



UNITED ARAB EMIRATES
INVESTMENT CLIMATE STATEMENT
2015

Table of Contents

Executive Summary

1. Openness To, and Restrictions Upon, Foreign Investment

- 1.1. Attitude Toward FDI*
- 1.2. Other Investment Policy Reviews*
- 1.3. Laws/Regulations of FDI*
- 1.4. Industrial Strategy*
- 1.5. Limits on Foreign Control*
- 1.6. Privatization Program*
- 1.7. Screening of FDI*
- 1.8. Competition Law*
- 1.9. Investment Trends*
 - 1.9.1. Tables 1 and if applicable, Table 1B*

2. Conversion and Transfer Policies

- 2.1. Foreign Exchange*
 - 2.1.1. Remittance Policies*

3. Expropriation and Compensation

4. Dispute Settlement

- 4.1. Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts*
- 4.2. Bankruptcy*
- 4.3. Investment Disputes*
- 4.4. International Arbitration*
 - 4.4.1. ICSID Convention and New York Convention*
- 4.5. Duration of Dispute Resolution*

5. Performance Requirements and Investment Incentives

- 5.1. WTO/TRIMS*
- 5.2. Investment Incentives*
 - 5.2.1. Research and Development*
- 5.3. Performance Requirements*
- 5.4. Data Storage*

6. Right to Private Ownership and Establishment

7. Protection of Property Rights

7.1. Real Property

7.2. Intellectual Property Rights

8. Transparency of the Regulatory System

9. Efficient Capital Markets and Portfolio Investment

9.1. Money and Banking System, Hostile Takeovers

10. Competition from State-Owned Enterprises

10.1. OECD Guidelines on Corporate Governance of SOEs

10.2. Sovereign Wealth Funds

11. Corporate Social Responsibility

11.1. OECD Guidelines for Multinational Enterprises

12. Political Violence

13. Corruption

13.1. UN Anticorruption Convention, OECD Convention on Combatting Bribery

14. Bilateral Investment Agreements

14.1. Bilateral Taxation Treaties

15. OPIC and Other Investment Insurance Programs

16. Labor

17. Foreign Trade Zones/Free Ports/Trade Facilitation

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

19. Contact Point at Post for Public Inquiries

Executive Summary

The United Arab Emirates is located in the Middle East region of Asia, at the tip of the Arabian Peninsula. The Government of the United Arab Emirates (UAE) is pursuing an economic agenda that focuses on diversification and seeks to promote the development of the private sector as a complement to the historical economic dominance of the state. There have been numerous initiatives, laws and regulations throughout the seven emirates of the UAE that aim to develop a more conducive environment for foreign investment. However, the regulatory and legal framework in the UAE continues to favor local over foreign investors.

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 12th of 143 economies in the World Economic Forum's 2014-2015 overall Global Competitiveness Index, and 22nd of 189 on the World Bank's 2015 Ease of Doing Business report, moving up seven places and one place respectively from the previous year. Multinational companies cite the UAE's political and economic stability, rapid population and Gross Domestic Product (GDP) growth, fast growing capital markets, an absence of corporate and personal taxes, and the absence of evidence of systematic corruption, were all positive factors contributing to the UAE's attractiveness to foreign investors. Despite regional headwinds attracting Foreign Direct Investment (FDI), UAE's inward FDI held at USD 10.1 billion in 2014 according to the United Nations Conference on Trade and Development (UNCTAD), slightly down from USD 10.5 billion in 2013.

While foreign investment continued to grow, 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 remains 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 a 51 percent ownership interest of the business. Foreign investors also expressed concern over weak dispute resolution mechanisms and insolvency laws, spotty intellectual property rights protection, and a lack of regulatory transparency. Labor rights and conditions, although improving, continue to be an area of concern as the UAE prohibits both labor unions and worker strikes.

The UAE government (UAEG) is, however, opening up trade sectors in line with its World Trade Organizations (WTO) obligations. Investment laws and regulations are slowly evolving with the goal of making the UAE more conducive to foreign investment. The UAEG recently passed a new Companies Law. There is an additional eighteen draft laws which are meant to address a number of concerns that have discouraged foreign investment in the UAE. These laws include insolvency and arbitration laws, in addition to a draft foreign investment law. The UAEG has publicly declared its commitment to cutting red tape for foreign investors with the intent of becoming the most competitive economy in the Gulf as well as one of the top economies globally.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The UAE generally is open to foreign direct investment (FDI) citing it as a key part of its long term economic plans. The UAE Vision 2021 strategic plan aims to achieve FDI flows to the UAE of five percent of Gross National Product (GNP), a number one rank for the UAE in the global index for ease of doing business, and a place among the top 10 countries worldwide in the Global Competitiveness Index. UAE investment laws and regulations are evolving in support of the goal of creating an environment more conducive to foreign investment. However, current frameworks still favor local over foreign investors. While recently updated UAE laws validate the practice of foreign owned free zone companies operating “onshore,” and permit majority GCC ownership of public joint stock companies, there remains no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. Non-tariff barriers to investment persist in the form of restrictive agency, sponsorship, and distributorship requirements.

Other Investment Policy Reviews

During 2014, the UAEG hosted the IMF for an Article IV Consultation, but has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD), the WTO, or the United Nations Conference on Trade and Development (UNCTAD).

Laws/Regulations of Foreign Direct Investment

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. In 2011, the Ministry of Economy announced that 19 federal laws were in draft status to address a number of concerns historically discouraging foreign investment in the UAE. Today, the laws include an updated commercial agencies law, an insolvency law, an arbitration law, and a drafted foreign investment law under review.

The Federal Commercial Companies Law (Law No. 02, 2015) was issued on April 2015 and applies to all commercial companies established in the UAE and to branch offices of foreign companies operating in the UAE. The new law, with which all companies must come into compliance by July 1, 2016, will provide a stronger, more up to date basis for corporate regulation in the UAE. Companies established in the UAE are currently required to have a minimum of 51 percent UAE national ownership. Regardless, profits and management control 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 percent UAE national ownership unless the foreign company has established its office pursuant to an agreement with the federal or an emirate-level government. The new commercial law allows companies to offer between 30 and 70 percent of shares upon undertaking an initial public offering (IPO) and eliminates the requirement to issue new shares at the time of IPO. The law also eases the process for forming a limited liability company by requiring between 1 to 75 shareholders (the prior requirement was between 2 to 50 shareholders). Under the new law, when a public joint stock company lists, 51 percent UAE ownership is not required, although there is a 51 percent Gulf

Cooperation Council (GCC) ownership requirement. UAE nationals must chair and be the majority of board members of any public joint stock company.

Provisions in the new commercial law which would have relaxed the foreign ownership limit, were rejected by the UAE Federal National Council (FNC) and will be addressed in a separate investment law that is currently still in draft form, according to the FNC spokesperson. A provision to allow 100 percent foreign ownership outside of free zones would reportedly be restricted to certain sectors, such as high technology projects, and would require Cabinet approval on a case-by-case basis.

Foreign investors may purchase 105 of the 138 issues on the UAE stock markets, the Abu Dhabi Securities Market (ADX) and Dubai Financial Market (DFM). The remaining 33 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 Commercial Companies Law, thus foreign investors are allowed to own up to 49 percent of a company. The Emirates Securities and Commodities Authority (SCA), the UAE's regulator, introduced a new minimum level of capital for brokerages in July 2014.

The Commercial Agencies Law's 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.

There have been no confirmed reports of government interference in the court system that could affect foreign investors.

To obtain an investor number from the Abu Dhabi Securities Exchange, go to:
<http://www.adx.ae/FormsAndApplications/InvestorNumberApplication.pdf>

To obtain an investor number for trading on the Dubai Exchanges, go to:
<http://www.nasdaqdubai.com/assets/docs/NIN-Form.pdf>

Industrial Promotion

The Abu Dhabi Government in early 2015 formed the Abu Dhabi Investment Attraction Committee to achieve sustainable economic development and develop an attractive investment environment. The committee started the process of forming a foreign investment attraction strategy in March 2015 focusing on the sectors that Abu Dhabi's strategic plan—Abu Dhabi Economic Vision 2030—identified and targeted as engines for non-oil sector growth. These sectors include industry, tourism, transport and logistics, financial services, insurance, media, energy, construction, real estate, telecommunications, information technology, health and education.

In February 2009, the Higher Corporation for Specialized Economic Zones (ZonesCorp), which operates an industrial zone based in Abu Dhabi, signed Memoranda 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 company entering the market is 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.

Limits on Foreign Control

Foreign companies or individuals are limited to 49 percent ownership/control in any parts of the UAE not in a free trade zone, pursuant to law. There have been reports of waivers of the application of this law by decree of the ruler of an individual emirate. There have also been reports that companies owned by primarily GCC citizens have been de facto permitted to operate in the UAE outside of free trade zones. This was codified recently in the updated Commercial Companies Law.

Privatization Program

There has been no privatization program in the UAE. There have been several listings of portions of state owned enterprises (SOEs), which are referred to locally as government related entities (GREs), on local UAE stock exchanges, as well as some "greenfield" IPOs that are focused on priority government projects.

Screening of FDI

The UAE does not have a formal FDI review process; however, as noted elsewhere in this report, there is no national treatment for investors in the UAE and restrictions on foreign ownership of land and stocks are common. Non-tariff barriers to investment persist in the form of restrictive agency, sponsorship, and distributorship requirements.

Competition Law

The Ministry of Economy reviews transactions for competition-related concerns.

Investment Trends

The UAE continued to attract foreign direct investments, with inflows of FDI reaching USD 10.5 billion in 2013 and USD 10.1 billion in 2014, largely focused on construction, finance and wholesale and retail trade. FDI outflows from the UAE reached USD 2.9 billion in 2013. The FDI recovery coincided with economic growth driven by both oil and non-oil activities (including manufacturing), led by aluminum and petrochemicals; tourism and transportation; and real estate.

According to UNCTAD, the overall economy received a further boost in November 2013, when Dubai gained the right to host the World Expo 2020. As a result, investors in the UAE are among the most confident of all those surveyed in the Schrodgers Global Investment Trends Report 2014. More than 72 percent said they were more confident about investment prospects in 2014 versus 2013, with 61 percent saying they intended to increase the amount they invested within the next 12 months.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	25 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	22 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	36 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2012	USD 38,360	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

The UAE has no restriction on the making of payments and transfers for current international transactions, according to the IMF, except for those restrictions for security reasons that have been notified by authorities. There are no restrictions on the transfer of funds into or out of the UAE and currencies are traded freely at market-determined prices. Further, free zone entities are generally expressly permitted to repatriate 100 percent of their profits from the UAE in accordance with regulations in place in their respective free zones. In the free zones, foreigners may: i) own up to 100 percent of the equity in an enterprise; ii) have 100 percent import and export tax exemption; iii) have 100 percent exemption from commercial levies; iv) repatriate 100 percent of capital and profits.

The UAE dirham has been de jure pegged to the dollar since February 2002. The mid-point between the official buying and selling rate for the dirham (AED or Dhs) is fixed at AED 3.6725 per 1 USD.

The UAE has recently amended its anti-money laundering (AML) law, expanding the list of AML predicate offenses, among other improvements. The various free zones, including the Dubai International Financial Center (DIFC), are subject to the federal AML law. Free zone licensing authorities have the ability to set their own AML rules and regulations as long as they are consistent with the federal law, resulting in variance among the free zones. Federal authorities continue to examine ways to expand their regulatory reach on AML/CFT. The UAE is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body.

Remittance Policies

The UAE Central Bank initiated the creation of the Foreign Exchange & Remittance Group (FERG), made of up of various exchange companies, which is registered with Dubai Chamber of Commerce & Industry. The unique feature of the industry is that, unlike its counterparts across the world which deal mainly in money exchange, exchange companies in the UAE are the primary channels for transferring large volumes of remittances through official channels. It is estimated that more than USD 30 billion (AED 110 billion) is transferred annually by expatriate workers in the UAE to home markets. Exchange companies are also important partners in a unique Wages Protection System of the UAE Government. They also handle various ancillary services ranging from credit card payments, national bonds, and travelers checks.

3. Expropriation and Compensation

To Post's knowledge, foreign investors have not been involved in any expropriations in the UAE for at least the last five years. There are no set federal rules governing compensation if expropriations were to occur, and individual emirates would likely treat expropriations differently. In practice, authorities in the UAE would be unlikely to expropriate unless there were a compelling development or public interest need to do so, and in such cases compensation would likely be generous in order to maintain foreign investor confidence.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The UAE follows the civil law system, inspired by the Roman and French legal systems and the Egyptian civil codes of law. The primary source of law is legislation. The legal system of the country is generally divided between off shore free trade zones, which have a British-based system of common law, and domestic law, which is governed by a Sharia civil law system. The mechanism for enforcing ownership of property through either court system is generally considered to be both predictable and fair.

The judiciary does not form its own branch of government. The Ministry of Justice, as part of the executive branch, appoints judges to the federal courts, while judges in other emirates such as Abu Dhabi, Dubai and Ras Al Khaimah are appointed by the respective rulers of those emirates. 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 Dhabi. The court of first instance consists of civil, criminal, and Sharia (Islamic law) courts.

Sharia law is technically applicable to both Muslims and non-Muslims. UAE's Sharia courts primarily focus on domestic relations, inheritance and personal status matters. In April 2015, DIFC courts announced a wills and probate registry which made it the first jurisdiction in the region where a non-Muslim individual can register a will under internationally recognized common law principles. The United States District Court for the Southern District of New York recently signed a memorandum with the DIFC courts that provides companies operating in Dubai and New York with procedures for the mutual enforcement of money judgments. A properly executed last will and testament will take precedence over Sharia law, 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.

Judgments of foreign civil courts are generally recognized and enforceable under the local courts.

Bankruptcy

There have been reports that a bankruptcy (insolvency) law is under consideration. However, at present, a chapter in the UAE federal commercial code, promulgated in 1993, is the only comprehensive legal guidance on the subject. 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. 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. A debtor may be sent to jail for failure to make payments.

Investment Disputes

The Embassy is aware of 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. In December 2009, the Ruler of Dubai signed Decree No. 57 bringing into effect bespoke insolvency protection regulations to govern any future formal reorganization and restructuring of Dubai World and its subsidiaries. The Decree was used to reach a deal with creditors to amend and extend terms for USD 14.6 billion of Dubai World debt by establishing an independent tribunal of three judges of the DIFC courts.

Disputes generally are resolved by direct negotiation and settlement between the parties themselves, recourse to 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.

International Arbitration

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 Mission 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. An appeal on a foreign arbitration award in the Dubai Court of First Instance was upheld within the last few years.

ICSID Convention and New York Convention

The United Arab Emirates is a contracting state to the International Centre for the Settlement of Investment Disputes (ICSID convention) and since 1982, and a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral awards (1958 New York Convention).

Duration of Dispute Resolution

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.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

According to the WTO, UAE procurement gives preference to local companies and suppliers, as foreign participation is limited by nationality requirements. However, there is a strong reliance on foreign companies, particularly with major projects for which local expertise is not always available. An offset program is in place for defense contracts.

Foreign insurance companies in Abu Dhabi are not permitted to tender for certain government projects, e.g. roads, oil and gas. Because of these restrictions, foreign insurance companies in Abu Dhabi focus mainly on auto insurance, medical and life insurance.

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.

The UAE's offset program requires that defense contractors awarded contracts valued at more than USD 10 million in any five-year period establish a commercially viable joint venture with local business partners, which yields profits equivalent to 60 percent of the contract value within a specified period.

Investment Incentives

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 an incentive aimed at attracting foreign investment. The federal government and the governments of the individual emirates promote a business environment largely free of taxation and exchange controls.

Research and Development

Post is unaware of any formal restrictions on investment or involvement with official research and development projects.

Performance Requirements

There is a federal incentive program called Emiratization was made to increase the number of jobs available for Emirati citizens within the private sector. Most Emirati citizens are employed by the UAE government or one of its many government related enterprises (GREs). There is a guest worker system in place, which generally guarantees transportation back to country of origin at conclusion of employment. There have been no reports of excessively onerous visa, residence, work permit, or similar requirements inhibiting mobility of foreign investors and their employees. There are government/authority-imposed conditions on permission to invest, in the form of a general 49 percent limitation of ownership/control by foreign individuals or corporations.

Data Storage

The UAE does not force foreign investors to use domestic content in goods or technology or compel foreign IT providers to turn over source code. Press reports indicated that UAE officials threatened in August 2010 to ban certain services for Research in Motion's BlackBerry devices if the company did not comply with federal regulatory requirements on data availability. The two sides reached an agreement several months later.

6. Right to Private Ownership and Establishment

Except as detailed elsewhere in this report, 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

Real Property

The UAE allows each individual emirate to decide on the form in which ownership of land may be transferred within its borders. Generally, Abu Dhabi has limited ownership to Emirati or other GCC citizens, who may then lease out the land to foreigners. The property reverts back to the owner at the conclusion of the lease. Although Dubai has identified such restricted areas within its borders, traditional freeholds, also known as outright ownership, are also available. Freeholders of land own the land. Subject to very few regulations, freehold owners may sell on the open market. The contract rights of lienholders, as well as ownership rights of freeholders, are generally respected and enforced throughout the UAE, which in some cases has employed specialized courts for this purpose. Mortgages and liens are permitted, with restrictions. Each emirate has its own system of recordkeeping. In Dubai, for example, the system is considered extremely reliable, being mainly centralized within the Dubai Land Department. Land not otherwise allocated or owned is the property of the emirate, and may be disposed of at the will of its ruler, who generally consults with his advisors prior to disposition.

Intellectual Property Rights

The legal regime of the UAE with respect to intellectual property rights (IPR) is generally considered fair and in compliance with international obligations. Enforcement of IPR takes

place generally at the emirate level. During 2014, a Dubai government agency, the Commercial Compliance and Consumer Protection (CCCP) office, reported that it had been granted the power to search and seize counterfeit goods within the emirate of Dubai, a power that the Dubai Police, Dubai Customs, and the Dubai Department of Economic Development also hold. A draft of a new anti-commercial fraud law is still pending. Interested stakeholders are watching the draft law closely, especially due to a potential conflation of counterfeit goods with substandard and defective goods. Each emirate works with individual stakeholders regarding counterfeits of its brands, and the government publicly reports only the largest seizures of counterfeit goods. Dubai Customs reported several hundred seizures of counterfeit goods in 2014, which Post has been unable to verify. The UAE is not currently listed in the United States Trade Representative's (USTR) Special 301 report, or in its Notorious Markets report.

The two main challenges IPR holders face in the UAE are in the areas of counterfeit goods, and enforcement of rights to music. The practice of fining shippers of counterfeit goods and permitting re-exportation of those goods subjectively deemed too hazardous to destroy has occurred regularly in the UAE during the reporting period, primarily in the emirate of Dubai. It is important to note that recently, Dubai Customs officials reported that negotiations were underway to outsource destruction of counterfeit goods. As to enforcement of rights to music, although the UAE has generally been responsive when encountering pirated physical CDs, DVDs, and software, the lack of a copyright collecting society, which is allowed for under UAE's existing copyright law, is a major obstacle to adequate protection of IPR.

Officers with responsibility for IPR at Embassy Abu Dhabi: Mark Motley, +971-2-414-2595, motleyme@state.gov; at Consulate Dubai: Joseph Giblin, +971-4-309-4034, giblinjp@state.gov; and the Department of Commerce Middle East/North Africa Regional IP Attaché at Embassy Kuwait: Aisha Salem, +965-2259-1455, aisha.salem@trade.gov. The website of the American Chamber of Commerce in Abu Dhabi can be found at <http://www.amchamabudhabi.org/> and the American Business Council of Dubai and the Northern Emirates at <http://www.abcdubai.com/>. The website of the U.S.-UAE Business Council is located at <http://usuaebusiness.org/>

Resources for Rights Holders

Embassy Abu Dhabi:
Mark Motley, +971-2-414-2595, motleyme@state.gov

Consulate Dubai:
Joseph Giblin, +971-4-309-4034, giblinjp@state.gov

U.S. Dept. of Commerce Middle East/North Africa Regional IP Attaché at Embassy Kuwait:
Aisha Salem, +965-2259-1455, aisha.salem@trade.gov.

American Chamber of Commerce in Abu Dhabi: www.amchamabudhabi.org
American Business Council of Dubai and the Northern Emirates: www.abcdubai.com
U.S.-UAE Business Council: usuaebusiness.org

8. Transparency of the Regulatory System

UAE legislation is only published when it has been enacted into law and before that it is not available for public comment, although the press will occasionally report on some details of high-profile legislation. Final bills are published in an official register, usually only in Arabic, although there are private companies that specialize in translating laws into English.

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.

9. Efficient Capital Markets and Portfolio Investment

The UAEG is focused on building infrastructure to create an environment conducive to economic growth and outside investment. It is also collaborating with its partners in the GCC to support ventures in the region. UAEG efforts to create such an environment for investments resulted in: i) no taxes or restrictions on the repatriation of capital; ii) free movement of labor and low barriers to entry (effective tariffs are five percent for most goods); and an emphasis on diversifying the economy away from oil, which offers a broad array of investment options for FDI. Drivers for the economy include real estate, tourism, manufacturing, and financial services.

The UAE issued new investment funds regulations in September 2012, known as the “twin peak” regulatory framework. The framework is designed 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 such as giving the SCA (rather than the Central Bank) authority over the licensing, regulation and oversight of the marketing of investment funds. 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 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. The federal government has also encouraged certain high-profile projects to be undertaken via a public joint stock company in order to allow the issue of shares to the public. Further, any company carrying out banking, insurance or investment for a third party must be a public joint stock company.

Money and Banking System, Hostile Takeovers

The UAE has accepted the obligation of IMF Article VIII, Sections 2, 3, and 4. There are no restrictions on the making of payments and transfer for current international transactions, except

for those restrictions for security reasons that have been notified to the Fund, by the authorities, in accordance with Executive Board Decision No. 144 (52/51).

In September 2003, the UAE Central Bank announced that it would allow more foreign banks to operate on a reciprocal basis and 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. As of October 2014, the Central Bank listed 28 foreign banks with 115 branches in the UAE.

In 2010, the Central Bank issued Regulations for Classification of Loans and Determining Provision, furthering its oversight of lending policies in response to the 2008 financial crisis. In April 2012, an IMF report said 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 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. During 2014, Emirati banks experienced healthy increases in profits, and improved asset quality. Dubai’s largest bank, Emirates NBD—which was exposed to the debt crisis at the parastatals Dubai Holding and Dubai World in 2009—reported a 51 percent year-on-year rise in net profits for the first nine months of 2014, to Dh3.9bn (USD 1.1bn). The largest Abu Dhabi bank, National Bank of Abu Dhabi (NBAD), posted a 14.7 percent increase in net profits to Dh4.2bn (USD 1.14 billion). Abu Dhabi Commercial Bank reported a similar rise, of 16 percent, to Dh3.18bn (USD 0.87billion).

Foreign investors may purchase 105 of the 138 issues on the UAE stock markets, the ADX and the DFM. The remaining issues are primarily those of GREs, such as the oil and national telecommunications 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. 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 rebounded strongly in 2013. UAE’s regulatory body, the SCA, raised capital requirements to operate a brokerage house from AED 20 million (USD 5.5 million) to AED 30 million (USD 8.2 million) and in July 2014 classified brokerages into two groups: “those which engage in trading only while the clearance and settlement operations are conducted through clearance members” and “those which engage in trading clearance and settlement operations for their clients.” Under the regulations, trading brokerages require paid-up capital of AED 3 million (USD 820k), whereas trading and clearance brokerages will need AED 10 million (USD 2.7 million). Bank guarantees required for brokerages to trade on the bourses will be AED 1 million (USD 367k).

10. Competition from State-Owned Enterprises

Some SOEs such as Emirates National Oil Company (ENOC) are strategically important companies and a major source of fiscal revenues. Mubadala Development Company established Masdar in 2006 to develop renewable energy and sustainable technologies industries. A number of Dubai's SOEs such as Emirates Airlines and Etisalat have in recent years emerged as internationally recognized brands. Some, but not all of these companies, compete, and in a number of cases against other state-owned firms (Emirates against Fly Dubai or Etisalat against Du). While they are not granted full autonomy, they are integrated in a system where the state leverages synergies among entities it controls to foster national economic development. Perhaps the best example of such an economic ecosystem is Dubai, where SOEs have been used as a motor of diversification and are present in a number of sectors, including construction, hospitality, transport, banking and telecommunications.

The central bank in 2012 required local financial institutions to limit their exposure to the governments of the seven-member UAE federation and related entities to a maximum of 100 percent of their capital base, and exposure to individual public sector borrowers to 25 percent. This measure was adopted as a reaction to the Dubai crisis, during which several SOEs and government-related entities defaulted on loans, creating significant liquidity problems in the local banking market. Creditors to these companies assumed that in providing funding to large SOEs they would benefit from a blanket state guarantee. The fact that many UAE banks are themselves partially state-owned – sometimes through holding entities that are related to the SOEs they lend to – exacerbated the situation. In October 2012, the government of Abu Dhabi issued a new decree requiring SOEs to apply for an explicit sovereign guarantee prior to issuing debt. Sectoral regulations also in some cases address governance structures and practices of state-owned companies. For example, the Dubai Real Estate Regulatory Agency (RERA) developed a code of corporate governance for real estate developers in 2011. In doing so, RERA has considered that the peculiarity of the real estate sector, which includes many actors such as developers and promoters, merits specific guidelines.

OECD Guidelines on Corporate Governance of SOEs

Corporate governance of most SOEs is largely comprised of ruling family members, the merchant class, and a variety of advisors. While the selection and allocation of board seats remains vague, the UAEG states it strives to follow guidelines consistent with OECD's guidelines for SOEs, with the state acting as an owner, and equitable treatment of shareholders. In 2009, the UAEG government established the Emirates Competitiveness Council (ECC) to address issues related to optimizing the efficiency and governance of SOEs, recognizing some SOEs are a fiscal burden while others can be a source of economic competitiveness. Another ECC objective is to engage the private sector to identify and communicate their needs in order to become competitive.

Sovereign Wealth Funds

Abu Dhabi is home to four sovereign wealth funds—the Abu Dhabi Investment Authority (ADIA), the Abu Dhabi Investment Council (ADIC), the International Petroleum Investment Company (IPIC), and Mubadala Development Company (Mubadala)—with total assets of about

USD 990 billion. Emirates Investment Authority, the UAE's federal sovereign wealth fund, has assets of about USD 15 billion. Each Abu Dhabi fund is comprised of a chair and board members who are appointed by a decree of the Ruler of Abu Dhabi. President Khalifa Bin Zayed Al Nahyan is the chair of ADIA and ADIC, and Abu Dhabi Crown Prince Mohammed Bin Zayed Al Nahyan is the chair of IPIC and Mubadala. The Investment Corporation of Dubai (ICD) is the emirate's sovereign wealth fund, with an estimated USD 70 billion of assets.

UAE funds are involved in their investments to varying degrees. ADIA does not actively seek to manage or take an operational role in the public companies in which it invests, while Mubadala tends to take a more active role in particular sectors, including oil and gas, aerospace, and infrastructure, among others. ADIA exercises its voting rights as a shareholder in certain circumstances to protect its interests or to oppose motions that may be detrimental to shareholders as a body. According to ADIA, the fund carries out its investment program independently and without reference to the government of Abu Dhabi.

ADIA in 2008 agreed to act alongside the IMF as co-chair of the International Working Group of sovereign wealth funds, which eventually became the International Forum of Sovereign Wealth Funds (IFSFW). The IFSWF, which is comprised of representatives from 28 countries, was created to demonstrate that sovereign wealth funds had robust internal frameworks and governance practices and that their investments were made only on an economic and financial basis.

11. Corporate Social Responsibility

Many companies in the UAE maintain corporate social responsibility (CSR) offices and participate in CSR initiatives, including mentorship and employment training; philanthropic donations to UAE-licensed humanitarian and charity organizations; and initiatives to promote environmental sustainability. The UAE's rulers actively support such efforts through official government partnerships, as well as their own private foundations. The UAE's resident population actively takes part in such CSR activities.

OECD Guidelines for Multinational Enterprises

The UAEG has stated broadly that corporate good governance and social responsibility are priorities. The UAEG has Governance Rules and Corporate Discipline Standards (Ministerial Resolution No. 518 of 2009) in which it encourages companies to apply social policy towards local society. In 2012 the Dubai Chamber of Commerce and Industry presented Corporate Social Responsibility Label certificates to honor Dubai-based companies for best practices. In April 2015, the Pearl Initiative and the United Nations Global Compact (UNGC) held their inaugural Forum in Dubai, with Reem Al Hashimy, UAE Minister of State, giving the keynote address. The Pearl Initiative is an independent private sector-led not-for-profit organization working across the Gulf region to encourage better business practices

12. Political Violence

There have been no reported instances of politically motivated property damage in recent years.

13. Corruption

The UAE has stiff laws, regulations and enforcement against corruption, and has pursued several high profile cases. 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, though none were convicted or jailed.

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.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The UAE signed and ratified the UN Anticorruption Convention in 2005 and 2006, respectively. The UAE is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Resources to Report Corruption: Dr. Harib Al Amimi, President, State Audit Institution, 20th Floor, Tower C2, Aseel Building, Bainuna (34th) Street, Al Bateen, Abu Dhabi, United Arab Emirates; +971 2 635 9999; info@saiuae.gov.ae

14. Bilateral Investment Agreements

UNCTAD lists the UAE as currently having 46 bilateral investment treaties, of which 31 are in force, and 14 other international investment agreements (IIAs), of which seven are in force. There is currently no bilateral investment treaty between the United States and the UAE.

In March 2004, the U.S. signed a Trade and Investment Framework Agreement (TIFA) with the UAE to provide a formal framework for dialogue on economic reform and trade liberalization; https://ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file305_7741.pdf. 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.

Bilateral Taxation Treaties

There is currently no double taxation treaty between the United States and the UAE.

UAE has ratified 45 bilateral agreements for the promotion and protection of investments and 55 double taxation avoidance agreements.

15. OPIC and Other Investment Insurance Programs

The UAE does not have a bilateral agreement with OPIC after having its agreement suspended in 1995 for not meeting statutory "taking steps" standards on worker rights grounds.

16. Labor

The UAE economy is robust, with low unemployment among the country's citizen population. Expatriates, who represent over 85 percent of the country's 9.3 million residents, account for over 98 percent of private sector workers.

UAE citizens overwhelmingly work in the public sector, although the federal and emirates-level governments aim to incentivize greater Emirati participation in the private sector through Emiratization quotas. Private sector hiring quotas for Emiratis vary by sector, ranging from 2-15 percent of annual hires. The National Human Resource Development and Employment Authority (Tanmia) oversees Emiratization efforts nationally, while emirate-level entities - such as the Abu Dhabi Tatween Council and Dubai's Emirates National Development Program - similarly work to place increasing numbers of UAE citizens into private sector positions.

A significant portion of the country's expatriate population is comprised of low-skill workers, primarily from South Asia, who work in manual labor industries such as construction. In addition, several hundred thousand domestic workers, primarily from South and Southeast Asia,

work in the homes of both Emirati and expatriate families. The 2014 Trafficking in Persons Report (<http://www.state.gov/documents/organization/226849.pdf>) details the UAE government's efforts to combat human trafficking.

Under UAE labor law, severance pay is required for workers who have completed one year or more of service; however, no severance pay shall be provided to employees terminated under certain conditions described in Article 120 of the Federal Labor Law.

Federal Law No. 8 of 1980 prohibits both labor unions and worker strikes. There are no legally mandated minimum wages.

Mediation plays a central role in resolving labor disputes in the UAE. The federal Ministry of Labor and local police forces actively maintain telephone hotlines and other venues for labor dispute and complaint submissions; the Ministry of Labor alone fields tens of thousands of such complaints each year, the majority of which are settled between the employer and employee(s) before reaching the formal judicial system. Labor protests are rare, in part due to employers' ability to cancel contracts of striking workers, which can lead to immediate deportation.

The Ministry of Labor, in conjunction with local police forces, also inspects company workplaces as well as low-skill worker accommodations to ensure labor rights are upheld according to UAE law and employer-employee contractual agreements. The Ministry of Labor conducted tens of thousands of such inspections in 2014. The UAE federal government also enacted legislation to protect workers' health, including a June 15-September 15 ban on outdoor work between 12:30 pm and 3:00 pm; though companies could be exempted from this legislation. Companies found in violation of this ban were fined over USD 4,000 per employee in 2014. In place since 2009, the federally mandated Wage Protection System electronically transfers wages to nearly 4 million private sector workers.

The multi-agency National Committee to Combat Human Trafficking is the federal body tasked with monitoring and preventing human trafficking, including forced labor. The UAE government is party to the "Palermo Convention" (Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children), and has made increasing efforts in recent years to prevent forced labor, and punish those who perpetrate it. Child labor is illegal and rare in the UAE.

A new federal law governing domestic worker contracts came into effect in 2014; under the law, the UAE government provided a standard employer-employee contract. In early 2015, the FNC, the UAE's quasi-legislative body, passed amendments to 2006 Federal Law 51 (which governs human trafficking, including forced labor) to more specifically prescribe protection for human trafficking victims, and punishment for human trafficking perpetrators.

The UAE is home to nearly 40 free zones, all of which offer incentives to expatriate workers and investors. Specifically, free zone regulations permit 100 percent foreign ownership – compared to the 51 percent UAE citizen ownership required outside of free zones under federal law – as well as tax, salary, and customs incentives for foreign investment and industry.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

There are numerous duty-free import zones throughout the UAE. Foreign companies generally enjoy the same investment opportunities within those zones as Emirati citizens. Free zones in the UAE are home to more than 17,000 companies. By one government report in November 2010, total FDI is estimated at USD 73 billion in the 36 free zones. 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, free zone authorities provide significant support services, such as sponsorship, worker housing, dining facilities, recruitment, and security.

Free zones have their own independent authority with responsibility for licensing and helping companies establish their business. Investors can register new companies in a free zone, or license branch or representative office. Free zones have limited liability and are governed by the laws and regulations of free zones. Companies in free trade zones seeking to operate within the UAE may be governed by the new Commercial Companies Law, if the laws of the relevant free zone permit companies to operate outside of the free zones.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2013	402,300	2013	402,000	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2012	3,100	2012	8,335	
Host country's FDI in the United States (\$M USD, stock positions)	N/A		2013	1,804	BEA, Haver Analytics
Total inbound stock of FDI as % host GDP	NA		NA		

*UAE National Bureau of Statistics; UAE Ministry of Economy public statements.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	73,107	100%	Total Outward	N/A	100%
United Kingdom	9,688	13.3%			
India	4,258	5.8%			
France	4,084	5.6%			
Japan	3,991	5.5%			
United States	3,110	4.3%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey. Figures are from 2012.

Table 4: Sources of Portfolio Investment

The UAE does not report data to the IMF's Coordinated Portfolio Investment Survey and does not publish data on foreign portfolio investment sources or destinations. FPI in the UAE in 2012 was USD 15.1 billion, according to official government statistics.

19. Contact for More Information

Please direct any questions regarding Mission UAE's Investment Climate Statement to:

Judith E. Baker
 Vice Consul, Economic Affairs Officer
 U.S. Consulate General Dubai
 PO Box 121777
 First Street, Umm Hurair-1
 Dubai, UAE
 +971.4.309.4857
 BakerJE@State.gov

The alternate point of contact is:

Kevin J. Su
 Economic Officer
 U.S. Embassy Abu Dhabi
 PO Box 4009
 Abu Dhabi, UAE
 +971.2.414.2449
 SuKJ@State.gov