirement non-funded exposures, such as letters of credit and guarantees. The Central Bank also announced implementation of internationally recognized and accepted accounting principles.

In the aftermath of the 2008-2009 financial crisis, UAE banks adopted more conservative lending policies and raised interest rates on time deposits. In 2010, the Central Bank issued Regulations for Classification of Loans and Determining Provision, furthering its oversight of lending policies. In April 2012, an IMF report stated that the UAE had made significant progress in recapitalizing banks and strengthening capital adequacy ratios, and that despite continuing debt recovery concerns and spillover from European and global credit concerns, the UAE banking system showed significant increases in profitability. However, the IMF noted that the UAE financial system is highly integrated and still remains exposed to global vulnerabilities, primarily for its risk concentration in a few banks in the UAE system, and called for increased regulation and oversight of the sector. In its July 2013 Article IV Consultation with the UAE, the IMF noted that “the banking system maintains significant capital and liquidity buffers, and non-performing loans may finally have peaked at 8.7 percent in December 2012,” suggesting a significant turnaround in the UAE banking sector’s post-crisis health.

Central Bank figures showed that deposits reached USD 342 billion (1,255.6 billion dirhams) at the end of June 2013. Total bank loans and advances (net of provisions and interest suspense) grew to USD 312 billion (1,147.4 billion dirhams). Personal loans increased to USD 75 billion (276.2 billion dirhams). The combined assets of UAE banks hit an all-time high of around USD 511 billion (1,878.1 billion dirhams), maintaining their position the largest bank asset base in the Middle East.

10. Competition from State Owned Enterprises

Many fully or partially state-owned companies have grown large and efficient enough to compete effectively for business and financing in local and regional markets.

11. Corporate Social Responsibility

Many companies in the UAE, including local and foreign companies, maintain their own corporate social responsibility departments or offices and participate in corporate social responsibility initiatives, undertaking such activities as mentorship and employment training, providing humanitarian and social assistance, and addressing environmental concerns.

12. Political Violence

There have been no instances in recent years involving politically motivated damage to projects, or insurgencies that have impacted the investment environment.

13. Corruption

Transparency International’s 2013 report ranks the UAE 26th globally in the perception of corruption by its population, There is no evidence that corruption of public officials is a systemic problem. However, in February 2012 (the most recent public announcement of bribery cases), the UAE's anti-corruption body said it uncovered 10 cases in which more than 1 billion dirhams of public funds were misappropriated. The State Audit Institution (SAI) said that the cases had been referred to the public prosecution. It said irregularities were discovered during audits that took place over the prior two years, including acts of forgery, bribery and fraud. No verdicts have been rendered so far in these investigations. During 2008-2010, UAE authorities investigated several high-profile embezzlement cases, including three cases involving two former ministers and the former governor of the DIFC. Several senior Emirati and foreign nationals were dismissed and detained. Ahmed Abdullah Al Hammadi, Chief of Public Funds Prosecution told media outlets that the number of bribery cases registered in all federal courts in UAE between 2012 and 2013 was 47. Numerous bribery cases at the junior level were also reported in 2010. The law stipulates that a public servant convicted of embezzlement shall be subject to imprisonment for a minimum of five years if the crime is connected to counterfeiting. Article 237 imposes a minimum term of one year for accepting a bribe, while anyone convicted of attempting to bribe a public servant may be imprisoned for up to five years. In August 2005, the UAE signed the UN Anticorruption Convention and ratified it in February 2006.

14. Bilateral Investment Agreements

The UAE has signed a variety of bilateral and multilateral trade and investment agreements, including six free trade agreements (FTAs), 45 related to bilateral trade and economic cooperation, 33 to promote investment, and 70 prohibiting double taxation on income.
In 2013, the UAE signed investment protection agreements with India and The Netherlands. The agreements guarantee better protection of UAE business investments in these two countries and vice versa. The UAE is involved in GCC negotiations with Australia, China, and other countries on free trade agreements. In June 2009, the GCC concluded a Free Trade Agreement with Iceland, Liechtenstein, Norway and Switzerland (the European Free Trade Association). In March 2004, the United States signed a Trade and Investment Framework Agreement (TIFA) with the United Arab Emirates to provide a formal framework for dialogue on economic reform and trade liberalization. TIFAs promote the establishment of legal protection for investors, improvements in intellectual property right protection, more transparent and efficient customs procedures, and greater transparency in government and commercial regulations. As a member of the Gulf Cooperation Council (GCC), the UAE is also party to the U.S. - GCC framework agreement for trade, economic, investment, and technical cooperation, signed in September 2012.

The United States began negotiating an FTA with the UAE in March 2005. In early 2007, the United States and the UAE announced that despite considerable progress in a number of areas under negotiation, they would not be able to complete FTA negotiations under the existing time frame for trade promotion authority. The United States and the UAE have since initiated a "TIFA Plus" consultative process under the existing bilateral TIFA; this process is intended to advance trade liberalization in as many areas as possible - building where appropriate on progress made during the FTA negotiations. Incorporating a broader range of issues, the State Department negotiated and signed a Memorandum of Understanding creating an Economic Policy Dialogue (EPD) with the UAE Ministry of Foreign Affairs on January 15, 2012. The EPD establishes semi-annual high-level meetings to address a variety of topics, including but not limited to trade, investment, sector-specific cooperation, competitiveness, and entrepreneurship. A CEO Summit process for the EPD was established in 2013, bringing recommendations from the private sector directly into the EPD discussions.

15. OPIC and Other Investment Insurance Programs

The UAE was suspended from U.S. OPIC insurance programs in 1995 because of the UAEG's lack of compliance with internationally recognized worker rights standards, particularly laborers' rights to association and collective bargaining. The International Labor Organization (ILO) reported in April 2003, however, that the UAE had started to address these concerns. The UAE’s high income per capita ($47,500) precludes them qualifying for OPIC programs. OPIC officials have said that it is possible to get an exception for impoverished regions of a wealthy country; however it is far more likely that UAE-based companies would use OPIC funds for development projects in neighboring countries, just as Dubai’s Abraaj Capital does for OPIC funded projects in Egypt. ExIm Bank has maintained an active presence in the UAE with frequent visits including the Chairman, Board Members, and staff representatives looking to expand long term and short term lending options.

16. Labor

The population of the UAE was approximately 8.26 million in 2010, according to the UAE National Bureau of Statistics. More than 85 percent of residents are foreigners, and approximately 98 percent of private sector workers in the UAE are non-UAE nationals. Increasing UAE nationals’ participation in the workforce, dubbed “Emiratization,” remains a national objective. As of December 2010, all private corporations were required to reserve at least 15 percent of positions for UAE nationals. At banks, Emiratis must comprise at least 40 percent of the workforce. Emiratis account for only 20,000 of the four million workers in the private sector. In 2013, the UAE Ministry of Labor proposed changes to its labor law to attract more citizens into the private sector. The changes include proposals to bring private and public sector salaries in line; adjust working hours and days, and increase the number of private sector holidays. The UAE National Human Resource Development and Employment Authority (Tanmia), is the federal body tasked to boost Emiratization. In May 2009, the Cabinet approved the establishment of the UAE Emiratization Council (UEC), which is responsible for formulating policies and standards to promote Emiratization and for supporting the development of skills and competitiveness among nationals. In the emirate of Abu Dhabi, the Tawteen Council, a government body, leads local efforts in Emiratization. But according to media reports from the UAE Ministry of Economy in July 2011 only seven percent of Emiratis are employed in the private sector. According to a 2009 Ministry of Labor study, non-Arab Asians constitute 88 percent of the total workforce in the private sector, while Arab nationals including Emiratis add up to a mere 10 percent, and other nationalities comprise just two percent.

The UAE Federal Government employs 84,000 employees across 65 ministries and authorities, according to the 2013 Annual Report of the Federal Authority for Government Human Resources (FAHR). FAHR found that Emirati nationals accounted for 62% (44,900) of 72,300 Federal employees in a 2012 study of Emiratization within the Federal Government. The same report states that the Ministries of Labor and Foreign Affairs have the highest percentage of Emirati employees (98%), while the Ministry of Health has the lowest (33%).

The UAEG has committed itself to strictly regulating and enforcing labor laws, as witnessed by a series of regulatory and legislative initiatives. In January 2012, the UAE Cabinet approved the domestic workers bill. According to local media reports the proposed law will provide domestic workers one paid day off per week, two weeks of paid annual leave, holidays, and 15 paid sick days. The bill provides that domestic workers should receive a written contract of employment and end-of-service gratuity. It also guarantees payment in cash at least once a month. The bill must now be passed by the Federal National Council and signed into law by the UAE.

In February 2007, the Ministry of Labor published a draft labor law for public comment. The proposed law, which has still not been finalized, did not contain any provisions for labor unions or for collective bargaining, but the UAE Ministry of Labor continues to press businesses and work with countries from which the labor pool originates to improve and streamline contracts, ensure timely salary payment and maintain adequate living accommodations. A committee constituted from several UAE governmental bodies and experts has been established to discuss standards and a mechanism for labor representation.

In 2009, the Ministry of Labor introduced a new electronic Wages Protection System (WPS) designed to combat non-payment of wages. This direct deposit system creates an electronic record of payment for the employer and employee. Use of the WPS became mandatory in 2011 for all companies, except those operating in free zones. Businesses in free trade zones must comply with federal labor laws; however, the Ministry of Labor does not regulate them. Instead, each free trade zone maintains its own labor department to address workers' concerns.

There are a considerable number of skilled foreign nationals in the country who are employed under favorable working conditions. There are around 750,000 domestic workers in the UAE, making up nearly 20 per cent of the expatriate workforce, according to the Ministry of Interior's statistics at the end of 2007. However, the country is also a destination for a large number of unskilled workers, including approximately 268,000 domestic servants, most of them women from South and East Asia, and an even larger number of unskilled male workers, mostly from South Asia. These unskilled laborers actively compete for jobs in the UAE, and some are subject to poor working conditions. UAE employers often tie a foreign employee's residency permit or visa to his employment and sponsorship, and keep their passport throughout their employment. If the employee terminates his employment and is unable to secure new employment and a new sponsor, the employee loses residency and could be required to leave the country.

Visas, residence permits, and work permits are required of all foreigners in the UAE except nationals from GCC countries. Americans are eligible to receive 10-year, multiple entry visas, which authorize stays of up to six months per entry, with the possibility of a six-month extension. Alternatively, Americans who plan to stay less than one month in the UAE, no longer need to obtain a visa to enter the country and will receive an entry stamp good for 30 days upon arrival. These modes of lawful entry into the UAE do not permit employment in the UAE. However, Americans are eligible for residence permits in connection with employment or approved familial reunification.

17. Foreign Trade Zones/Free Ports

Free zones in the UAE are home to more than 17,000 companies. By one government report in November 2010, total foreign direct investment is estimated at USD 73 billion in the 36 free zones currently operating in the UAE. These free zones form a vital component of the local economy, and serve as major re-export centers to the Gulf region.

Since UAE tariffs are low and not levied against numerous imports, the chief attraction of the free zones is the waiver of the requirement for majority local ownership. In the free zones, foreigners may own up to 100 percent of the equity in an enterprise. All free zones provide 100 percent import and export tax exemption, 100 percent exemption from commercial levies, 100 percent repatriation of capital and profits, multi-year leases, easy access to sea and airports, buildings for lease, energy connections (often at subsidized prices), and assistance in labor recruitment. In addition, the free zone authorities provide significant support services, such as sponsorship, worker housing, dining facilities, recruitment, and security.

The most successful of the free zones is the Jebel Ali Free Zone (JAFZA) in Dubai, located 20km south of Dubai city adjacent to the Jebel Ali Port. Over 6000 companies representing 80 countries have set up shop in the JAFZA, including numerous Fortune 500 firms. The JAFZA managing authority authorizes three types of licenses: a general license, a specific license, and a national industrial license. The licenses are valid while a company holds a current lease from the free zone authority and are renewable annually as long as the lease is in force. The special license is issued to companies incorporated, or otherwise legally established, within the free zone or outside the UAE. In such cases, no other license is required, and ownership of the company may be 100 percent foreign. The license is issued for any activity permitted by the free zone authority, including manufacturing. A company with a special license can only operate in the JAFZA or outside the UAE, but business can be undertaken and sales made in the UAE through or to a company holding a valid Dubai Economic Department license. However, a company with a special license can purchase goods or services from within the UAE.

A variety of innovative free zones have been established in Dubai since 2000, most notably the TECOM (Technology, Electronic Commerce and Media) free zone. TECOM houses both Internet City and Media City, two subdivisions which cater, respectively, to the information technology and media sectors. TECOM offers a high bandwidth and state-of-the-art IT infrastructure. Other Dubai free zones include the Dubai Multi Commodities Center (DMCC), with over 8,000 licensed businesses trading across a range of commodities including gold, diamonds, pearls, precious metals and tea; Dubai Health Care City, specializing in medical products and services; the Mohammed Bin Rashid Technology Park; which aims to promote scientific research and development, and to transfer technology throughout the region; and the Dubai Humanitarian City, which hosts local, regional and international relief aid donors, suppliers and organizations. Internet usage in the free zones is not censored as it is elsewhere in the UAE.

The global economic downturn that began in 2008 has reduced the number of foreign companies registered in some of the UAE's free zones. Of the 973 companies registered in the DIFC since it opened in 2004, almost a fifth have dissolved, become inactive or been struck off by the registrar. The DIFC took steps in 2010 to reduce the costs of doing business in the free zone as it has abolished fees in 61 categories and further slashed fees in another 10 segments. During the first half of 2011, occupancy rates at the DIFC reached their highest levels since the 2008 debt crisis as the Dubai economy improved and a wave of capital arrived, redirected from other Arab countries experiencing political unrest. By most media accounts, the growth at the DIFC reached a plateau in late 2011 as European banks focused their attention on the Eurozone debt crisis.

18. Foreign Direct Investment Statistics

In January 2014, the UAE Ministry of Economy announced that the country's inward FDI recorded a 20% year-on-year increase to reach $12 billion, which accounts for over 40% of the total inward FDI of the GCC. The stock of U.S. FDI in the UAE (at cost) was $7,826 billion in 2012 (the most recent year for which data is available), according to the U.S. Bureau of Economic Analysis. U.S. FDI in the United Arab Emirates is concentrated largely in the mining, machinery, and wholesale trade sectors.

The Abu Dhabi Chamber of Commerce and Industry notes that the leading sectors for investment in the UAE are (in order of magnitude of investment): oil and gas field machinery and services, power and water, computer/peripherals, medical equipment and supplies, airport development and ground equipment, telecommunications, and franchising.

There are no restrictions or incentives with regard to the export of capital and outward direct investment, and UAE investment abroad is significant. The Abu Dhabi Investment Authority (ADIA) manages approximately USD 650 billion (estimates range upward) in government assets in overseas markets, mostly in the United States, Europe, and Asia. By its own claims, ADIA is the largest institutional investor in the world after the Bank of Japan.

Other emirate level investment authorities - primarily from Abu Dhabi and Dubai - are also actively investing overseas.

19. Contact Point At Post

Name – Judith Baker
Title – Economic Officer
Post with street address – Consulate General Dubai, Corner of Sheikh Khalifa Bin Zayed Road and Al Seef Road, Bur Dubai
Phone - +971-4-309-4857
email - BakerJE@state.gov