UNITED ARAB EMIRATES

TRADE SUMMARY

The U.S. trade surplus with the United Arab Emirates was $2.9 billion in 2004, an increase of $542 million from $2.4 billion in 2003. U.S. goods exports in 2004 were $4.1 billion, up 15.8 percent from the previous year. Corresponding U.S. imports from United Arab Emirates were $1.1 billion, up 1.2 percent. United Arab Emirates is currently the 29th largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in the United Arab Emirates in 2003 was $1.4 billion, up from $1.3 billion in 2002.

After consultations with Congress, the United States bean Free Trade Agreement (FTA) negotiations with the UAE in March 2005. An important objective of these negotiations is the removal of trade barriers for U.S. goods and services providers. The FTA with the UAE is the next stage in achieving President Bush's vision for a Middle East Free Trade Area by 2013.

IMPORT POLICIES

The United Arab Emirates is a federation of seven emirates (Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al-Qaiwain, Fujairah, and Ras Al-Khaimah). The UAE is part of the Gulf Cooperation Council (GCC), an economic and political policy-coordinating forum for the six member states (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE). The individual emirates founded the UAE in December 1971 after realizing that they were too small and too poor to be viable on their own. Over the last 33 years, the UAE has developed into the third largest economy in the Arab world, with an estimated 2003 GDP of about $80 billion. The UAE has pursued free market, pro free trade policies to diversify its economy away from its dependence on oil. Despite possessing 9 percent to 10 percent of the world's proven oil reserves and the fourth largest proven gas reserves in the world, rapid growth in the non-oil economy reduced oil's share of GDP from 60 percent in 1980 to about 30 percent now.

Tariffs

At its December 2001 Summit, GCC Heads of State adopted an across-the-board common external tariff of five percent for most products. The new tariff regime was implemented in January 2003 as part of the GCC Customs Union agreement. The GCC states also agreed to develop a list of products to which a higher tariff would apply. Currently, the UAE's exceptions to the five percent tariff are a 50 percent tariff on alcohol, a 100 tariff on tobacco, and duty exemptions for 53 food and agricultural items.

Import Licensing

Only firms with an appropriate trade license can engage in importation, and only UAE nationals can obtain such a license (this licensing provision is not applicable to goods imported into free zones). In addition, not all goods require an import license.

Documentation Requirements

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

Customs Valuation

The UAE notified the WTO Customs Valuation Committee in October 2004 of its customs valuation scheme.

Textiles

Textile manufacturing represents approximately 10 percent of the UAE's gross domestic product, and Ministry of Economy officials have said that the textile sector is key to UAE efforts to diversify its economy. The UAE has attracted a number of garment manufacturers because of its close proximity to the Indian subcontinent and a lack of corporate and personal income taxes. The majority of garment factories are located in free trade zones, where they operate exempt from UAE commercial law and can be 100 percent owned by foreigners. In 2003, the Dubai Government announced the development of a $60 million textile free zone, called Dubai Textile City that is expected to open in fall 2005. The UAE has proposed eliminating the four percent textile tariff that currently exists between GCC members to further ease restrictions on textile trade.

STANDARDS, TESTING, LABELING AND CERTIFICATION

As part of the GCC Customs Union, member countries are working toward unifying their standards and conformity assessment systems, and have progressed considerably toward the goal of a unified food standard, originally targeted for adoption by 2006. However, each country currently applies either its own standard or a GCC standard, causing confusion among some U.S. businesses.

The UAE opened the Emirates Authority for Standardization and Metrology (ESMA), established under the auspices of the Ministry of Finance and Industry, in October 2002 to manage issues of standardization arising from the GCC Customs Union. The UAE has decided not to implement the GCC International Conformity Certification Program (ICCP). Instead, ESMA launched its own conformity assessment program, the Emirates Conformity Assessment

Scheme (ECAS) on selected products. ECAS applies national or GCC standards to domestically manufactured products, and applies international standards if national or GCC standards do not exist. The UAE asserts that the ECAS is a voluntary program and only applicable to domestically produced goods, but the scope and parameters of ECAS lack clarity and transparency.

Not all UAE national and GCC food standards are consistent with international standards published through the CODEX, OIE and IPPC organizations. In addition, the UAE requires that all consumer-ready food products carry both production and expiration dates and stipulates that at least one-half of a product's shelf life must be valid when a product reaches the port of entry. For red meats and poultry, the product must arrive within four months of production. The UAE maintains import bans on U.S. meat and poultry and cattle products, even though the OIE standard does not support such a ban.

In August, 2004, the UAE cabinet transferred control of the country's Food Safety and Technical Advisory Committee from the General Secretariat of Municipalities to the ESMA.

GOVERNMENT PROCUREMENT

The UAE does not require that a portion of any government tender be subcontracted to local firms, but it grants a 10 percent price preference for local firms in government procurement. The UAE requires that only registered companies be invited to receive government tender documents. To be registered, a company must have at least 51 percent UAE-ownership. However, these rules do not apply to major projects or defense contracts where there is no local company able to provide the goods or services required. Established in 1990, the UAE's offset program requires defense contractors that are awarded contracts valued at more than $10 million to establish joint venture projects that yield profits equivalent to 60 percent of the contract value within a specified period (usually seven years). There are also reports, as well as anecdotal evidence, indicating that defense contractors can sometimes satisfy their offset obligations through an up-front, lump-sum payment directly to the UAE Offsets Group. The projects must be commercially viable joint ventures with local business partners, and are designed to further the UAE objective of diversifying its economy away from oil. To date, more than 40 projects have been launched, including, *inter alia*, a hospital, an imaging and geological information facility, a leasing company, a cooling system manufacturing company, an aquiculture enterprise, Berlitz Abu Dhabi, and a firefighting equipment production facility. Two of the largest offset ventures are an international gas pipeline project (Dolphin) and the Oasis International leasing company -- a British Aerospace offsets venture. The UAE is not a signatory to the WTO Agreement on Government Procurement.

INTELLECTUAL PROPERTY RIGHTS (IPR) PROTECTION

The UAE has made the protection of intellectual property a priority in recent years. The UAE repealed previous copyright, trademark, and patent laws and issued improved legislation in 2002, providing high levels of protection for U.S. intellectual property. In addition, an agreement between the UAE and U.S. pharmaceutical companies provides *de facto* patent protection for a number of U.S. patent-protected medicines, and, in 2004, the UAE resolved a number of IPR complaints with U.S. pharmaceutical manufacturers.

The new copyright law, enacted in July 2002, grants protections to authors of creative works and expands the categories of protected works to include computer programs, software, databases, and other digital works. Efforts to combat computer software piracy in the UAE have been successful. According to 2002 industry estimates, the rate of software piracy in the UAE is the lowest in the Middle East. The UAE is recognized as the regional leader in fighting computer software piracy.

The UAE's new Trademark Law, also issued in July 2002, confirms that the UAE will follow the International Classification System and that one trademark can be registered in a number of classes. The new law provides that the owner of the registration shall enjoy exclusive rights to the use of the trademark as registered and can prevent others from using an identical or similar mark on similar, identical or related products and services if it causes confusion among consumers. However, it remains unclear how the UAE provides protection for geographical indications as required by the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs).

The UAE published the official and final version of the long-awaited Patent Law in November 2002. The Patent Law provides for national treatment for intellectual property owners from other WTO Members, product and process patent protection, and enforcement of intellectual property rights utilizing civil and criminal procedures and remedies. In October 2003, the Ministry of Health issued a circular providing data exclusivity protection in the UAE for pharmaceutical products for up to five years or until a patent is granted or rejected in the UAE, whichever period is shorter.

In 2004, the Ministry of Information issued new regulations allowing for specialized collecting societies as a practical way for sound recording companies to collect royalties on the broadcast and performance of copyrighted material. The UAE is also considering legislation for data protection, privacy, and other IP-related issues. In response to TIFA Council discussions, the UAE has identified points of contact for rights holders to address complaints.

SERVICES BARRIERS

Insurance

In November 2004, the Ministry of Economy and Planning announced that it will open its insurance sector to new foreign insurance companies. About half of the current 47 insurance companies in the UAE are foreign, but the UAE government froze new entries to the market in

1989 due to a perception that the market was saturated. New foreign companies will be required to meet high international rating criteria and to offer new products to the market.

Banking

The UAE has 21 national banks, 26 foreign financial entities, and a total of 457 branches. 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 is also considering allowing foreign banks operating in the UAE to set up new branches provided that they undertake to employ UAE nationals. Figures by the Central Bank show national banks enjoy a stronger financial position than foreign banks operating in the UAE, with assets peaking at the end of March 2003 at nearly $68.3 billion compared with foreign banks' assets of around $21.5 billion. The UAE opened the Dubai International Free Zone in 2004, which exempts foreign banks from civil and commercial, though not criminal, law.

Agent and Distributor Rules

The UAE's Commercial Agencies Law requires that foreign principals distribute their products in the UAE 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. All UAE commercial agents must be registered with the Ministry of Economy and Planning. Once chosen, agents/distributors have exclusive rights, and the law provides that an agent may be terminated only by mutual agreement of the foreign principal and the local agent, notwithstanding the expiration of the term of the agency agreement. Since 1996, the UAE has not recognized new agency agreements in the food sector. Agency agreements in existence prior to this period are still recognized. The UAE is discussing amendments to the Agency Law, although no formal decisions have been made at this time.

INVESTMENT BARRIERS

Except for companies located in one of the free zones, at least 51 percent of a business establishment must be owned by a UAE national. A business engaged in importing and distributing a product must be either a 100 percent UAE owned agency/distributorship or a 51 percent UAE/49 percent foreign limited liability company (LLC). Subsidies for manufacturing firms are only available to those with at least 51 percent local ownership.

The laws and regulations governing foreign investment in the UAE are evolving. There is no national treatment for investors in the UAE. Non-GCC nationals cannot own land, but the emirate of Dubai currently is offering so-called free hold real estate ownership for non-GCC nationals within certain properties. However, the exact legal status of this scheme is still uncertain. 22 out of 53 stocks on the UAE stock market are open to foreign investment. Ministry of Economy and Planning rules allow foreign investors to own up to 49 percent of companies on the stock market; however, company by-laws in many cases prohibit foreign ownership. Claims resolution is a problem as foreign companies tend not to press claims for fear that doing so may jeopardize their business activities in the UAE.

ELECTRONIC COMMERCE

The Emirate of Dubai passed The Law of Electronic Transactions and Commerce No. 2/2002 in 2002, which protects certain electronic records and signatures, and some electronic communications. This law also provides penalties for any person who knowingly creates, publishes, or otherwise makes available false signature or certificate, or provides false statements online for fraudulent or any other unlawful purpose. In March 2003, the International Bar Association hosted a conference in Dubai entitled, Middle East Law and the Internet Age. The conference addressed the legal developments related to new technologies, with a focus on electronic commerce in the Middle East. The Emirate of Dubai has established the Dubai Technology, Electronic Commerce and Media Free Zone (TECOM), which houses both Internet City and Media City, two subdivisions which cater, respectively, to the information technology and media sectors. In April 2004, the UAE announced the opening of the telecommunications sector, revoking Emirates Telecommunications Corporation’s (Etisalat) monopoly rights. This decree took affect on January 1, 2005.