UNITED ARAB EMIRATES

TRADE SUMMARY

The U.S. goods trade surplus with United Arab Emirates was $7.0 billion in 2005, an increase of $4.1 billion from $2.9 billion in 2004. U.S. goods exports in 2005 were $8.5 billion, up 107.5 percent from the previous year. Corresponding U.S. imports from United Arab Emirates were $1.5 billion, up 28.6 percent. United Arab Emirates is currently the 21st largest export market for U.S. goods.

The stock of U.S. foreign direct investment (FDI) in United Arab Emirates in 2004 was $2.4 billion, up from $2.0 billion in 2003.

After consultations with Congress, the United States began Free Trade Agreement (FTA) negotiations with the UAE in March 2005 and finished the 3rd round of negotiations in November 2005. An important objective of these ongoing 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. Over the last 33 years, the UAE has developed into the third largest economy in the Arab world, with an estimated 2004 Gross Domestic Product (GDP) of about $104 billion. The UAE has pursued free market, trade liberalizing policies to diversify its economy away from a dependence on oil. Despite possessing around 9 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 a 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 percent 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 non-oil GDP, and Ministry of Economy officials have said that the textile sector is key to UAE efforts to diversify its economy. In 2004, textiles made up approximately 4.8 percent of the UAE's non-oil exports, 9.6 percent of re-exports, and 7 percent of imports. 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 foreign owned. In 2003, the Dubai Government announced the development of a $60 million textile free zone, called Dubai Textile City that opened in the fall of 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, but now estimated to be adopted not before 2009. Each country currently applies either its own standard or a GCC standard causing confusion among some U.S. businesses.

In October 2002, the UAE created the Emirates Authority for Standardization and Metrology (ESMA), established under the auspices of the Ministry of Finance and Industry 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, or international standards if neither national or GCC standards 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 Alimentarius Commmission (CODEX), Office of Epizootics (OIE) and International Plant Protection Convention (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 meat and poultry, the product must arrive within four months of production. The UAE lifted its import bans on U.S. poultry in April 2005 and on U.S. beef in June 2005.

Control of the country's food standards is with the General Secretariat of Municipalities (GSM). The GSM develops food standards through a technical advisory committee, although individual municipalities still apply food and non-food standards of their own development, independent of the GSM authority, (i.e., labeling of foods with biotechnology enhanced ingredients, prohibition of foods labeled as Kosher prepared, standards for pet foods). The GSM is unable to control such actions by individual municipalities which, when taken, periodically cause confusion among U.S. suppliers.

GOVERNMENT PROCUREMENT

The UAE grants a 10 percent price preference for local firms in government procurement. The UAE requires companies to register with the government before they can participate in government procurements. To be eligible for registration, a company must have at least 51 percent UAE-ownership. This rule does 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 commercially viable joint ventures with local business partners 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. This requirement is 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 for *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. It remains unclear, however, how the UAE provides the protection for geographical indications 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 protection of test and other data against unfair commercial use 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. This is an improvement over the previous situation, but protection of test data should not be dependent on patent protection.

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 Trade and Investment Framework Agreement Council discussions, the UAE has identified points of contact for rights holders to address complaints.

SERVICES BARRIERS

Insurance

While the Ministry of Economy and Planning announced in 2004 that it would open its insurance sector to new foreign insurance companies, no changes have yet taken place. 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. Foreign insurance companies may enter the market through a branch. Subsidiaries are not permitted.

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 granting licenses to new foreign banks. In September 2003, however, 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. The UAE opened the Dubai International Financial Exchange in 2005.

Agent and Distributor Rules

The UAE's Commercial Agencies Law requires that all commercial agents be either UAE nationals or companies wholly-owned by UAE nationals. The foreign principal may appoint one agent for the entire UAE or for a particular emirate or group of emirates. 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 restrictive terms of the laws currently governing agency relationships are under discussion in the proposed United States-UAE Free Trade Agreement.

INVESTMENT BARRIERS

Except for companies located in one of the free zones, at least 51 percent of a business established in the UAE 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-owned/49 percent foreign owned limited liability company.

Subsidies for manufacturing firms are only available to those companies with at least 51 percent UAE national 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 freehold real estate ownership for non-GCC nationals within certain areas. However, the exact legal status of this scheme is still uncertain. In August 2005, UAE President Sheikh Khalifa bin Zayed Al-Nahyan, acting in his role as the ruler of the Emirate of Abu Dhabi, signed Abu Dhabi law number 19 of 2005 concerning real property. The law will be effective after it is published in the Abu Dhabi Gazette.

It provides that UAE nationals may own land and interests in land throughout the Emirate of Abu Dhabi. GCC citizens will be able to own land within designated investment areas. Non-GCC nationals will have the right to own buildings, but not the land, in investment areas. Use of buildings may be done through a leasehold arrangement. Foreign investors may purchase 22 of the 53 issues on the UAE stock market. The 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. Dispute 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 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 a 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. On May 6, 2005, the Telecommunications Regulatory Authority announced that it had approved the establishment of a new telecommunications company to compete with Etisalat.