



Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

UNITED ARAB EMIRATES

This report, prepared for the fourth Trade Policy Review of the United Arab Emirates, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from the United Arab Emirates on its trade policies and practices.

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SUMMARY

1. The United Arab Emirates (UAE) is a federation of seven Emirates: Abu Dhabi, Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain. Responsibility for policy, laws, and administration is shared among the federal authorities and the individual Emirates. Together, Abu Dhabi and Dubai account for over 85% of the country's gross domestic product (GDP). The oil and gas sector accounts for around 30% of the UAE's GDP, 41% of public revenues, and 26% of merchandise exports, excluding re-exports. Thus, economic diversification remains a priority of government policy.

2. Immigrants represent over 87% of the total population, and the economy is highly reliant on foreign workers. The authorities implemented several plans during the period under review to attract and retain highly skilled foreigners, such as by granting long-term golden residence visas or citizenship to selected investors, highly skilled professionals, or important cultural figures.

3. Between 2016 and 2019, real GDP growth ranged between 1.2% and 3.4%, mainly led by the non-oil sector. GDP contracted by 6.1% in 2020, due to the impact of the COVID-19 pandemic. Exports of hydrocarbons decreased by 36% in 2020, as global demand fell. In 2020, the UAE recorded negative inflation of 2.1%. To mitigate the pandemic's economic impact, the authorities applied fiscal and monetary stimulus measures, both at the federal and emirate levels. Real GDP growth is expected to reach 2.1% in 2021.

4. The fiscal balance, which was in surplus in 2018 and 2019, slipped to a 2.5% deficit in 2020 because of the impact of the COVID-19 pandemic. The 2021 federal budget was the first since 2015 to forecast a deficit. Each Emirate has its own budget. The Central Bank projected in its 2020 Annual Report a full recovery of the economy in 2022, thanks in part to fiscal stimulus. In October 2021, the UAE issued its first federal government bonds, following the implementation of the 2018 Public Debt Law.

5. The UAE dirham has been pegged to the US dollar since 1997. The Central Bank's main objectives as per Article 4 of the new Federal Law No. 14 of 2018 are to "maintain the stability of the national Currency within the framework of the monetary system", "contribute to the promotion and protection of the stability of the financial system in the State", and "ensure prudent management of the Central Bank's Foreign Reserves".

6. The trade balance remained in surplus over the period under review. Exports of non-hydrocarbons, which traditionally surpass exports of hydrocarbons, remained relatively stable in 2020 despite the disruption of global trade. Precious stones and metals and pearls continue to be the main drivers of non-oil merchandise exports, followed by machinery and electrical equipment. Considering the importance of trade in precious stones and metals to the UAE economy, the Government implemented several initiatives to improve gold trade. Apart from the consistently positive trade balance, the evolution of the balance of payments during the review period was also characterized by large remittance outflows and private capital outflows driven by banks and private non-banks. The UAE recorded a net inflow of foreign direct investment (FDI) in 2020, and in 2021 the Government unveiled several policy plans to increase FDI outflows and exports to targeted markets.

7. During the period under review, the UAE concluded the implementation of its Vision 2021 National Agenda and in 2020 launched its long-term development strategy, UAE Centennial 2071. At the core of both strategies is the transformation of the UAE into a knowledge-based economy, by increasing productivity, enhancing the competitiveness of national companies, and investing in high-technology sectors. As part of these initiatives, the UAE introduced measures to improve the rule of law, undertook extensive legislative reforms aimed at modernizing the economic environment, and removed ownership restrictions on foreign investment in many sectors. Such efforts resulted in improving the UAE's rankings in several world and regional indicators, including ease of doing business, financial competence and stability, and attraction of FDI. Concerns remain about what some observers perceive as lengthy and costly resolution of commercial disputes. The new Arbitration Law, effective since 2018, is expected to increase confidence in the judicial system and facilitate the speedy settlement of international commercial disputes.

8. The formulation of trade policy at the federal level is under the responsibility of the Ministry of Economy and is aligned with the country's long-term strategy. Its main objectives are diversifying the economy towards industries based on knowledge and innovation, creating an environment conducive to trade and investment, strengthening the competitiveness of the UAE in external markets, and developing international trade relations.

9. The UAE is strongly committed to the rules-based multilateral trading system and actively participates in the WTO negotiations and the Joint Statement Initiatives on e-commerce and investment facilitation. It considers that the development dimension should remain at the core of WTO rules. The UAE accepted the Protocol concerning the Agreement on Trade Facilitation in April 2016 and the Protocol Amending the TRIPS Agreement in January 2017, and is a party to the Information Technology Agreement. The UAE actively supports a multilateral response to the COVID-19 pandemic and adheres to several joint statements in this regard. It regularly submits notifications to the WTO, including recent submissions under the Agreement on Agriculture, the GATS, the Agreement on Rules of Origin, and the TRIPS Agreement. During the review period, the UAE participated in three cases (two as a complainant, and one as a defendant) under the WTO dispute settlement mechanism. The trade policies and practices of the UAE have been reviewed three times; the last Review took place in June 2016.

10. The UAE is a member of the Gulf Cooperation Council (GCC) and the Pan-Arab Free Trade Area. The GCC as a group has free trade agreements with Singapore and the European Free Trade Association. In September 2021, the UAE announced plans to bilaterally pursue comprehensive economic agreements with eight countries (including India, the Republic of Korea, the United Kingdom, and Turkey) on trade, FDI, and other economic areas.

11. Attracting foreign investment is an essential element of the UAE's strategy to diversify its economy and consolidate the country's position as a regional trade and investment hub. The long-established free zones regime, where foreign ownership is allowed at 100%, continues to play an important role in the economy. In addition, since the last Review, the UAE has implemented legislative changes, including a major overhaul of the Commercial Companies Law (CCL), to open the economy to onshore foreign investment. Pursuant to the revised law, foreign investors may now own up to 100% of companies in the UAE, except in certain activities having a "strategic impact". At the same time, several Emirates have issued their own list of activities in which 100% foreign ownership is allowed, and the relationship of these lists with the new regime established by the revised CCL is somewhat unclear. Another key change to the CCL is the removal of the obligation for foreign company branches and representation offices to have a local service agent with 100% UAE ownership. The National Agenda for Foreign Direct Investment encourages inward FDI from targeted countries in "promising sectors" related to innovation, leadership, and advanced industries. With respect to outward FDI, the agenda seeks to strengthen the international presence of UAE's leading companies, open new opportunities in targeted sectors and markets for Emirati investors, and protect their interests abroad.

12. There have been no significant changes in the UAE's customs legislation and institutional framework. While the Federal Customs Authority (FCA) defines customs policies and supervises their implementation, customs authorities of each Emirate apply the GCC Common Customs Law, and can define customs procedures as long as they are consistent with the Common Customs Law. Customs declarations can be submitted electronically and in 2020 the FCA launched a new UAE Customs Gateway project, which the authorities plan to develop into a national single window. According to the authorities, a system to request advance rulings on tariff classification, rules of origin, or customs valuation is also being developed, in line with the 2020 GCC Unified Guide on Advance Rulings. The FCA started to pilot a new UAE Approved Economic Operators (UAEO) scheme in 2016, replacing earlier systems, to lower clearance times and costs. By mid-2021, 84 companies had been approved for the UAEO Program, accounting for a very large share of customs declarations in Dubai.

13. As a member of the GCC, the UAE applies the Common External Tariff with the vast majority (87.6%) of the 7,585 tariff lines at 5%, and another 11.2% duty-free. The average applied tariff in 2021 was 5.0%, with tariffs on agricultural products higher than those for non-agricultural products. The share of lines with non-*ad valorem* tariffs stands at 0.7% (including prohibited items), while there are no tariff quotas, few tariff peaks, and no nuisance tariffs. Since early 2020, importers are no longer required to submit a Certificate of Origin with every shipment but can declare origin in the invoice, unless they intend to claim preferential duty treatment. The UAE has bound all tariff lines. For 22 tariff lines covering "special goods", applied tariffs exceed bound tariffs by significant margins.

This applies to 14 tariff lines of goods containing alcohol where the applied duty of 50% exceeds the bound rate of 15%, and 8 tariff lines for (parts of) electronic smoking devices where the applied duty of 100% exceeds the bound rate of 15%

14. Following the 2016 agreement among GCC members on Value Added Tax (VAT), the UAE introduced a VAT of 5% in 2018. The UAE also introduced an excise tax on harmful goods, in line with the Common Excise Tax Agreement of the States of the GCC, in 2017, and expanded its coverage in 2019.

15. While the GCC member States aim to establish a common GCC-wide list of prohibited imports, national lists remain in place. In the UAE, about 0.4% of products are currently prohibited to import, while another 0.9% are classified as "special goods".

16. The UAE amended its domestic trade remedy legislation to bring it into conformity with the 2010 amended GCC Common Law on Antidumping, Countervailing Measures and Safeguard Measures, while also introducing a national mechanism that can be applied independently from the GCC Common Law. At the GCC level, six trade remedy measures (four anti-dumping duties and two safeguard measures) were imposed between 2016 and 2020, while three investigations were terminated without the imposition of a definitive duty. Two investigations are ongoing. There were no official requests for initiation of investigations for anti-dumping, countervailing duties, or safeguard measures at the UAE level.

17. Export agencies at the emirate level provide general support to exporters, such as co-financing certain marketing activities, providing information on foreign markets and general export management skills, or providing other practical assistance to potential exporters. The UAE also established a new federal export credit agency in 2017, offering trade credit insurance, other guarantees and insurance, and letter of credit confirmation. Buyer credit facilities to firms across the UAE have also been provided by the Abu Dhabi Exports Office (ADEX) since 2019. Information regarding the total financial support provided to enterprises via these agencies, the total amount of export credits insured, and their breakdown by economic activity was not available.

18. In March 2021, the authorities launched Operation 300bn, a 10-year strategy aiming to increase the industrial sector's contribution to GDP from AED 133 billion to AED 300 billion by 2031. It aims to create an attractive business environment, support the development of home-grown national industries, stimulate innovation and technology adoption, and boost the reputation of the UAE as an investment destination. The above-mentioned removal of foreign ownership restrictions is aligned with this strategy. Nevertheless, free zones continue to play an important role in the economic development and diversification strategy of the UAE. In 2020, the zones accounted for 63.8% of the UAE's non-oil merchandise exports and 36% of all imports. The authorities also grant support to SMEs, including by (i) federal- and emirate-level government and entities procuring certain percentages from SMEs, and (ii) the Emirates Development Bank providing certain financial support to SMEs.

19. In 2020, the Emirates Authority for Standardization and Metrology (ESMA) was merged into the newly founded Ministry of Industry and Advanced Technology (MoIAT), which took over all issues related to standardization and metrology. The MoIAT participates in the standards-setting procedures at the GCC Standardization Organization (GSO). At the national level, ESMA and subsequently the MoIAT established an additional 6,161 standards between 2016 and 2021, bringing the total number to 26,500, with 1,214 technical regulations adopted at the end of 2020. More than 95% of standards reflected GCC standards at the end of 2020. Over the review period, the UAE made 214 notifications under the Agreement on Technical Barriers to Trade: 43 notifications by the UAE alone and 171 joint notifications by all GCC members.

20. Federal SPS regulations are also generally based on GSO standards with the federal ministry and local authorities sharing responsibility for control and inspection of agricultural food safety and phytosanitary control. A GCC Guide for Control on Imported Foods was piloted in 2015-16, but its application was suspended in 2017 before entering fully into force. In 2018, the UAE launched a National Food Accreditation and Registration System (ZAD), where all food items, whether domestically produced, imported, or modified, must be registered free of charge before entering the UAE market. The UAE also launched a National Rapid Alert System for Food in 2017. Between January 2016 and September 2021, the UAE submitted 272 notifications under the Agreement on

the Application of Sanitary and Phytosanitary Measures, including 68 regular and 180 emergency (or addenda emergency) notifications. Seventy-six notifications were joint GCC notifications.

21. There were no changes to the basic competition policy legislation. A Cabinet Resolution issued in 2016 established the market thresholds needed for the application of the 2012 Competition Law and its Implementing Regulations. A Competition Regulation Committee was established in 2018 to make recommendations to the Ministry of Economy on the implementation of the legislation. The Competition Law prohibits the use of restrictive agreements and the abuse of dominant position, and requires prior approval for economic concentrations. It applies to natural or legal persons engaged in economic activities in the UAE, but excludes activities subject to sector-specific laws, acts of federal and local governments and government-owned enterprises, and SMEs. Enforcement of the Competition Law is still in its early stages, with a dozen cases having been handled during 2018-21, for which there are no public records. Parties to a complaint are encouraged to reach an amicable solution. In general, prices are determined by the market. However, certain commodities are subject to price monitoring, mainly to protect consumers' welfare, and price controls apply in some sectors such as pharmaceutical products, telecommunications services, electricity, and water.

22. State-owned enterprises (SOEs) and government-related entities (GREs) continue to play an important role throughout the economy, including in the diversification strategies of the authorities. Mostly, they are fully or partially owned by various sovereign wealth funds at the emirate or federal level, and some GREs compete against each other directly or indirectly. Over the review period, the Government continued to implement reforms that improved governance, strengthened financial independence, and adjusted ownership structures, including via partial divestments. Government revenue from GRE profits represented 8.8% of GDP in 2020.

23. The UAE is not a signatory to the Agreement on Government Procurement. Cabinet Resolution No. 4 of 2019 is the main law regulating government procurement at the federal level. It aims to unify procedures, reduce costs, and align the procurement system with international best practices. Under the legislation, a price preference of 10% is granted to: (i) SMEs with up to AED 10 million in capital that receive support under federal and local laws; (ii) green companies; and (iii) green goods and services produced in the UAE. Moreover, 10% of federal procurement value is set aside for SMEs. Currently, a digital Government Procurement Platform is being developed to offer more flexibility in procurement processes, streamline procedures, and incentivize the participation of SMEs in federal procurement. At the emirate level, local laws also provide for price preferences and set-asides for SMEs. Under the National Value-Added Program, launched in September 2021, suppliers that achieve the highest scores in national value-added will be granted preference in tenders by federal entities and major national companies.

24. During the period under review, the UAE implemented several regulatory changes to its intellectual property (IP) regime to strengthen IP protection and create a stimulating environment for innovation. In 2021, a new patent law and a new trademarks law were enacted, and the UAE joined the Madrid Protocol on trademarks registration. A new law was also approved to increase penalties in case of commercial fraud. The UAE complies with the GCC Unified Patent Law, and its new trademarks law aligns with the GCC Trademark Law. The UAE announced its intention to join the International Union for the Protection of New Varieties of Plants.

25. The agriculture, forestry, and fishing sector grew as a share of GDP during the review period, but remained relatively small at less than 1%. Total value of crops is distributed among fruit trees (61%), vegetables (22%), and field crops (17%). The UAE's small agriculture and fishery production means that it imports most of its food for consumption. The UAE's applied MFN tariff for agricultural products (not including fish and fishery products) of 6.7% was higher than its total simple average of 5%, notably explained by the high tariff average of beverages, spirits, and tobacco. Between 2016 and 2021, the UAE authorities launched several initiatives with the aim of achieving greater agricultural production, fostering food security, and rebuilding fish stocks.

26. The UAE Energy Strategy 2050, launched in 2017, is the first unified UAE energy strategy and aims to diversify the energy mix while mitigating climate change by reducing greenhouse gas (GHG) emissions. According to its recently updated Nationally Determined Contribution, the UAE intends to reduce GHG emissions for the year 2030 by 23.5% relative to the business-as-usual scenario. In October 2021, the UAE declared its intent to achieve a target of zero GHG emissions by 2050, and in November 2021 it announced the Hydrogen Leadership Roadmap, a comprehensive national

blueprint to support domestic low-carbon industries, contribute to the country's net-zero ambition, and establish the country as a competitive exporter of hydrogen.

27. The UAE's oil policy changed significantly during the review period, especially since 2016, in response to certain fundamental shifts in international energy markets. Faced with these challenges, the UAE adopted a strategy of increasing crude oil production capacity and maximizing the life of its reservoirs, and built up its domestic transformation capacity. In 2018, the state-owned Abu Dhabi National Oil Company, which accounts for most crude oil production in the UAE, announced plans to increase crude oil production capacity to 4 million barrels per day (b/d) by the end of 2020 and 5 million b/d by 2030. It plans to increase its refining capacity by 65% to 1.5 million b/d in 2025 and is also investing in refining capacity abroad. Expansion of production capacity has also been a major objective of the UAE's recent gas policy. An integrated gas strategy adopted in 2018 aims to achieve self-sufficiency by 2025 and to sustain liquified natural gas (LNG) exports until 2040.

28. The oil and gas sector is mainly regulated at the emirate level. Rights to produce oil and natural gas are granted through concession agreements. In Abu Dhabi, and the UAE more generally, such concessions are typically granted to state-owned or -controlled companies, and foreign ownership is typically limited to minority interests. Pursuant to the Abu Dhabi Income Tax Decree of 1965, as amended, the Government of Abu Dhabi can subject chargeable persons to income tax on chargeable activities, including revenue from oil operations in the Emirate of Abu Dhabi. In June 2017, a federal law was passed regarding trading in petroleum products. The Law was designed to address the illegal trading of petroleum products that do not meet UAE standard specifications and to reduce smuggling of petroleum products from neighbouring countries. Unlike electricity and water tariffs, fuel prices are regulated at the federal level. Since 2015, domestic prices of gasoline and diesel have been indexed to international oil prices and are subject to monthly review by the Fuel Price Committee.

29. While electricity generation in the UAE traditionally has relied almost entirely on natural gas, the country is currently in the process of switching from nearly all the electricity being produced from natural gas to a basket of sources. Electricity transmission and distribution in the UAE are controlled by government authorities and state-owned companies. The electricity market in each Emirate is based on a single buyer model, whereby electricity generated by power producers is sold on an exclusive basis to state-owned companies responsible for power transmission and distribution. The National Water and Energy Demand Management Programme, approved by the federal cabinet in August 2021, aims to achieve a 40% reduction in energy demand by 2050 in the three most energy-consuming sectors in the UAE (transport, industry, and construction) and a 50% reduction in water demand. Renewable energy capacity increased very substantially during the period under review. Almost all renewables capacity involves solar power.

30. Banking dominates the financial sector, which also includes a well-developed Islamic finance sector. State ownership in the three largest commercial banks remains significant, and concentration in the banking sector increased over the review period. Access to banking services has become nearly universal, while the overall financial situation of the banking sector remains sound despite a relatively high share of non-performing loans. Reforms in 2017 introduced the Basel III framework, while a new Central Bank law introduced regulation by type of banking activity rather than by type of financial institution. The Central Bank continued to improve the prudential regulatory framework by issuing regulations and standards on risk management, corporate governance, and requirements for financial institutions housing an Islamic window. It also strengthened consumer protection regulations and continued to develop the regulatory framework required for a mature FinTech environment. Authorities in each Emirate levy a profit tax of 20% on foreign bank branches (a tax not levied on domestic banks). Financial Free Zones in Dubai and Abu Dhabi are separately regulated.

31. During the review period, the regulatory oversight of the insurance sector shifted from the Insurance Authority to the Central Bank following their merger. Gross written premiums (GWPs) increased marginally, with domestic insurance companies accounting for approximately two thirds of them. Regulatory reforms aimed primarily at increasing transparency for customers, improving conduct, and establishing a regulatory sandbox. This included permitting the online sale of life and personal insurance policies, as well as certain types of liability and property insurance, and prohibiting certain anti-competitive behaviour. To encourage development of reinsurance, the regulator also issued specific regulations, including re-Takaful (Islamic insurance), in 2019.

32. The construction sector was among those most affected by the COVID-19 pandemic, compounding a series of earlier downturns. A longer trend of declining real estate prices started to stabilize and reverse in early 2021. During the review period, the Government of Dubai undertook efforts to stabilize imbalances in the construction sector and started to develop a strategic plan for all mega projects. The licensing of certain construction-related activities is regulated at the emirate level. During the review period, consolidation of private and government-owned companies in the sector took place.

33. The telecommunications sector is dominated by the two state-owned operators and the Government considers the sector as critical for economic development and national digital transformation. Despite continuously high subscription rates, the total number of subscribers declined over the review period. Access to services is nevertheless very competitive and the speed of fixed-broad Internet very high. The UAE is one of the countries where commercial 5G services were first launched. Pro-competitive regulations cover non-discriminatory access to the networks of operators that are dominant in specific service areas, price transparency and price controls, the monitoring of performance standards, consumer data privacy, and advertising. VoIP services are regulated in the UAE and, during the pandemic, additional VoIP and communication applications were permitted and remain available until further notice. E-commerce grew significantly over the review period, with the 2020 revision of the Consumer Protection Law expanding coverage to electronic commerce and personal data protection legislation being further developed.

34. The transportation sector is a key component of the Government's strategy to make the UAE a major trading hub. In 2020, the Federal Transport Authority was merged into the Ministry of Energy and Infrastructure, which regulates maritime and land transportation. The General Civil Aviation Authority manages all activities related to civil aviation at the federal level. Both federal and emirate authorities regulate and implement policies for transportation. In 2019, Dubai International Airport was ranked as the 4th busiest airport in the world in terms of total passenger traffic. Six airlines are established in the UAE, including the two major international airlines (Emirates Airlines and Etihad Airways), which both recorded losses due to the COVID-19 pandemic. The UAE is also a maritime hub, and the Jebel Ali Port in Dubai is the sole port in the Middle East and North Africa to reach the world's top 30 busiest ports. The national railway is currently under construction and should reach an annual capacity of over 50 million tonnes of goods at completion.

35. The authorities aim to establish the UAE as a regional medical hub and to increasingly attract medical tourism. Between 2015 and 2019, the number of medical tourists increased from nearly 300,000 to around 350,000. Most healthcare service providers are private, and many are part of international firms. They often collaborate with state-owned providers, which usually operate the largest hospitals and account for a large share of total available beds. The federal authorities revised legislation concerning private health facilities, health professionals, and medical products during the review period. Emirate-level health authorities (where they exist) accredit and license medical professionals and medical facilities in line with emirate-level procedures that broadly follow unified qualification requirements at the federal level.

1 ECONOMIC ENVIRONMENT

1.1 Main Features of the Economy

1.1. The United Arab Emirates (UAE) is the second-largest economy of the Gulf Cooperation Council (GCC) after the Kingdom of Saudi Arabia. Deserts account for 80% of its land area, but the UAE is well connected to regional and international markets due to its strategic location on the Arabian Peninsula and its ports.¹ Overall, a large part of the UAE economy continues to rely on the oil and gas industries, with hydrocarbons representing 41% of public revenues in 2020 and 26% of merchandise exports in 2020.² The Government's top priorities are to diversify income sources, reinforce the country's position as a trade and investment hub, and support social welfare and well-being.³

1.2. The UAE is a federation of seven Emirates characterized by different economic features. The Emirate of Abu Dhabi accounts for more than three quarters of the total territory, is by far the largest economy (60.5% of the UAE total GDP in 2020 in current prices⁴), and derives 50.4% of its GDP from hydrocarbons.⁵ It is the sole Emirate where mining and quarrying is among the top three sectors of the economy. The Emirate of Dubai accounted for 25.9% of the UAE's GDP in 2020 and is comparably more diversified due to its strong services sector.⁶ The five remaining Emirates' shares of GDP are: Sharjah, 7.9%; Ras Al Khaimah, 2.1%; Ajman, 2%; Fujairah, 1.4%; and Umm Al Quwain, 0.2%.⁷ The decentralized structure of the UAE allows for a certain degree of competition among Emirates in terms of investment and production incentives. While each Emirate's development plans integrate into the framework established by the Federal Government (Section 2.1), each aims to increase production capacities and the attractiveness of its own territory as an investment destination. This process appears to induce competition, especially among the large Emirates and may explain recent trends in, for example, infrastructure development and the establishment of free zones.

1.3. The composition of the overall UAE economy did not change significantly during the review period (Chart 1.1). The mining sector represents almost a third of GDP, although its share has slightly declined. "Mining and quarrying including crude oil and natural gas" decreased from 30.6% of GDP in 2016 to 29.8% in 2019 and 29.1% in 2020 (constant prices 2010). The next three main sectors in 2019 and 2020 were wholesale and retail trade, manufacturing, and construction.

¹ Emirates Nature and WWF Connect with Nature, *Habitat: Desert*. Viewed at: <https://bit.ly/2QY0jA4>.

² Federal Competitiveness and Statistics Centre. Figures do not include re-exports.

³ Information provided by the authorities.

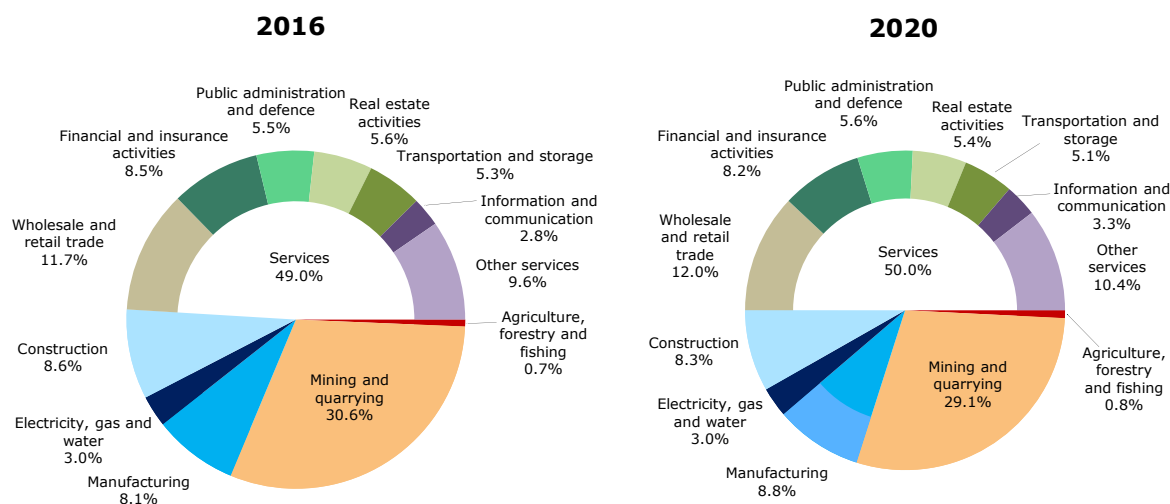
⁴ Information provided by the authorities.

⁵ Information provided by the authorities for 2020. Hydrocarbons are defined as mining and quarrying including crude oil and natural gas.

⁶ Services represented about 75% of Dubai's GDP in 2020. Dubai Statistics Centre, *Gross Domestic Product at Constant Prices For 2020 – Emirate of Dubai*. Viewed at:

<https://www.dsc.gov.ae/Report/Gross%20Domestic%20Product%20at%20Constant%20Prices%202020%20-%20Emirate%20of%20Dubai%202020%20v2.pdf>.

⁷ Information provided by the authorities.

Chart 1.1 GDP by economic activity (at 2010 constant prices), 2016 and 2020

Note: Preliminary for 2020 data.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities.

1.4. Compared to that of the Kingdom of Saudi Arabia, the other main economy of the GCC, the economy of the UAE is less based on hydrocarbons⁸, but the country's economic performance and fiscal revenues are still impacted by changes in the oil and gas markets. Crude oil and petroleum products account for 86% of all hydrocarbon exports, the rest being gas.⁹ The UAE is currently a net importer of gas (Section 4.2.2.1).¹⁰ The long-term oil-price forecast of USD 60 per barrel in 2025 is currently below the UAE's fiscal breakeven price of about USD 69 per barrel.¹¹ The IMF expects oil demand to peak within the next two decades.¹² Economic diversification thus remains a priority of the Government, especially in Abu Dhabi where mining and quarrying activities represent half of the GDP.¹³ By contrast, Dubai's GDP, the second largest in the Federation, is 99% derived from non-oil, close to Sharjah's 97% non-oil GDP.¹⁴ These Emirates' economies are diversified horizontally across sectors, while diversification in Abu Dhabi is primarily vertical within the hydrocarbons sector.¹⁵

1.5. The UAE possesses several sovereign wealth funds (SWFs), notably used as assets for economic diversification with investments targeted towards non-oil sectors. The estimated SWF capital of Abu Dhabi alone, over USD 1 trillion, is substantial in comparison to total assets of banks operating in the UAE, which reached USD 868 billion in December 2020 (AED 3,188 billion¹⁶) and represents at least 2.8 times the country's 2020 GDP. Abu Dhabi's newest SWF, ADQ, was launched in 2018 and oversaw USD 110 billion in assets in 2021.¹⁷ The Emirates Investment Authority (EIA) is the only SWF of the Federal Government. Established by Federal Decree Law No. 4 of 2007, the EIA's

⁸ Crude petroleum and natural gas represented 38% of GDP in the Kingdom of Saudi Arabia in 2019 (WTO document WT/TPR/S/407, 27 October 2021).

⁹ Data from the Central Bank of the UAE, for 2020.

¹⁰ Saadi, D. (2020), "UAE Still Needs LNG, Qatari Gas Imports after Huge Jebel Ali Discovery: Analysts", *S&P Global*, 4 February.

¹¹ KPMG (2021), *Oil Market Quarterly Review*, Q1 2021, p. 5. Viewed at:

<https://assets.kpmg/content/dam/kpmg/ru/pdf/2021/04/ru-en-oil-price-1Q-2021.pdf>; and IMF, Breakeven Oil Prices. IMF data for 2021 for the UAE are projected. Viewed at: <https://data.imf.org/regular.aspx?key=60214246>.

¹² IMF (2020), *The Future of Oil and Fiscal Sustainability in the GCC Region*, No. 20/01, p. 13.

¹³ Calculation based on Statistics Centre, *Statistical Yearbook of Abu Dhabi 2020*, p. 16. Viewed at: https://www.scad.gov.ae/Release%20Documents/Statistical%20Yearbook%20of%20Abu%20Dhabi_2020_Annual_Yearly_en.pdf.

¹⁴ Information provided by the authorities.

¹⁵ Mazarei, A. (2019), "Efforts of Oil Exporters in the Middle East and North Africa to Diversify Away from Oil Have Fallen Short", *Peterson Institute for International Economics*, April 2019, p. 5.

¹⁶ Central Bank of the UAE, *UAE Banking Indicators*. Viewed at: <https://bit.ly/34O8y57>.

¹⁷ *Bloomberg* (2021), "Wealth Fund Newbie Comes into Focus in Abu Dhabi's \$1 Trillion Sovereign Hub", 2 March 2021. The authorities did not confirm or correct the estimates regarding SWFs' assets. The Secretariat could not obtain information from the authorities on the destination of SWFs' investments.

primary objective is to manage the sovereign wealth of the UAE by investing in a diversified portfolio of assets in key economic sectors and industries with the aim of delivering sustained financial gains.¹⁸

1.6. The UAE's economy is highly reliant on foreign workers, as immigrants made up 87.9% of the total population in 2019.¹⁹ As most foreign workers are men, men represent a much larger share of the total population than women, and thus working women represent only 15% of the total labour force.²⁰ Employment data show differences between occupation of citizens and non-citizens and of men and women. More than 40% of working non-Emirati women are employed by private households, compared to 0.1% of working Emirati women.²¹ More than 80% of Emirati men and 70% of Emirati women who participate in the labour force work for the federal or local government. A small proportion works for the private sector, compared to 82% of working non-Emirati men and about half of working non-Emirati women. In September 2021, the Government introduced the target of having 10% of private sector jobs filled by nationals in 2026.²²

1.7. The Gender Balance Council was established in 2015 to encourage women's participation in the economy and promote gender equality legislation. Men and women are entitled to equal pay for the same work or for work of equal value. Federal Law No. 6 of 2020 announced the implementation of procedures and controls for evaluating that men and women were performing work of "equal value". This regulation concerning the private sector followed a similar one in 2018 for the public sector. In 2019, the Central Bank issued a notice for UAE banking and financial institutions to prohibit gender-based discrimination in accessing financial services.²³

1.8. During the review period, the UAE implemented several reforms to attract and retain highly skilled foreigners and foreign investment by extending residency visas, such as through the long-term golden residence visa²⁴, and by granting citizenship to foreign investors, highly skilled professionals, and important cultural figures after nomination by an official body. Previously, dual nationality was not possible in the UAE.²⁵ The UAE 2021 Talent Attraction and Retention Strategy intends to develop appropriate policies to attract global talent and create a competitive environment to retain such individuals.²⁶ These measures were implemented within the broader objective of transitioning from a hydrocarbon-based to a knowledge-based economy.²⁷

1.9. Table 1.1 records some selected economic indicators for the review period.

Table 1.1 Selected economic indicators, 2016-20

	2016	2017	2018	2019	2020 ^a
GDP, unemployment, population, and inflation					
GDP at current prices (USD billion)	357.0	385.6	422.2	417.2	358.9
GDP at current prices (AED billion) (for 2020 Central Bank of the UAE estimates)	1,311.2	1,416.1	1,550.6	1,532.2	1,317.9
GDP at constant 2010 prices (AED billion)	1,411.1	1,444.6	1,461.7	1,511.6	1,418.9
GDP per capita ('000 USD)	39.1	41.4	45.1	43.9	38.7
Real GDP (% change)	3.0	2.4	1.2	3.4	-6.1
Oil sector	2.6	-3.2	2.5	2.6	-6.0
Non-oil sector	3.2	4.8	0.7	3.8	-6.2

¹⁸ Emirates Investment Authority, *The Decree*. Viewed at: <https://www.eia.gov.ae/governance/committees/>.

¹⁹ Migration Policy Institute, *United Arab Emirates*. Viewed at: <https://www.migrationpolicy.org/country-resource/united-arab-emirates>.

²⁰ UNCTAD, *General Profile: United Arab Emirates*. Viewed at: <https://unctadstat.unctad.org/countryprofile/generalprofile/en-gb/784/index.html>.

²¹ UAE Government Portal, *Workforce in the UAE*. Viewed at: <https://u.ae/en/information-and-services/jobs/uae-workforce>.

²² *Emirates News Agency* (2021), "UAE Rolls Out AED24 Billion Private Sector Emirati Competitiveness Programme", 12 September 2021.

²³ UAE Gender Balance Council, *Legislation and Gender*. Viewed at: <https://www.qbc.gov.ae/legislations.html>.

²⁴ UAE Government Portal, *Golden Visa – Long-Term Residence Visas in the UAE*. Viewed at: <https://u.ae/en/information-and-services/visa-and-emirates-id/residence-visa/long-term-residence-visas-in-the-uae>.

²⁵ *Emirates News Agency* (2021), "The Path to UAE Citizenship", 31 January 2021.

²⁶ Information provided by the authorities.

²⁷ Economist Intelligence Unit (2021), "UAE at Forefront of Gulf's Opening Up to Foreign Expertise", 11 February 2021. Viewed at: <https://bit.ly/3ayWaJk>.

	2016	2017	2018	2019	2020 ^a
Unemployment, total (% of total labour force) ^b	1.6	2.5	2.2	2.3	5
Population (million)	9.1	9.3	9.4	9.5	9.3
Inflation (%)	1.6	2.0	3.1	-1.9	-2.1
Public finances					
Fiscal balance (% of GDP)	-3.2	-0.2	3.8	2.6	-2.5
Government revenue (% of GDP)	30.5	28.4	30.8	31.1	28.1
Oil and gas revenue (% of GDP) ^c	6.6	10.2	12.7	12.9	11.6
Government expenditure (% current GDP)	33.7	28.6	27.0	28.5	30.6
General government gross debt (% of GDP) ^d	19.4	21.6	20.9	26.8	38.3
External sector					
AED/USD	3.7	3.7	3.7	3.7	3.7
Real effective exchange rate	111.5	111.4	111.1	110.5	106.9
Current account (% of GDP)	3.7	7.1	9.6	8.9	5.9
Gross international reserves (USD billion)	85.4	95.4	99.5	108.4	106.7
Trade (% of GDP)	187.9	182.1	165.9	173.9	168.7
Oil production ('000 barrels daily)	4,037.5	3,909.5	3,912.4	3,998.6	3,656.5
Price of crude oil (brent, USD/barrel)	43.7	54.2	71.3	64.2	41.8
Outward remittance flows (USD billion)	43.8	44.8	46.1	45.0	43.2
Money and banks					
Broad money (M2; AED billion)	1,225.5	1,276.2	1,308.5	1,413.1	1,478.5
Banks capital adequacy ratio	18.9	18.1	17.5	17.7	18.1
Non-performing loans ratio	5.1	5.3	5.6	6.5	8.2

a Preliminary.

b Data from the World Bank based on ILOSTAT database, updated on 15 June 2021.

c Data from the Federal Competitiveness and Statistics Centre.

d Data from IMF World Economic Outlook Database, April 2021 Edition.

Source: WTO Secretariat calculations based on Federal Competitiveness and Statistics Centre, *UAE Stat*. Viewed at: <https://uaestat.fcsc.gov.ae/en/>; Central Bank of the UAE, *Statistics*. Viewed at: <https://www.centralbank.ae/en/statistics>; Ministry of Finance, *Financial Statistics*. Viewed at: <https://www.mof.gov.ae/En/opendata/Pages/details.aspx?sid=2>; IMF data. Viewed at: <https://data.imf.org/>; UNCTAD Stat. Viewed at: <https://unctadstat.unctad.org/EN/>; BP (2021), *Statistical Review of World Energy*, 70th ed.; and information provided by the authorities.

1.2 Recent Economic Developments

1.10. During the review period and before the COVID-19 pandemic, the UAE economy grew at a moderate annual rate, with real GDP growth ranging from 1.2% to 3.4% between 2016 and 2019 while the economy was recovering from the 2015-16 slowdown caused by a decline in oil prices.²⁸ Prior to the COVID-19 pandemic, forecasts from late 2019 estimated that real GDP growth would increase by 3.6% in 2020 and 3.2% in 2021.²⁹ While real GDP actually declined by 6.1% in 2020, the impact of the COVID-19 pandemic was especially felt in Dubai, where real GDP fell by 10.8% year-on-year.³⁰ At the country level, sectors that contracted the most were mining and quarrying (including crude oil and natural gas), transportation and storage, and accommodation and food services activities. Public finances improved in 2018 and 2019 leading to a fiscal surplus, which deteriorated in 2020 to a 0.2% deficit. The COVID-19 pandemic also impacted the labour market, with unemployment more than doubling from 2.3 to 5% between 2019 and 2020. The Central Bank predicts real GDP growth to reach 2.1% in 2021, mainly driven by a 3.8% increase of real non-hydrocarbon GDP.³¹

1.11. The authorities implemented several policies to offset the impact of the COVID-19 pandemic. The Central Bank announced in March 2020 a comprehensive Targeted Economic Support Scheme (TESS) for banks and financial institutions of AED 100 billion (AED 50 billion collateralized loans at zero-cost liquidity facility to all banks and finance companies operating in the UAE, and AED 50 billion freed up from banks' capital buffers). The scheme was expanded the following month to reach AED 256 billion. The TESS also cut by half the required reserve ratio to 7% on demand deposits,

²⁸ IMF (2019), *United Arab Emirates: Staff Report for the 2018 Article IV Consultation*, IMF Country Report No. 19/35, p. 1. Viewed at: <https://www.imf.org/en/Publications/CR/Issues/2019/02/01/United-Arab-Emirates-2018-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-46571>.

²⁹ IMF Country Report No. 19/35, p. 40.

³⁰ Estimate from S&P Global Ratings, confirmed by the authorities.

³¹ Central Bank of the UAE (2021), *Quarterly Economic Review, Second Quarter 2021*, p. 5. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-09/QER%202021%20Q2%20-%20Economic%20Review%20-%20September%2022nd.pdf>.

freeing up about AED 61 billion of liquidity for banks, and reducing their liquidity requirements. Additionally, the TESS supported micro, small and medium-sized enterprises by encouraging banks to help small businesses with payment deferrals and access to new credit lines. As of early 2021, the loan deferral programme benefited more than 300,000 individuals, close to 10,000 small and medium-sized enterprises (SMEs), and more than 1,500 corporations. The loan deferral programme was expected to end in December 2021, while financial institutions will keep access to collateralized loans and the zero-cost liquidity facility until mid-2022.³²

1.12. In addition to the Central Bank stimulus package, the Federal Government announced in March 2020 an AED 16 billion fiscal measures plan that included lowering the cost of doing business, support to SMEs, and financial assistance to activities particularly affected by the COVID-19 pandemic. Financial support complements were also announced at the emirate level in the form of reduced or cancelled customs fees, municipality fees, and utility bills.³³

1.2.1 Fiscal policy

1.13. The UAE improved its consolidated fiscal balance (at both the federal and emirate levels) from a deficit of 3.2% of GDP in 2016 to a surplus of 3.8% in 2018, in part due to an additional AED 52 billion in oil and gas revenues due to oil price gains between 2017 and 2018.³⁴ The surplus narrowed in 2019, at a time when compensation of employees exceeded AED 100 billion for the first time.³⁵ In the context of the COVID-19 pandemic and the Government's policy response, revenue from taxes dropped by a third and subsidies expenses, which had already been multiplied by three between 2016 and 2019, further increased by 50%. Hence in 2020 the fiscal balance slipped into a deficit of 2.5% of GDP. Table 1.2 records the main consolidated public finances indicators for 2016-20.

Table 1.2 Public finances, 2016-20

(AED billion)

Consolidated general government finances	2016	2017	2018	2019	2020
Revenue	399.8	401.9	477.6	476.5	370.6
Taxes	108.8	167.2	213.0	228.5	149.6
Social contributions	4.7	4.6	4.8	4.6	12.7
Other revenues	286.3	230.0	259.8	243.3	208.3
Expenses	386.2	359.6	388.2	383.0	353.2
Compensation of employees	65.1	76.1	83.2	107.7	109.2
Use of goods and services	62.3	90.9	86.6	119.4	101.7
Consumption of fixed capital	5.9	5.0	4.6	5.3	5.7
Interest	2.0	1.9	7.0	4.5	6.4
Subsidies	8.8	21.8	32.9	26.9	40.4
Grants	15.9	10.1	13.3	16.3	3.8
Social benefits	35.3	41.2	62.4	74.6	64.8
Other expenses	190.8	112.5	98.1	28.2	21.1
Net acquisition of non-financial assets	55.9	45.0	30.4	53.7	50.4
Expenditures	442.1	404.6	418.6	436.7	403.6
Fiscal balance in AED	-42.3	-2.8	59.0	39.8	-33.0
Fiscal balance in % of current GDP	-3.2	-0.2	3.8	2.6	-2.5

Note: Data for 2020 are preliminary.

Source: Ministry of Finance, *Government Finance Statistics (GFS) Report*.

³² Central Bank of the UAE (2021), "CBUAE Remains Committed to Supporting the UAE's Recovery", 20 April 2021. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-04/CBUAE%20remains%20committed%20to%20supporting%20the%20UAE%27s%20recovery-%20EN.pdf>.

³³ Information provided by the authorities; World Bank (2021), *Macro Poverty Outlook: Middle East and North Africa*, April, pp. 178-179. Viewed at: <https://bit.ly/2Tku8LZ>; and OECD, *COVID-19 Crisis Response in MENA Countries*, updated 6 November 2020. Viewed at: <https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/>.

³⁴ Federal Competitiveness and Statistics Centre. Under the Government Finance Statistics Report, which has a different method of calculation, presented in Table 1.2, "taxes" include taxes on the production of oil and gas.

³⁵ The authorities indicate that the sharp contraction in "other expenses" is due to a reclassification of fund allocation within the expense categories.

1.14. A noteworthy measure during the review period was the introduction of the 5% VAT in 2018. The authorities agreed that 30% of collected VAT revenue will be allocated to the Federal Government and the rest to emirate governments.³⁶ The authorities indicate that they do not intend to raise the VAT in the upcoming budget cycle (2022-26). In addition, an excise tax on harmful goods was introduced in 2017 (see Section 3.1.4 for further information on the VAT and excise taxes).³⁷ At the same time, a package of initiatives to foster investments and growth in late 2018 and beyond was introduced in line with the Vision 2021 strategy (Section 2.1) by Abu Dhabi and Dubai.³⁸

1.15. The federal budget for 2021 was adopted for a total of AED 58.3 billion, focusing mainly on social development (welfare, health, and education).³⁹ This represents a 5.3% cut in federal spending compared to 2020. While previous budgets aimed at reaching fiscal equilibrium, the 2021 budget was the first since 2015 to forecast a deficit of AED 5.8 billion. The 2022 budget of AED 58.9 billion will allocate 44% of expenditure to social development and benefits programmes, and the authorities expect to achieve fiscal equilibrium. Each federal entity determines its programmes, plans, and key performance indicators according to the strategic plan prepared by the Ministry of Finance within a budget cap. Strategic plans are prepared for five years. The 2022-26 plan was approved in October 2021 with a total expenditure of AED 290 billion.⁴⁰ Importantly, the federal budget does not include each Emirate's budget; it covers only the expenditures of the Ministries and other federal entities. Each of the seven Emirates has a separate budget. For example, Dubai's budget of AED 57.1 billion is close to the federal budget.⁴¹

1.16. Fiscal spending activated in 2020 to mitigate the impact of the COVID-19 pandemic is set to continue in the next years. The Central Bank projects that a full recovery of the economy in 2022 will in part be due to fiscal stimulus.⁴² The IMF commended the decision to extend and maintain support to the economy, as the UAE enjoys ample levels of buffers.⁴³ Government spending is especially crucial for economic support, as the currency peg to the US dollar prohibits an independent expansionary monetary policy.

1.17. Since the 2018 Public Debt Law, the Federal Government is allowed to issue sovereign bonds.⁴⁴ In October 2021, the UAE started to issue its first federal government bonds, denominated in US dollars with maturities of 10, 20, or 40 years. The Government plans to use funds raised to finance infrastructure projects and contribute to finance the Emirates Investment Authority's investment strategy. In December 2020, Moody's attributed an Aa2 rating in creditworthiness to the UAE, which was the highest sovereign rating in the region, with a stable outlook for the national economy.⁴⁵ The Aa2 rating was confirmed in May 2021.

1.18. Financial stability differs across the Emirates. In 2009, Abu Dhabi had to support the Emirate of Dubai through a USD 10 billion bailout. In its 2019 Article IV Consultation Staff Report, the IMF noted that Dubai's specific debt vulnerability stems from its large government-related enterprises (GREs), which carry a combined debt of about 70% of Dubai's GDP (at the end of 2017, Dubai's government debt appeared relatively low at 28% of its GDP, but total public debt including GREs' debt exceeded 100% of its GDP). While the IMF sees this vulnerability as a source of concern, the authorities emphasized that most of the GRE-related debt is not explicitly guaranteed by the Dubai Government (Section 3.3.5).⁴⁶ In recent years, Abu Dhabi attempted to boost efficiency of GREs by

³⁶ IMF Country Report No. 19/35, p. 32.

³⁷ Malik, M. and Nagesh T. (2021), "Fiscal Sustainability and Hydrocarbon Endowment Per Capita in the GCC" in G. Luciani and T. Moerenhout (eds.), *When Can Oil Economies Be Deemed Sustainable? The Political Economy of the Middle East*, Singapore: Palgrave Macmillan.

³⁸ Central Bank of the UAE (2018), *Annual Report*, p. 24.

³⁹ UAE Government Portal, *Government Finance*. Viewed at: <https://u.ae/en/information-and-services/finance-and-investment/federal-finance>.

⁴⁰ *Emirates News Agency* (2021), "General Budget for 2022-2026 Underscores Government's Commitment to Achieve Happiness, Security, and Decent Life for UAE People", 13 October 2021.

⁴¹ *Emirates News Agency* (2020), "Mohammed bin Rashid Approves Dubai Government's General Budget for 2021 with AED 57.1 Billion Expenditures", 27 December 2020.

⁴² Central Bank of the UAE (2020), *Annual Report*, p. 21.

⁴³ IMF, *Transcript of April 2021 Middle East and Central Asia Department Press Briefing*, 11 April 2021. Viewed at: <https://bit.ly/2Phhw6G>.

⁴⁴ IMF Country Report No. 19/35, p. 3 of the statement by the executive director for the UAE.

⁴⁵ UAE Government Portal, *UAE Global Credit Ranking*. Viewed at: <https://u.ae/en/information-and-services/finance-and-investment/uae-global-credit-rating>.

⁴⁶ IMF Country Report No. 19/35, pp. 11 and 34.

encouraging mergers and fundraising not relying on the Government.⁴⁷ During the 2019 Article IV consultations, the IMF stressed the importance of establishing a transparent and rules-based fiscal framework around long-term fiscal anchors to balance long-term and short-term objectives. Strengthening technocratic advice, monitoring the fiscal framework, and assessing contingent liabilities of GREs were noted as particularly important.⁴⁸

1.2.2 Monetary and exchange rate policy

1.19. The UAE has a fixed exchange rate regime, whereby the domestic currency, the UAE dirham, is pegged (and has been since November 1997) to the US dollar at an exchange rate of AED 3.6725/USD 1. Thus, the Central Bank must keep enough reserves to maintain the currency's peg to the US dollar. As a result, monetary policy is focused on maintaining the peg. The UAE's exchange system is free of restrictions on payments and transfers for international transactions, except for certain restrictions under terrorist financing provisions, taken in accordance with UN resolutions.

1.20. In its 2019 Article IV Consultations Staff Report, the IMF noted that the long-standing exchange rate peg continued to serve the UAE well, most importantly by anchoring prices. The peg is supported by comfortable external financial buffers (including Central Bank reserves and SWFs) and open and flexible labour markets.⁴⁹

1.21. Monetary policy is formulated and conducted by the Central Bank. Federal Law No. 10 of 1980 Regarding the Central Bank was repealed by Federal Law No. 14 of 2018. The new law states the objectives of the Central Bank as:

- maintaining the stability of the national currency within the framework of the monetary system;
- contributing to the promotion and protection of the stability of the financial system in the State; and
- ensuring prudent management of the Central Bank's foreign reserves.⁵⁰

1.22. The Central Bank regulates the banking and financial sectors, except for the financial institutions operating in the Dubai International Financial Centre (DIFC), which is a separate legal, geographic, and judicial jurisdiction established as a financial free zone, with a working relationship with the Central Bank and those operating in the Abu Dhabi Global Market.⁵¹

1.23. The 2018 Federal Law raised the Central Bank's capital to AED 20 billion (USD 5.45 billion) by transferring AED 17.5 billion available from the general reserve account to the capital account. It also provided for the establishment of a licensing committee under the Ministry of Finance with representatives from all regulators in the UAE that shall consider and decide on the regulatory rules applicable to emerging financial activities not yet captured by existing legislation in the UAE.⁵² Article 34 of the new law indicates that the Central Bank and the Ministry of Finance shall establish a mechanism for coordinating monetary policy and fiscal policy for the purpose of achieving balanced growth in the national economy. The Central Bank manages liquidity facilities, and it continues to act as the Government's financial advisor and as the lender of last resort. The IMF commended the Central Bank's regulatory framework modernization, especially regarding new risk management

⁴⁷ Malik, M. and Nagesh, T. (2021), "Fiscal Sustainability and Hydrocarbon Endowment Per Capita in the GCC", in G. Luciani and T. Moerenhout (eds.), *When Can Oil Economies Be Deemed Sustainable? The Political Economy of the Middle East*, Singapore: Palgrave Macmillan.

⁴⁸ IMF (2019), "IMF Staff Completes 2019 Article IV Mission to the United Arab Emirates", 6 November 2019. Viewed at: <https://www.imf.org/en/News/Articles/2019/11/06/pr19398-united-arab-emirates-imf-staff-completes-2019-article-iv-mission>.

⁴⁹ IMF Country Report No. 19/35, p. 14.

⁵⁰ Federal Law No. 14 of 2018, Article 4.

⁵¹ IMF (2007), *United Arab Emirates – Dubai International Financial Centre: Financial Sector Assessment Program – Detailed Assessment of Observance of IOSCO Objectives and Principles of Securities Regulation*, November 2007, pp. 4 and 8.

⁵² PwC, *UAE Enacts New Decree Law on Central Bank of the UAE & Organization of Financial Institutions and Activities*, November 2018. Viewed at: <https://www.pwc.com/m1/en/tax/documents/2018/cbuae-november-2018.pdf>.

framework for banks, compliance with Basel III requirements, compliance and internal audit, and non-bank financial institutions regulations.⁵³

1.24. The Central Bank introduced the Dirham Monetary Framework in 2020 to achieve the Central Bank's monetary policy objectives of managing the national currency's exchange rate and money markets, and facilitating the control of liquidity in the UAE banking system. It includes introducing an Overnight Deposit Facility for UAE banks to manage excess liquidity, granting flexibility for the maintenance of reserve requirements, and promoting the development of a local market for securities denominated in UAE dirham. The implementation roadmap of the new Dirham Monetary Framework was almost completed at the end of 2021 and expected to be fully implemented by the second quarter of 2022.⁵⁴

1.25. Inflation, as measured by the consumer price index increased from below 2% in 2016 and 2017 (1.61% and 1.96%, respectively) to 3.06% in 2018.⁵⁵ The years 2019 and 2020 were deflationary, with consumer prices declining by 1.93% and 2.07%, respectively.⁵⁶ The largest contributors to the 2019 decrease in consumer prices were the cost of housing (representing 34% of the consumer basket⁵⁷), as rents and property sale prices declined (Section 4.3.2), and gas and utilities. This trend was shared throughout the GCC due to an oversupply of property in tandem with expatriates moving away in light of national programmes that favour employment of citizens. Other sectors contributing to deflation across the GCC were transportation, communications, clothing, and food (in the UAE and Qatar).⁵⁸ In 2020, the restrictions imposed due to the COVID-19 pandemic disrupted consumer demand while many foreign workers left the UAE and recreational activities were closed. In 2020, the UAE recorded one of the highest deflation rates globally, as did Bahrain and Qatar.⁵⁹ The Central Bank predicted inflation to remain negative at -0.2% in 2021 in a still uncertain economic environment.⁶⁰ Due to the Central Bank pegged foreign exchange rate, domestic short-term interest rates usually follow US interest rates.⁶¹ The real effective exchange rate (REER), which takes into account the inflation differential between the UAE and its trading partners⁶², remained around 110 between January 2016 and mid-2020 (with REER base of 100 set in 2010). It then depreciated to stabilize around 101 throughout 2021.⁶³

1.3 Balance of Payments

1.26. Over the review period, the UAE current account was consistently in surplus, although with some fluctuations. The surplus increased from USD 13.2 billion in 2016 to USD 40.5 billion in 2018, mainly driven by a strengthening trade balance (exports of both hydrocarbons and non-hydrocarbons increased) and by the reduction in the services deficit (due to both increased services exports and fewer imports, notably of freight and insurance). Exports of non-hydrocarbons represented about twice the amount of hydrocarbons exports in 2016, but their pace of augmentation until 2018 (8%) was much slower than that of exports of hydrocarbons (45%). In 2019, the current account surplus contracted slightly, as exports of hydrocarbons fell by USD 7 billion while other indicators remained overall constant. Noteworthy, the services balance

⁵³ IMF Country Report No. 19/35, pp. 15 and 45.

⁵⁴ Information provided by the authorities.

⁵⁵ The IMF estimated that the impact of VAT introduction on inflation has been limited. IMF Country Report No. 19/35, p. 14.

⁵⁶ World Bank data, *Inflation, Consumer Prices (Annual %) – United Arab Emirates*. Viewed at: <https://data.worldbank.org/indicator/FP.CPI.TOTL.ZG?locations=AE>.

⁵⁷ Central Bank of the UAE (2021), *Quarterly Economic Review*, Second Quarter 2021, p. 13. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-09/QER%202021%20Q2%20-%20Economic%20Review%20-%20September%2022nd.pdf>.

⁵⁸ PwC, *Deflation Persists for Gulf Economies*, June 2019. Viewed at: <https://www.pwc.com/m1/en/publications/middle-east-economy-watch/2019-june/gulf-experiences-the-deepest-deflation-in-decades.html>.

⁵⁹ Omar, A. (2020), "Steepest Deflationary Forces Globally Grip Gulf States", *Bloomberg via Al Jazeera*, 27 August 2020.

⁶⁰ Central Bank of the UAE (2021), *Quarterly Economic Review*, Second Quarter 2021, p. 13.

⁶¹ Bank for International Settlements (2016), *Inflation Mechanisms, Expectations and Monetary Policy*, BIS Papers No. 89. Viewed at: <https://www.bis.org/publ/bppdf/bispap89.pdf>.

⁶² Central Bank of the UAE (2021), *Quarterly Report Q2 2021*, p. 14. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-09/QER%202021%20Q2%20-%20Economic%20Review%20-%20September%2022nd.pdf>.

⁶³ Federal Reserve Bank of St. Louis database, Real Broad Effective Exchange Rate for United Arab Emirates. Viewed at: <https://fred.stlouisfed.org/series/RBAEBIS>.

recorded a surplus for the first time in 2019. In 2020, the current account surplus fell by 44% to USD 21 billion, as trade was largely impacted by the COVID-19 pandemic (see below). At the same time, net private transfers, which are driven by the large community of expatriates, decreased from USD 38 billion in 2019 to USD 34.8 billion in 2020, as some foreign workers returned home or received lower income.

1.27. In line with developments in the current account, the financial account maintained a deficit throughout the review period. It increased to USD 34.6 billion in 2018 and declined in 2019 and 2020 to a deficit of USD 21.4 billion. Financial outflows came predominantly from banks and private non-banks (USD 20.4 billion outflows combined in 2020). Direct investment recorded a slight surplus for the first time in 2020 with inward FDI exceeding outward FDI (Section 1.4.2). The deficit in financial outflows from public sector enterprises widened from USD 0.8 billion in 2016 to USD 4.2 billion in 2019 before declining to USD 2.9 billion in 2020.

1.28. In total, the balance of payments recorded a deficit in 2016 (USD 7.1 billion) and 2020 (USD 3.6 billion) and surpluses in 2017, 2018, and 2019, which allowed the Central Bank to build up more international reserves (Table 1.3).

Table 1.3 Balance of payments, 2016-20

(USD billion)

	2016	2017	2018	2019	2020 ^a
Current account balance	13.2	27.5	40.5	37.3	21.0
Trade balance (FOB)	68.4	67.2	85.7	80.5	62.3
Total exports and re-exports (FOB)	295.0	313.5	321.0	313.8	273.1
Total exports of hydrocarbon	46.5	58.1	67.3	60.1	38.4
Crude oil exports	25.2	31.3	32.0	29.7	18.6
Petroleum products exports	15.3	19.3	25.9	22.7	14.3
Gas exports	6.0	7.5	9.4	7.7	5.4
Total exports of non-hydrocarbon	103.5	106.6	111.8	113.0	107.4
Re-exports	145.1	148.8	141.9	140.7	127.3
Total imports (FOB)	-226.6	-246.3	-235.4	-233.3	-210.8
Services, net	-18.2	-1.3	-0.5	2.1	2.6
Credits	65.6	70.5	71.8	90.3	62.1
Travel	19.5	21.0	21.4	38.4	24.6
Transport	25.5	27.9	28.3	29.1	16.6
Government services	0.9	0.9	1.0	1.0	0.9
Other services	19.7	20.6	21.2	21.8	20.1
Construction	2.5	2.6	2.7	2.8	2.1
Intellectual property	3.5	3.6	3.7	3.8	3.0
Information & computer & telecommunications	6.1	6.5	6.7	6.9	7.9
Other ^b	7.6	7.9	8.1	8.3	7.1
Debits	-83.8	-71.8	-72.3	-88.2	-59.5
Travel	-17.1	-17.6	-18.0	-33.4	-15.1
Transport	-14.1	-14.4	-14.9	-15.2	-8.3
Government services	-1.2	-1.2	-1.3	-1.3	-1.4
Freight & insurance	-40.0	-27.4	-26.1	-25.9	-23.4
Other services	-11.4	-11.2	-11.9	-12.3	-11.4
Construction	-3.1	-2.5	-2.6	-2.7	-2.0
Intellectual property	-2.5	-2.6	-2.8	-2.9	-1.9
Information & computer & telecommunications	-3.1	-3.2	-3.5	-3.6	-4.3
Other ^b	-2.7	-2.9	-3.0	-3.2	-3.2
Investment income, net	2.1	2.8	1.4	2.1	-0.5
Banking system	-1.9	-1.9	-1.9	-1.4	-0.8
Private non-banks	-1.3	-1.4	-1.3	-1.6	-0.8
Enterprises of public sector	8.5	9.4	9.6	9.7	4.3
Official debt services (interest)	-1.4	-1.5	-1.8	-1.8	-0.9
Foreign hydrocarbon companies in the UAE	-1.8	-1.9	-3.2	-2.8	-2.3
Transfers, net	-39.1	-41.2	-46.1	-47.3	-43.5
Public	-6.0	-6.0	-7.8	-9.3	-8.7
Private	-33.1	-35.2	-38.3	-38.0	-34.8
Financial account	-19.3	-17.0	-34.6	-24.6	-21.4
Private capital	-18.5	-16.2	-31.8	-20.4	-18.5
Direct investment	-6.1	-3.7	-4.7	-3.3	0.9
Outward	-15.7	-14.1	-15.1	-21.2	-18.9
Inward	9.6	10.4	10.4	17.9	19.9
Portfolio investment	1.2	1.3	1.1	1.1	1.1
Banks	-10.8	-9.0	-21.8	-8.6	-11.5

	2016	2017	2018	2019	2020 ^a
Private non-banks	-4.9	-4.8	-6.4	-9.6	-8.9
Enterprises of public sector	-0.8	-0.8	-2.7	-4.2	-2.9
Errors and omissions	-1.0	-0.5	-2.4	-3.1	-3.3
Overall balance	-7.1	9.9	3.5	9.7	-3.6
Total change in international reserves ^c	7.4	-9.9	-3.6	-9.7	3.6
Change in reserves at the Central Bank	7.1	-9.9	-3.5	-9.6	3.7
Change in reserve position with IMF and SDR	0.4	0.0	-0.1	-0.1	-0.1

a Preliminary.

b Includes estimation for financial services; research and development services; professional and management consulting services; technical, trade-related, and other business services; and the rest of insurance services apart from cargo.

c Negative indicates an increase; positive indicates a decrease.

Source: Central Bank.

1.4 Developments in Trade and Investment

1.4.1 Trends and patterns in merchandise and services trade

1.29. While trade continues to play an important role in the economy, trade in goods and services as a proportion of GDP followed a non-linear trend, falling from 188% in 2016 to 166% in 2018, before going up in 2019 at 174% and declining to 169% in 2020. Exports of hydrocarbons, which are much more volatile and highly impacted by demand shocks than non-hydrocarbons, represented a quarter of total exports (not including re-exports) in 2020 (Table 1.3). Exports of hydrocarbons contracted by 36% in 2020, mainly driven by a fall in crude oil and petroleum products, as global demand decreased due to the COVID-19 pandemic. Gas exports remained relatively resilient in 2020 but they accounted for only a small share of hydrocarbon exports. Exports of non-hydrocarbons were less affected, contracting by 5%, which prevented total exports from decreasing drastically. Of total hydrocarbon exports in 2020, crude oil accounted for 48%, followed by petroleum products (37%) and gas (14%). At the time of the previous Review in 2016, the difference between crude oil and petroleum products' shares of hydrocarbon exports was larger, with shares at 54% and 33%, respectively.

1.30. The composition of non-oil exports during the review period remained stable overall, as shown in Chart 1.2. The authorities did not provide detailed oil export data to the Secretariat, thus only non-oil export is presented in Charts 1.2 and 1.3 (Table A1.1 and Table A1.2). Precious stones and metals and pearls continued to be the main drivers of non-oil exports, followed by machinery and electrical equipment. Combined, these two categories make up for around half of total non-oil exports. Transport equipment was the third-largest export category in 2016, replaced in 2020 by base metals and articles thereof. On the import side, the top three import categories in both 2016 and 2020 were machinery and electrical equipment; precious stones and metals and pearls; and transport equipment (Table A1.3).

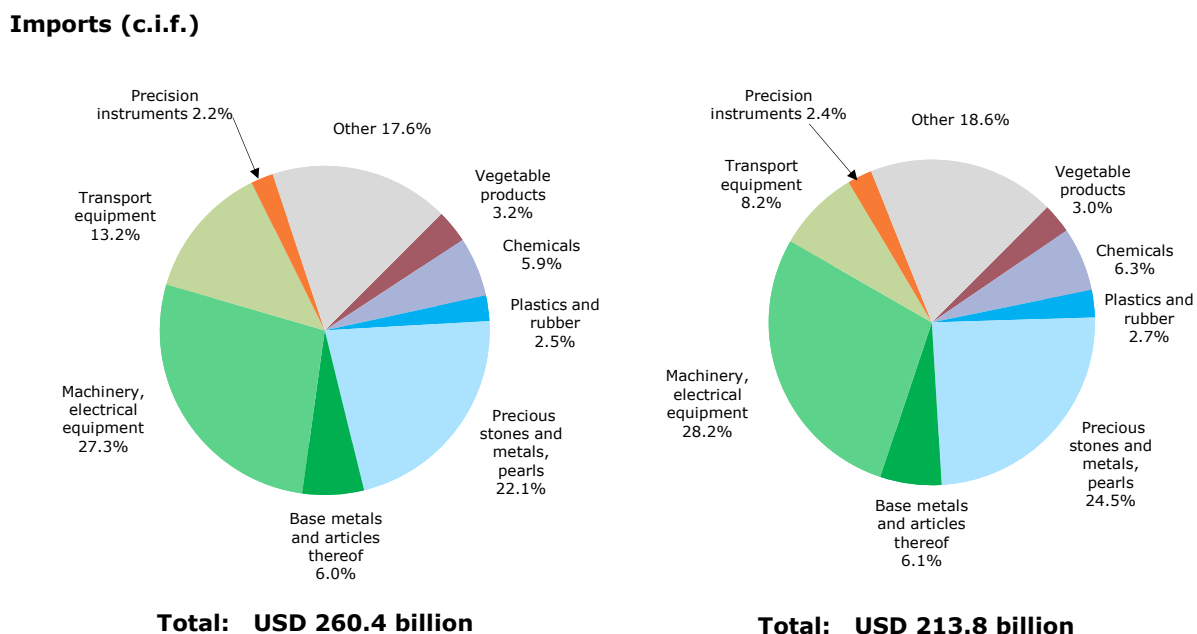
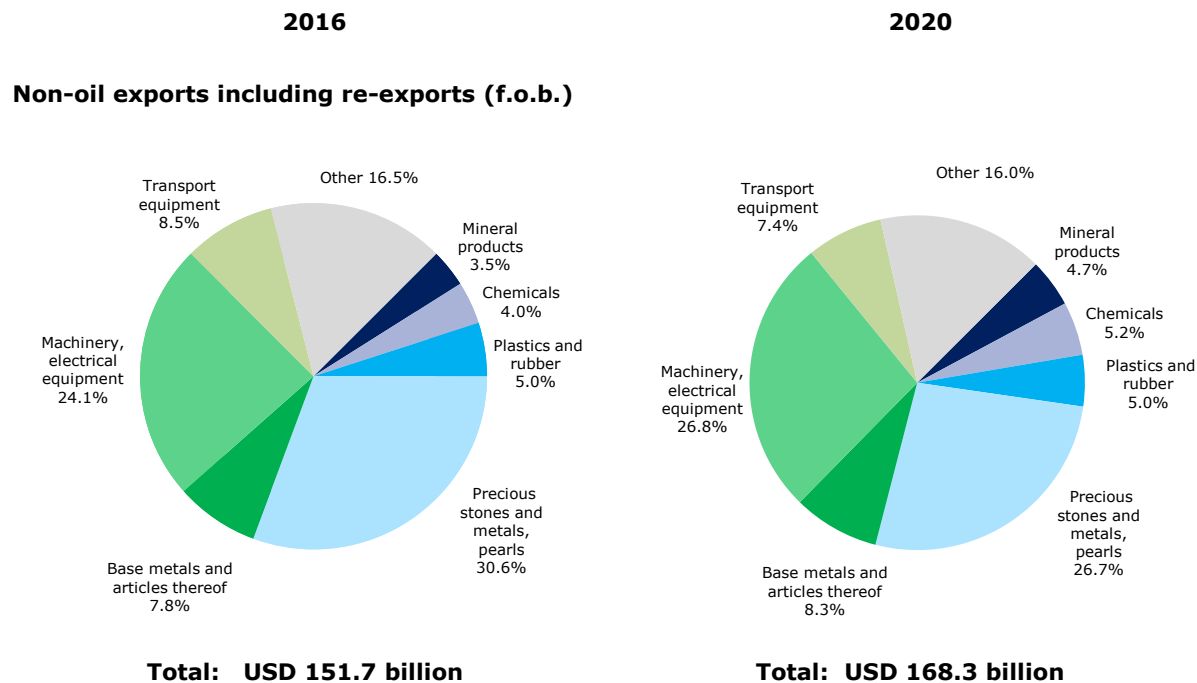
1.31. Considering the importance of trade in precious stones and metals to the UAE economy, especially in the context of diversification from oil revenues (in 2020, trade in precious stones and metals and pearls amounted to almost USD 100 billion), sector-specific measures were taken during the review period. The Cabinet adopted three initiatives to make the UAE a world leader in the gold sector in terms of industry, quality, and services: (i) the Federal Gold Trading Platform, on which buyers and sellers can carry out gold transactions in an electronic marketplace; (ii) the UAE Good Delivery Standard, which comprises a set of rules and technical matters assessing the properties of traded gold in accordance with rules for risk-based due diligence in the supply chain of gold and precious metals; and (iii) the UAE Bullion Market Committee, which is headed by the Ministry of Economy and oversees the UAE Good Delivery Standard to enhance the credibility of Emirati gold and support its promotion.⁶⁴ Trade in precious stones and metals is considered as a high-risk sector in terms of money laundering, terrorist financing, and human rights abuses. In a 2020 report, the Financial Action Task Force noted the significant risks facing the UAE gold trading activity, and welcomed the newly announced policies intended to implement best practices.⁶⁵ The main feature of the country's ambitions to become a gold trade hub is the Dubai Multi Commodities Centre, which

⁶⁴ Information provided by the authorities.

⁶⁵ FATF (2020), *United Arab Emirates' Measures to Combat Money Laundering and Terrorist Financing*, April. Viewed at: <https://www.fatf-gafi.org/countries/u-z/unitedarabemirates/documents/mer-uae-2020.html>.

offers an industry cluster for the entire gold value chain from research to trade and investment.⁶⁶ In 2020, gold was by far Dubai's top-traded commodity (AED 213 billion, followed by telecom at AED 153 billion).⁶⁷ The Dubai Multi Commodities Centre (DMCC free zone) is the only entry and exit point for rough diamonds in the country.⁶⁸

Chart 1.2 Production composition of merchandise trade by HS section, 2016 and 2020



Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

⁶⁶ DMCC, *Our Gold Services*. Viewed at: <https://www.dmcc.ae/gateway-to-trade/commodities/gold>.

⁶⁷ Dubai Customs, *Trade Statistics 2020*. Viewed at: <https://www.dubaicustoms.gov.ae/en/TradeStatistics/Pages/TradeStatistics2020.aspx>.

⁶⁸ Information provided by the authorities.

1.32. As an important trading hub, the UAE exchanged with around 200 countries and customs units in 2020.⁶⁹ The normalization of relations with Israel in August 2020 and the end of the severing of ties with Qatar in January 2021 should open new trade and investment opportunities.

1.33. In 2021, the Government unveiled several plans to promote trade in the next years and decades. In June, the UAE Cabinet approved the National Agenda for Non-Oil Export Development, whose goals are to increase exports by 50% in the coming years and to access 25 new markets (the authorities did not provide information on the expected completion date or on the identity of the 25 new markets).⁷⁰ A few months later, the Government unveiled: (i) the Projects of the 50, which include partnerships with eight economies around the world⁷¹, to increase the UAE's current AED 257 billion trade volume with these countries by an additional AED 40 billion; and (ii) the 10x10 programme to increase the UAE's annual exports by 10% to 10 countries.⁷² These countries were chosen based on their economic importance to the UAE, opportunities for bilateral trade growth, the extent to which trade will focus on UAE priority exports sectors, and the potential for investment in the selected countries.⁷³ The authorities indicate that the National Agenda for Non-Oil Export Development and the Projects of the 50 trade-related plans are independent but complementary.

1.34. The geographic structure of non-oil exports shifted during the review period. In 2016, the main destination of non-oil exports was India, followed by the Kingdom of Saudi Arabia and the Islamic Republic of Iran. Four years later, the Kingdom of Saudi Arabia became the largest destination for non-oil exports and India was only the fourth-largest export destination (Tables A1.4 and A1.5). A large share of exports is directed towards UAE's regional partners in the Gulf and Asia. This trend of greater regional integration grew in the past few years, with UAE exports to the Kingdom of Saudi Arabia doubling between 2017 and 2018, while exports and re-exports to other GCC countries also grew significantly.⁷⁴ In September 2021, the UAE unveiled its 10 guiding principles for the next 50 years, the fifth being good relations with its neighbours to ensure stability, notably through trade and economic relations.

1.35. The UAE's main import partners in 2020 were China (18.4%, increasing its share compared to 2016), the European Union (14.3%, in decline), and India and the United States (each at 7.7%, in decline) (Table A1.6). China is not only the UAE's top import partner, but its share of total non-oil UAE exports also doubled during the review period. In the context of the Belt and Road Initiative, China seeks to engage with the UAE as a key trade partner.⁷⁵ China imports mostly oil and natural gas, and exports textiles, light industrial products, and machinery to the Federation. Agreements to boost the development of the Jebel Ali Port in Dubai and Port Khalifa in Abu Dhabi, thanks to Chinese investments, illustrate the reinforcement of trade ties between the two countries (Section 4.3.4.2).⁷⁶ At the emirate level, China was by far the main trade partner (imports and exports included) of Dubai, totalling AED 142 billion, followed by India at AED 89 billion.⁷⁷ Data available at the continent level for 2019 demonstrate that Asia is by far the largest trade partner of Dubai (AED 838 billion), followed by Europe (AED 242 billion) and Africa (AED 167 billion).⁷⁸

1.36. The share of Africa in total UAE imports nearly doubled between 2016 and 2020, from 8.8% to 16.9%. In early 2021, the Dubai Week in Africa – Kenya forum led to increased trade and

⁶⁹ Information provided by the authorities.

⁷⁰ *Emirates News Agency* (2021), "UAE Cabinet Approves National Agenda for Non-Oil Export Development", 27 June 2021.

⁷¹ Ethiopia, India, Indonesia, Israel, Kenya, the Republic of Korea, Turkey, and the United Kingdom.

⁷² China, the United Kingdom, the Netherlands, Italy, the Russian Federation, Poland, Luxembourg, Australia, New Zealand, and Indonesia were selected as the 10 key countries. Viewed at: <https://www.wam.ae/en/details/1395302966902>.

⁷³ Information provided by the authorities.

⁷⁴ Ministry of Economy (2019), *Annual Report 2019*, pp. 34 and 36. Viewed at: https://www.moec.gov.ae/documents/20121/302471/MOE_Annual%20Economic%20Report_2019_.pdf/5c67375e-893f-d435-53c0-bab3cf723a36.

⁷⁵ *Emirates News Agency* (2019), "UAE Is a Key Component of Belt and Road Initiative, Says Top Chinese Official", 11 November 2019.

⁷⁶ Watanabe, L. (2019), "The Middle East and China's Belt and Road Initiative", *CSS Analyses in Security Policy*, No. 254. Viewed at: <https://css.ethz.ch/content/dam/ethz/special-interest/gess/cis/center-for-securities-studies/pdfs/CSSAnalyse254-EN.pdf>.

⁷⁷ Dubai Customs, *Trade Statistics 2020*. Viewed at: <https://www.dubaicustoms.gov.ae/en/TradeStatistics/Pages/TradeStatistics2020.aspx>.

⁷⁸ Dubai Customs, *Trade Statistics 2019*. Viewed at: <https://www.dubaicustoms.gov.ae/en/TradeStatistics/Pages/TradeStatistics2019.aspx>.

investment partnerships between the two countries.⁷⁹ A 2022 edition is planned to be launched, with another African country not yet determined.⁸⁰ The UAE notably plans to increase its exports to Africa of plastics, rubber, and sugar.⁸¹ Trade with Africa is mainly led by the Emirate of Dubai, which registers 85% of total UAE non-oil trade.⁸² Direction of merchandise trade per partner is detailed in Chart 1.3.

1.37. Trade in services is relatively diversified in the UAE compared to other Middle East and North Africa (MENA) countries.⁸³ During the review period, total exports of services increased from USD 65.6 billion in 2016 to USD 90.3 billion in 2019 before decreasing sharply in 2020, suffering from the impact of the pandemic, to USD 62.1 billion (Table 1.3). Main exports of services in 2016 were transport; travel; and information, computer, and telecommunications. These categories remained in the top three in 2020, although travel surpassed transport. On the import side, imports of services in 2016 totalled USD 83.8 billion, increased to USD 88.2 billion in 2019, and fell to USD 59.5 billion in 2020. Main types of services imported in 2016 and 2020 were freight and insurance, travel, and transport.⁸⁴

⁷⁹ *Emirates News Agency* (2021), "UAE, Kenya to Bolster Economic Cooperation", 8 June 2021.

⁸⁰ Information provided by the authorities.

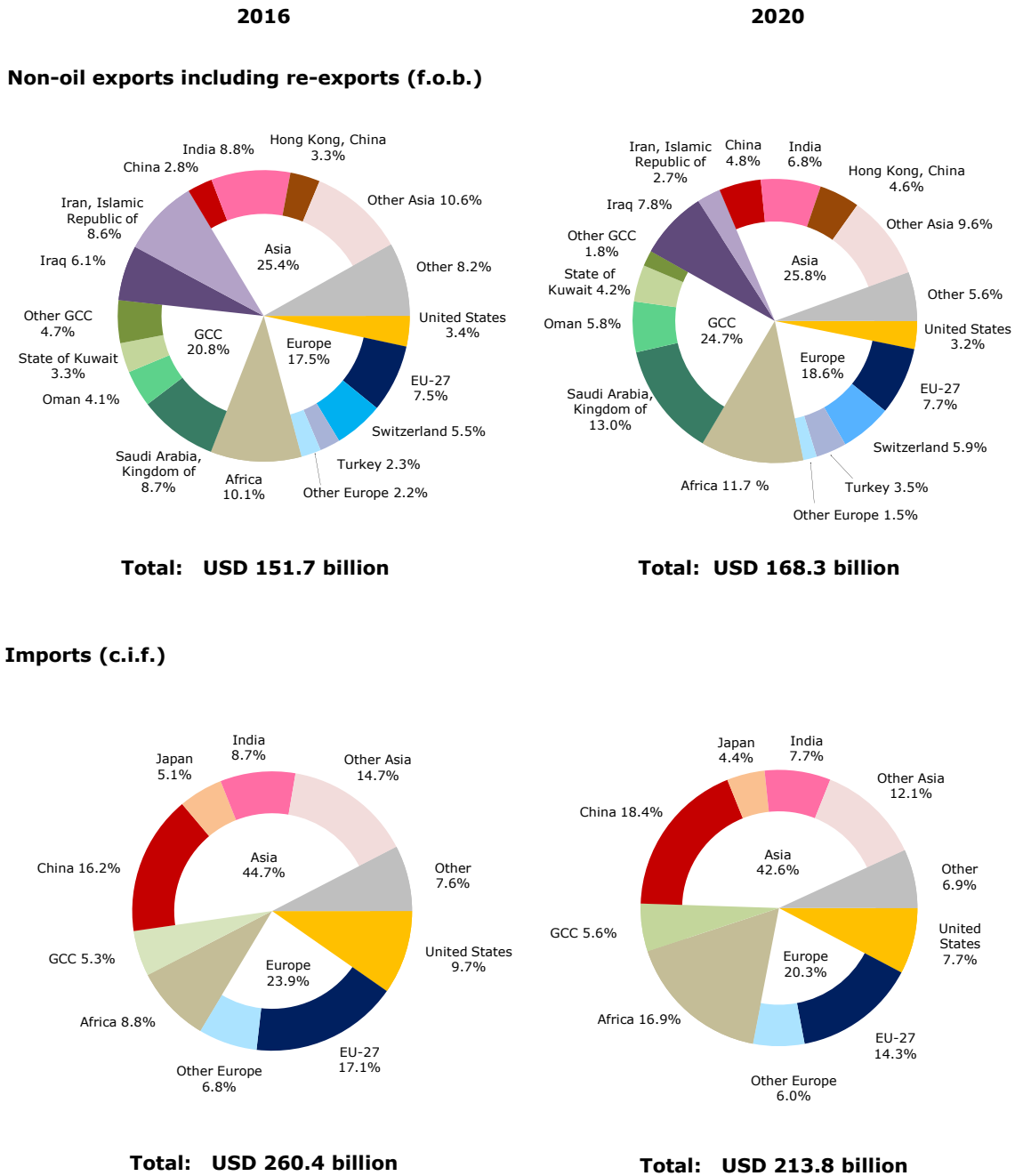
⁸¹ Dubai Chamber of Commerce and Industry and International Trade Centre (2019), "UAE Has Potential to Double Exports to Africa: Analysis", 27 October 2019. Viewed at: https://www.dubaichamber.com/whats-happening/chamber_news/uae-has-potential-to-double-exports-to-africa-analysis.

⁸² Dubai Chamber of Commerce and Industry (2021), "Webinar Showcases Main Advantages of Doing Business in Africa", 5 April 2021. Viewed at: https://www.dubaichamber.com/whats-happening/chamber_news/webinar-showcases-main-advantages-of-doing-business-in-africa.

⁸³ Mazarei, A. (2019), "Efforts of Oil Exporters in the Middle East and North Africa to Diversify Away from Oil Have Fallen Short", *Peterson Institute for International Economics*, April 2019, p. 3.

⁸⁴ Central Bank of the UAE (2016), *Annual Report*, p. 36, and *Annual Report 2020*, p. 26.

Chart 1.3 Direction of merchandise trade, 2016 and 2020



Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

1.4.2 Trends and patterns in FDI

1.38. The UAE is home to 45 free zones, designed to attract foreign investments through various incentives (see Section 3.3.1 for a detailed analysis of free zones' legislation and incentives). Around half of them are located in Dubai, with the rest distributed mainly among Abu Dhabi, Sharjah, and Ras Al Khaimah. They are an integral part of the UAE's strategy to be a predominant trade and investment hub. Around 8% of the total number of companies registered in the UAE are operating

in the free zones, and the zones accounted for about 36% of total imports in 2018 (latest data available) and 64% of non-oil exports in 2020.⁸⁵

1.39. Despite the COVID-19 pandemic, FDI flows in the UAE rose to USD 19.9 billion in 2020, a 11.2% increase compared to inflows in 2019. For the first time since 2013, the UAE recorded a net inflow of FDI in 2020.⁸⁶ Oil and gas investment deals were the main drivers of FDI. Although natural resources transactions drove inward investments, 53% of FDI directed towards Dubai in the first half of 2020 were in medium- and high-tech sectors such as pharmaceuticals.⁸⁷ In total, FDI inward stock increased from USD 119 billion in 2016 to USD 151 billion in 2020, while FDI outward stock jumped from USD 110.5 billion to USD 204 billion (Table 1.4).

Table 1.4 FDI flows, 2016-20

Year	2016	2017	2018	2019	2020
FDI flows (USD billion)					
In the UAE	9.6	10.4	10.4	17.9	19.9
Abroad	15.7	14.1	15.1	21.2	18.9
FDI stock (USD billion)					
In the UAE	119.1	121.6	127.9	131.0	150.9
Abroad	110.5	124.4	166.8	184.8	203.7 ^a

a Estimated.

Source: UNCTAD, *World Investment Report, Country Fact Sheet: United Arab Emirates*. Viewed at: <https://unctad.org/topic/investment/world-investment-report>.

1.40. In 2019, the UAE was in the top 25 worldwide of host economies for FDI inflows, ranking 22nd, and 13th worldwide for FDI outflows.⁸⁸ The plan outlined in the Projects of the 50 is to increase total FDI outflows by 14% by 2030. In addition, targeted partner countries should see FDI from the UAE grow by 24% by 2030. The authorities indicate that these goals integrate into the National Agenda for Foreign Direct Investment (Section 2.4).

⁸⁵ Balance of payments data provided by the authorities for imports and data for non-oil exports available at: Central Bank of the UAE (2020), *Annual Report*, p. 26.

⁸⁶ Haque, K. (2021), "The UAE Saw a Net FDI Inflow in 2020", *Emirates NBD Bank*, 3 May 2021.

⁸⁷ UNCTAD, *World Investment Report 2021*, p. 50.

⁸⁸ UNCTAD, *World Investment Report 2021*, p. 5.

2 TRADE AND INVESTMENT REGIMES

2.1 General Framework

2.1. The United Arab Emirates (UAE) is a constitutional federation made up of seven Emirates: Abu Dhabi, Dubai, Sharjah, Fujairah, Ajman, Umm Al Quwain, and Ras Al Khaimah. Pursuant to the Federal Constitution, established in 1971 and made permanent in 1996, the Federation of the UAE has exclusive legislative and executive jurisdiction over an array of governmental matters, including foreign affairs; security and defence; nationality and immigration; education; public health; currency; federal taxes, duties, and fees; banking; postal, telephone, and other communications services; air traffic control and licensing of aircraft; and labour relations. The matters that are not under the jurisdiction of the Federation fall within the purview of each Emirate. There have been no changes in the political system of the UAE since the last Review.

2.2. The UAE Government relies on five federal authorities to discharge its functions, i.e. the Federal Supreme Council, the President of the Federation, the Council of Ministers, the Federal National Council, and the Federal Judiciary.¹

2.3. The Federal Supreme Council (FSC) is composed of the rulers of each of the seven Emirates. It is the highest constitutional body and has both executive and legislative powers. It is responsible for formulating policies at the federal level, sanctioning federal legislation, and ratifying international agreements and treaties. The FSC elects the President and Vice President from among its members, for renewable five-year terms. Furthermore, the FSC is responsible for approving the appointments of the Prime Minister, the President, and the judges of the Federal Supreme Court.

2.4. The President of the Federation is the chief of state² and the Supreme Commander of the UAE Armed Forces. The President has the power to convene and preside over the meetings of the FSC. The President has responsibility for signing and promulgating laws, decrees, and decisions sanctioned by the FSC. The President appoints the Prime Minister³, with the consent of the FSC, and the Council of Ministers.

2.5. Headed by the Prime Minister, the Council of Ministers is the executive authority of the Federation and is entrusted with implementing federal policies, both domestic and foreign, across all government portfolios.⁴ Its responsibilities also include drawing up the annual budget and the final accounts, preparing draft decrees and decisions, issuing regulations to implement federal laws, and overseeing the implementation of federal legislation and international treaties and agreements. One of the main functions of the Council of Ministers is to initiate the drafting of federal laws and submit them to the Federal National Council before submitting them to the President for presentation to the FSC. Laws must be published in the Official Gazette within two weeks from the date of their promulgation and enter into force one month after their publication, unless otherwise prescribed.

2.6. The Federal National Council (FNC) is a unicameral consultative body comprising 40 members: 20 are appointed by the rulers of the Emirates, while the other 20 are indirectly elected. The number of seats assigned to each Emirate depends on its population. FNC members serve for four-year terms, which may be renewed. The FNC examines new draft legislation and may propose amendments to it, but it has no power to veto laws or initiate the drafting of new laws. The Government must inform the FNC of any international treaty or agreement concluded by the UAE. The FNC is empowered to call and question Ministers regarding their performance. In the most recent FNC election in October 2019, 13 men and 7 women were elected. Elections are based on individual candidates, as there are no political parties in the UAE.

2.7. At the federal level, the judicial power is vested in the Federal Judiciary. There are also local judicial authorities at the emirate level, which have jurisdiction in all matters not assigned to the

¹ Federal Constitution, Article 45.

² Currently, the President of the UAE is the ruler of Abu Dhabi, Sheikh Khalifa bin Zayed Al Nahyan. He was elected to this position on 3 November 2004.

³ The current Prime Minister is Sheikh Mohammed bin Rashid, ruler of Dubai, who was also elected Vice President of the UAE by the FSC on 5 January 2006.

⁴ As of July 2021, there were 32 members in the UAE Council of Ministers, including 9 women.

Federal Judiciary by the Constitution.⁵ The legal system of the UAE is based on both Shariah and civil courts.

2.8. The Federal Judiciary is presided by the Federal Supreme Court. It also includes the Courts of First Instance, the Courts of Appeal, and the UAE Public Prosecutors. The independence of the judiciary is enshrined in the Federal Constitution.⁶

2.9. The Federal Supreme Court is the highest judicial authority in the UAE. It consists of a president and four judges, all appointed by the President of the UAE upon approval by the FSC.⁷ The Federal Supreme Court has exclusive jurisdiction to decide on the constitutionality of federal laws and local legislation enacted by the Emirates, interpret the provisions of the Constitution, handle inter-emirate disputes and those between Emirates and the Federal Government, hear cases involving Ministers and senior federal officials, and adjudicate on crimes directly affecting the interests of the Federation, among other attributions.⁸ Its decisions are final and binding.

2.10. The federal Courts of First Instance have jurisdiction over civil, commercial, administrative, criminal, and labour lawsuits.⁹ Shariah courts are competent to hear personal status cases. Rulings by a Court of First Instance may be challenged before a Court of Appeal on factual and/or legal grounds. Judgements by a Court of Appeal may be challenged only on matters of law before the Federal Supreme Court or the Court of Cassation. In both cases, the decisions are final and binding.

2.11. Under the Code of Civil Procedure, the Minister of Justice (or the head of a local judiciary) may refer cases to one or more circuits headed by a single judge and assisted by two local or international experts. According to the authorities, this facilitates the speedy settlement of commercial disputes, especially those of an international character.

2.12. As per the Constitution, each Emirate may choose either to incorporate its courts into the federal judicial system or to keep its own local judicial system. The Emirates of Sharjah, Fujairah, Ajman, and Umm Al Quwain have chosen to transfer the jurisdictions of their local courts to the federal Courts of First Instance¹⁰, whereas the Emirates of Abu Dhabi, Dubai, and Ras Al Khaimah maintain their own court systems. In addition, Abu Dhabi, Dubai, and other Emirates have set up commercial courts to cater to the needs of their thriving business sectors.

2.13. At the local level, the Emirates have their own government structures, which operate alongside and in coordination with the Federal Government. The Emirates of Abu Dhabi, Dubai, Ras Al Khaimah, Sharjah, Ajman, and Umm Al Quwain have their own Executive Councils and departments, which function like ministries. Also, Abu Dhabi and Sharjah have National Consultative Councils, which perform functions similar to those of the FNC; in other Emirates, the ruler's office (diwan) is the channel for citizens to submit their interests and concerns to their government.

2.14. Over the past years, the Federal Government has stepped up efforts to improve its decision-making processes and the efficiency of its services. In July 2020, a new government structure was approved, aimed at making it more agile, nimble, and flexible. Table 2.1 shows the recent changes.

Table 2.1 Changes made to the structure of the UAE Government in July 2020

Ministry	Changes
Ministry of Industry and Advanced Technology	<ul style="list-style-type: none"> • New Ministry • Merger of the Emirates Authority for Standardization & Metrology with the Ministry • Transfer of the Advanced Sciences portfolio to the Ministry • Transfer of the Industry portfolio from the Ministry of Energy

⁵ Chapter V of Part Four of the Federal Constitution lays out the general principles governing the judiciary at the federal and emirate levels. Federal Law No. 10 of 2019 regulates the judicial relations between the federal and local judiciary authorities; it established the Commission for the Unification of Federal and Local Judicial Principles.

⁶ Federal Constitution, Article 94.

⁷ Federal Law No. 10 of 1973 organizes the Federal Supreme Court and regulates the formation of the federal Public Prosecution office.

⁸ Federal Constitution, Article 99.

⁹ Federal Law No. 6 of 1978 established the federal Courts of First Instance and the Courts of Appeal.

¹⁰ The transfer of jurisdictions is enshrined in Federal Law No. 6 of 1978.

Ministry	Changes
Ministry of Energy and Infrastructure	<ul style="list-style-type: none"> • Merger of the Ministry of Energy and the Ministry of Infrastructure • Transfer of the Zayed Housing Programme to the Ministry • Merger of Federal Authority for Land and Maritime Transport with the Ministry
Ministry of Economy	<ul style="list-style-type: none"> • The Ministry has three ministers: Minister of Economy; Minister of State for Entrepreneurship and Small and Medium Enterprises; and Minister of State for Foreign Trade
Ministry of Culture and Youth	<ul style="list-style-type: none"> • Transfer of the National Media Council (except the Emirates News Agency) to the Ministry • Transfer of the Federal Youth Authority to the Ministry • The Ministry has two ministers: the Minister of Culture and Youth; and the Minister of State for Youth
Ministry of Education	<ul style="list-style-type: none"> • Transfer of the National Qualifications Authority to the Ministry
Ministry of Community Development	<ul style="list-style-type: none"> • Transfer of Happiness and Wellbeing portfolio to the Ministry
Emirates News Agency	<ul style="list-style-type: none"> • Brought under the Ministry of Presidential Affairs
Federal Authority for Electricity and Water	<ul style="list-style-type: none"> • Attached to the Emirates Investment Authority
Emirates Post	<ul style="list-style-type: none"> • Attached to the Emirates Investment Authority
Emirates Transport	<ul style="list-style-type: none"> • Attached to the Emirates Investment Authority
Emirates Real Estate Corporation	<ul style="list-style-type: none"> • Attached to the Emirates Investment Authority
National Council for Social Security Fund	<ul style="list-style-type: none"> • New fund under the umbrella of the Emirates Investment Authority
Insurance Authority	<ul style="list-style-type: none"> • Merged with the Central Bank of the UAE
Securities and Commodities Authority	<ul style="list-style-type: none"> • Transfer of the operational mandates to licensed financial and securities markets in the country
Federal Competitiveness and Statistic Authority	<ul style="list-style-type: none"> • Attached to the Ministry of Cabinet Affairs • Renamed as name Federal Competitiveness and Statistic Centre
Federal Authority for Government Human Resources	<ul style="list-style-type: none"> • Attached to the UAE Prime Minister's Office
Media Office of the UAE Government	<ul style="list-style-type: none"> • New entity

Source: Information provided by the authorities.

2.15. In the Corruption Perceptions Index of Transparency International, the UAE ranked 21st (of 180) in 2020, improving from the 24th position in 2016.¹¹ The UAE has a comprehensive legal framework against corruption, laid out across various laws and codes of conduct. The Federal Penal Code criminalizes active and passive bribery, embezzlement, and abuse of functions, and other anti-corruption and anti-fraud laws are enforced. The UAE has ratified the United Nations Convention against Corruption. While the UAE generally provides a business-friendly environment and efficient government services, some concerns have been raised about weak dispute resolution mechanisms and insolvency laws. Some analysts have characterized resolution of commercial disputes as difficult and uncertain, as court proceedings may be lengthy and costly, particularly in disputes involving politically influential local parties.¹² In this regard, the authorities indicate that the UAE has developed an efficient commercial arbitration system to overcome the possible limitations of court proceedings in terms of their time length and costs, and that there are currently several institutions administering commercial arbitration in the UAE. They also highlight the enactment of Federal Law No. 6 of 2018 on Arbitration, which contains provisions to streamline enforcement of arbitral awards (Section 2.4) and amendments to the Civil Procedure Code to facilitate recognition and enforcement of foreign arbitral awards.

2.16. During the review period, the UAE continued to implement Vision 2021, a development strategy launched in 2009 with the aim of propelling sustainable growth and positioning the UAE among the best countries in the world in relation to key global indicators, including ease of doing business, innovation, entrepreneurship, income per capita, and quality of living standards.¹³ One of the six national priorities established in the Vision 2021 National Agenda is to transition to a

¹¹ Transparency International, *Corruption Perceptions Index 2020*. Viewed at: <https://www.transparency.org/en/cpi/2020/index>.

¹² GAN, Risk & Compliance Portal. *United Arab Emirates Corruption Report*. Viewed at: <https://www.ganintegrity.com/portal/country-profiles/united-arab-emirates/>.

¹³ UAE Vision 2021, *Competitive Knowledge Economy*. Viewed at: <https://www.vision2021.ae/en/national-agenda-2021/list/economy-circle>.

competitive knowledge-based economy by promoting innovation and research and development (R&D), strengthening the regulatory framework, and encouraging high value-adding sectors.¹⁴ The strategy also seeks to foster entrepreneurship, increase participation of Emiratis in the workforce, improve the business environment, and attract foreign investment. The authorities consider the following among their main achievements under Vision 2021: an extensive legislative reform involving more than 50 new laws; improvements in the rule of law and the judicial system; more efficient delivery of government services; enhanced ability of the Government to adapt to changes; and positioning the UAE in the top ranks of a number of world or regional indicators, including financial competence and stability, provision of mobile Internet broadband, ease of doing business, and attraction of foreign direct investment.¹⁵

2.17. In line with its Vision 2021 strategy, the UAE hosted Expo 2020 Dubai from October 2021 to March 2022.¹⁶ The event was organized around the central theme named "Connecting Minds, Creating the Future", and three subthemes (opportunity, mobility, and sustainability), with the purpose of helping forge innovative partnerships to provide solutions to major global challenges, particularly for the benefit of future generations. Twenty-five million visitors were expected to participate in Expo 2020.

2.18. In 2020, the Government launched UAE Centennial 2071, a development plan spanning over five decades. The plan aims at investing in future generations by equipping them with the skills and knowledge needed to face rapid changes. It encompasses a national strategy to strengthen the UAE's reputation and soft power; ensure that government revenue is diversified, relying less on oil; focus education on advanced IT and engineering; build Emirati values for future generations; and enhance community cohesion. In the economic area, UAE Centennial 2071 seeks to establish a diversified economy by increasing productivity, supporting national companies to increase their competitiveness in global markets, and investing in R&D in promising sectors. Other objectives are to nurture a generation of Emirati inventors and scientists, export advanced products and services through incentive programmes, and support the UAE's leading companies globally.¹⁷

2.19. At the core of most government plans is the transformation of the economy towards high-tech sectors, new technologies, and their application to the UAE economy as illustrated by the UAE Artificial Intelligence Strategy, the UAE Fourth Industrial Revolution Strategy, the UAE National Space Strategy, and the Talent Attraction and Retention Strategy, to name a few. Moreover, in 2021 the Government launched the UAE Industrial Strategy (also called Operation 300bn), one of the main pillars of the UAE development agenda, which aims to raise the industrial sector's contribution to the GDP from AED 133 billion to AED 300 billion by 2031.

2.20. Individual Emirates can also establish their own development strategies within the framework of the federal plan. The Abu Dhabi Economic Vision 2030 focuses on diversification on a large range of sectors, including, *inter alia*, metal production, healthcare, civil and military aerospace, and telecommunications. The Dubai Industrial Strategy 2030 targets six industrial sectors: aerospace, maritime, pharmaceuticals and medical equipment, aluminium and fabricated metals, fast-moving consumable goods, and machinery and equipment.¹⁸ The Fujairah 2040 Plan focuses on enhancing housing and transportation infrastructure facilities.¹⁹

2.2 Trade Policy Formulation and Objectives

2.21. The formulation of trade policy is under the responsibility of the Ministry of Economy, in coordination with other ministries and the local governments, and in consultation with the business community. The Ministry of Economy proposes to the Government policies to enhance trade and

¹⁴ The five other priorities are to achieve: (i) a cohesive society and preserved identity; (ii) a safe and fair public judiciary; (iii) a first-rate education system; (iv) a world-class healthcare system; and (v) sustainable environment and infrastructure.

¹⁵ *The National* (2021), "Sheikh Mohammed bin Rashid's Message after 15 Years as Prime Minister", 3 January 2021. Viewed at: <https://www.thenationalnews.com/uae/government/sheikh-mohammed-bin-rashid-s-message-after-15-years-as-prime-minister-1.1139652>.

¹⁶ Originally scheduled for 2020-21, Expo 2020 was postponed due to the COVID-19 pandemic.

¹⁷ Government of Dubai Media Office, *Sheikh Mohammed bin Rashid Launches UAE Centennial 2071 Plan*. Viewed at: <https://sheikhmohammed.ae/en-us/news/details?nid=24731&cid=>.

¹⁸ 2021 Dubai Industrial Strategy 2030. Viewed at: <https://mbrsgcdn.azureedge.net/cmsstorage/mbrsg/files/f1/f1a41082-ac7e-4b40-8f55-072c777c19dc.pdf>.

¹⁹ UAE Government, Fujairah 2040 Plan. Viewed at: <https://bit.ly/3htS4Gz>.

promote exports; it is responsible for negotiating trade agreements and monitoring their implementation, and representing the UAE in international organizations and conferences related to trade and investment. Its portfolio also includes the enactment and modernization of economic legislation, the creation of a pro-business environment, the promotion of investment, and the regulation of competition and of the small and medium-sized enterprises (SMEs) sector, as well as the protection of consumer and intellectual property rights.²⁰

2.22. Since July 2020, as part of its structural reorganization, the Ministry of Economy has had three Ministers: the Minister of Economy; the Minister of State for Entrepreneurship and Small and Medium Enterprises; and the Minister of State for Foreign Trade. The latter is responsible for overseeing all activities related to the formulation of foreign trade policy, including consultations with the business community, and ensuring compliance of the UAE with its international obligations.²¹

2.23. The UAE's trade and trade-related policies have been guided by the Vision 2021 strategy. Accordingly, some of the main objectives pursued by the Ministry of Economy during the period under review include encouraging the diversification of the economy towards industries based on knowledge and innovation (e.g. aerospace, artificial intelligence), enhancing the competitiveness of SMEs and national entrepreneurship, creating an enabling environment for trade and investment, strengthening the competitiveness of the UAE in external markets and developing trade relations with other countries, and enhancing protection of consumer and intellectual property rights.

2.24. The private sector provides inputs to trade policy formulation through the Federation of UAE Chambers of Commerce and Industry (UAE FCCI), which groups all the chambers of commerce and industry in the UAE. The UAE FCCI reviews and provides inputs on trade-related draft laws and policies proposed by government bodies, in consultation with the member chambers. Among other functions, the UAE FCCI promotes Memoranda of Understanding between the UAE and other countries, enhances cooperation with regional and international organizations, and disseminates information related to commerce and industry. The member chambers act as focal points for the business community and represent, support, and protect their interests. The chambers provide a range of services such as company and trade registration, provision of information on investment opportunities in the country, liaison with businesses abroad, issuance and authentication of certificates of origin and other commercial documents, and oversight of quality standards of goods.

2.3 Trade Agreements and Arrangements

2.3.1 World Trade Organization (WTO)

2.25. The UAE became a member of the WTO in April 1996; previously, it had joined the GATT in March 1994. The UAE accepted the Protocol concerning the Agreement on Trade Facilitation in April 2016, and the Protocol Amending the TRIPS Agreement in January 2017. The UAE is a party to the Information Technology Agreement. It is neither a party nor an observer to the Agreement on Government Procurement. Currently, the UAE participates in the Joint Statement Initiatives on e-commerce and investment facilitation for development.

2.26. At the Eleventh Session of the Ministerial Conference (Buenos Aires, December 2017), the UAE reiterated its strong commitment to and support of the WTO, acknowledging the organization's role in facilitating international trade and investment within a rules-based system. Regarding some of the main negotiating issues on the table, the UAE called for more transparency in the use of agricultural export restrictions and supported an extension of the Decision on Public Stockholding for food security reasons to include all developing countries. On fisheries subsidies, the UAE emphasized the need to provide for policy space for developing countries to develop their fisheries sector, while promoting sustainable fishing resources. On non-agricultural market access, the UAE supported the continuation of the reform process on the basis of an agreed work programme. In trade in services, the UAE favoured further liberalization, while supporting developing countries' right

²⁰ Ministry of Economy. Viewed at: <https://www.economy.gov.ae/english/Ministry/Pages/VissionAndMission.aspx>.

²¹ Ministry of Economy. Viewed at: <https://www.economy.gov.ae/english/Ministry/MinistrySectors/ForeignTradeSector/Pages/default.aspx>.

to regulate in accordance with their development strategies. Overall, in the UAE's view, the development dimension should remain at the core of WTO negotiations.²²

2.27. In the aftermath of the COVID-19 outbreak, the UAE cosponsored the Ministerial Statement on COVID-19 and the Multilateral Trading System aimed at ensuring the continued flow of vital medical supplies and other essential goods and services across borders during the health crisis.²³ The UAE also adhered to a Joint Statement by a number of Members committing to not impose export prohibitions or restrictions on foodstuffs purchased for non-commercial humanitarian purposes by the World Food Programme.²⁴ The UAE endorsed the Communiqué of the Arab Trade Ministerial Meeting in Riyadh of 31 October 2021, where the group of Arab countries stated their views on common issues in preparation for the Twelfth WTO Ministerial Conference (MC12).²⁵

2.28. The Trade Negotiations and Organizations Department within the International Trade Sector of the Ministry of Economy is the focal point in the UAE for all WTO matters and free trade agreements (FTAs). The Department follows the activities of all WTO bodies; coordinates with relevant ministries, government institutions, and the private sector to develop the UAE's position on the multilateral trade agenda; and oversees the negotiating teams. It also monitors the implementation of the UAE's commitments under the WTO and the FTAs.

2.29. The UAE maintains a WTO National Committee (NC) that provides advice and support to the UAE negotiating team on issues under discussion at the WTO (Box 2.1). The NC is chaired by the Minister of Economy, and groups the representatives of key public and private economic players in the country. It is composed of five sub-committees (or technical teams): (i) market access for agricultural and non-agricultural products; (ii) intellectual property rights; (iii) protection of domestic production; (iv) trade in services; and (v) trade facilitation and government procurement. In addition, in accordance with the Agreement on Trade Facilitation, the UAE set up a National Trade Facilitation Committee in 2014.

Box 2.1 Functions of the National Committee

- Drafting the UAE's position on the WTO's multilateral negotiations agenda (agricultural and non-agricultural goods, services, intellectual property, and trade facilitation) and other issues under discussion across all WTO bodies and committees.
- Formulating the UAE's position on other matters relevant to the WTO that may affect the country's rights and obligations under the Organization or the country's commercial and economic interests.
- Requesting relevant authorities to prepare studies of the expected effects of the results of multilateral negotiations on the UAE's economy and economic feasibility studies on specific issues, such as joining multilateral agreements sponsored by the WTO, and setting the terms of reference for such studies.
- Proposing initiatives for the UAE on any issues related to international trade agreements in force within the framework of the WTO.
- Discussing and studying proposals regarding further trade liberalization that may affect the UAE's obligations under the WTO.
- Creating technical teams for negotiations (e.g., Trade in Goods, Trade in Services, Trade Facilitation, Intellectual Property, and Government Procurement) to address developments on these issues in the WTO.

Source: Information provided by the authorities.

2.30. During the review period, the UAE participated in three disputes under the WTO dispute settlement mechanism: two as a complainant, and one as a defendant. In the first case as a complainant (DS538), the UAE challenged Pakistan's anti-dumping measures on certain types of polypropylene film. The panel was established on 29 October 2018, and its report was circulated on 18 January 2021. Pakistan appealed the panel's report on 25 February 2021.²⁶ The second dispute where the UAE was a complainant (DS576) referred to certain measures imposed by Qatar concerning goods from the UAE. In this case, a panel was established on 28 May 2019 but was never composed. On 8 August 2019, the UAE requested the Chair of the Dispute Settlement Body to circulate a communication indicating that it no longer considered necessary to pursue its complaint,

²² WTO document WT/MIN(17)/ST/38, 13 December 2017.

²³ WTO documents WT/GC/212, 5 May 2020; WT/GC/212/Rev.1, 29 May 2020; and WT/GC/212/Rev.2, 31 July 2020.

²⁴ WTO document WT/L/1109, 21 January 2021.

²⁵ WTO document WT/GC/236, 2 November 2021.

²⁶ For further information, see WTO document series WT/DS538.

due to Qatar's withdrawal of the measures at issue.²⁷ In the third case (DS526), Qatar challenged certain UAE measures related to trade in goods and services and trade-related aspects of intellectual property rights. A panel was established on 22 November 2017 and composed on 3 September 2018. On 18 January 2021, Qatar requested the Panel to suspend its work in the context of facilitating an amicable settlement between the parties. The work of the Panel was suspended on 15 January 2021.²⁸

2.31. In applying the Gulf Cooperation Council (GCC) tariffs, the UAE makes no distinction between WTO Members and non-WTO Members.

2.32. Table 2.2 shows a list of notifications submitted by the UAE to different WTO committees and bodies during the review period. As at end-October 2021, some notifications were pending in areas such as import licensing, rules of origin, trade-related aspects of intellectual property rights, and services. Since then, the UAE has submitted notifications under the Agreement on Agriculture, the GATS, the Agreement on Rules of Origin, and the TRIPS Agreement.

Table 2.2 Notifications to the WTO, July 2015-October 2021

Agreement/Article	Requirement	Latest notifications – Symbol, date
Agreement on Agriculture		
Articles 10 and 18.2	Export subsidies (ES:1)	G/AG/N/ARE/15, 02/04/2020
Article 18.2	Domestic support (DS:1)	G/AG/N/ARE/17, 07/04/2020
GATT 1994		
Article XVII:4(a)	State trading activities	G/STR/N/4 and 7/ARE, G/STR/N/10-18/ARE, 28/05/2020
Agreement on Trade Facilitation		
Articles 15 and 16	Category commitments	G/TFA/N/ARE/1/Add.1, 01/06/2021; G/TFA/N/ARE/1/Corr.1, 19/09/2019; G/TFA/N/ARE/1, 09/09/2019
Agreement on the Implementation of Article VI of the GATT 1994		
Article 16.4 – Semi-annual	Anti-dumping actions taken within the preceding six months (01/01/2021-30/06/2021)	G/ADP/N/357/ARE, 07/10/2021
Article 16.5	Competent authorities	G/ADP/N/14/Add.54, 21/04/2021
Article 18.5	Laws and regulations	G/ADP/N/1/ARE/2/Suppl.1, 05/10/2018; G/ADP/N/1/ARE/2, 25/09/2015
Agreement on Subsidies and Countervailing Measures		
Article 25.1 and GATT Article XVI:1	Subsidies (new and full notification)	G/SCM/N/284/ARE, 23/02/2016
Article 25.11, Semi-annual	Countervailing actions (1 January-30 June 2021)	G/SCM/N/379/Add.1, 14/10/2021
Article 25.12	Competent authorities	G/SCM/N/18/Add.54, 21/04/2021
Article 32.6	Laws and regulations	G/SCM/N/1/ARE/2/Suppl.1, 05/10/2018; G/SCM/N/1/ARE/2, 28/09/2015
Agreement on Safeguards		
Article 12.1(a)	Initiation of an investigation	G/SG/N/6/ARE/3/Suppl.1, 20/01/2021; G/SG/N/6/ARE/3, 24/10/2019
Article 12.1(b)	Finding of serious injury or threat thereof – Evidence	G/SG/N/8/ARE/3/Suppl.1, G/SG/N/10/ARE/3, G/SG/N/11/ARE/4, 12/05/2021; G/SG/N/8/ARE/3, 23/07/2020
Article 12.1(b) and Article 9, Footnote 2	Finding of serious injury or threat thereof – Proposal to impose a measure	G/SG/N/10/ARE/2/Suppl.1, G/SG/N/11/ARE/3/Suppl.1, 14/06/2019; G/SG/N/10/ARE/2, G/SG/N/11/ARE/3, 05/04/2019
Article 12.4 and Article 9, Footnote 2	Before taking a provisional measure referred to in Article 6	G/SG/N/7/ARE/1/Suppl.1, 01/11/2016; G/SG/N/7/ARE/1, G/SG/N/11/ARE/1, 21/10/2016
Article 9, Footnote 2	Investigation terminated with no safeguard measure	G/SG/N/9/ARE/1, 08/09/2021
Article 12.6	Laws and regulations	G/SG/N/1/ARE/2/Suppl.1, 05/10/2018; G/SG/N/1/ARE/2, 28/09/2015
Agreement on Sanitary and Phytosanitary Measures		
Article 7, Annex B	Emergency temporary measures	G/SPS/N/ARE/239, 22/09/2021

²⁷ For further detail, see WTO document series WT/DS576.

²⁸ For more information, see WTO document series WT/DS526.

Agreement/Article	Requirement	Latest notifications – Symbol, date
Agreement on Technical Barriers to Trade		
Article 2.9.2	Technical regulations	G/TBT/N/ARE/516, 18/10/2021
Articles 2.9.2 and 5.6.2	Technical standards – Controls	G/TBT/N/ARE/476, 16/06/2020
Article 5.6	Technical standards – Conformity/Certifications	G/TBT/N/ARE/402, 16/02/2018
Regional Trade Agreements		
Paragraph 4(a), Enabling Clause; Article V:7(a), GATS	GCC-Singapore RTA	WT/COMTD/N/45/Rev.1, S/C/N/807/Rev.1, 14/07/2015

Source: WTO Secretariat.

2.3.2 Regional and preferential agreements

2.3.2.1 Gulf Cooperation Council (GCC)

2.33. The UAE is a member of the GCC, a political and economic alliance created in 1981, that also comprises the Kingdom of Bahrain, the State of Kuwait, Oman, Qatar, and the Kingdom of Saudi Arabia. The GCC's main objectives are to enhance regional cooperation and integration in all economic, social, and cultural fields. The highest authority of the organization is the Supreme Council of the GCC, composed of the heads of the member States.

2.34. In 2001, the GCC Supreme Council adopted a revised Economic Agreement between the member States, which called for the formation of a customs union.²⁹ In 2003, the GCC Customs Union was launched with the implementation of a GCC Custom Law, the Unified Guide for Customs Procedures at the First Point of Entry, and a common external tariff (CET) of 0% or 5% for most tariff lines. After a transition period, the GCC Customs Union was formally finalized on 1 January 2015.³⁰ However, some differences remain in the implementation of the CET (e.g. on alcohol products³¹), as each GCC member has the right to keep a list of prohibited and restricted goods.³² Moreover, GCC member States maintain customs checkpoints between each other for SPS and standards controls and other purposes (e.g. statistics, and prevention of piracy and commercial fraud). Imports that are prohibited in some GCC member States and permitted in others are not allowed to transit through the States in which they are prohibited.

2.35. The Gulf Common Market (GCM) was officially launched in January 2008. One of its main goals is to achieve equal treatment among the citizens of the GCC member States in several economic fields, including freedom to engage in economic activities, investment, and property ownership. The full implementation of the GCM remains a work in progress.

2.36. The GCC member States have achieved cooperation in several economic areas such as agriculture, energy, telecommunications, and transportation. They have also advanced in the development of common legislation by adopting some 17 standard laws, including in areas such as customs; anti-dumping, countervailing, and safeguard measures; patents and trademarks regulation; consumer protection; industrial law; standards and metrology; SPS matters (plant and veterinary quarantine, seeds and seedlings, fertilizers and soil enhancers, and practice of veterinary professions); and maritime law.

2.37. Likewise, GCC member States have set up common institutions dealing with trade and investment issues, including the Technical Secretariat for Anti-Dumping, the GCC Standardization Organization, the Gulf Investment Organization, the Commercial Arbitration Centre, the Patents

²⁹ In 2006, the Kingdom of Saudi Arabia notified the Agreement under Article XXIV of the GATT 1994 (WTO document WT/REG222/N/1, 20 November 2006), but subsequently changed the notification to come under the Enabling Clause (WT/REG222/N/1/Corr.1 and WT/COMTD/N/25, 31 March 2008). In 2009, the Agreement was re-notified under Article XXIV:7(a) of the GATT 1994 (WT/REG276/N/1/Rev.1, 17 November 2009).

³⁰ A factual presentation of the GCC Customs Union was prepared by the WTO Secretariat (WTO document WT/COMTD/RTA/9/1-WT/REG276/1, 21 March 2018).

³¹ For example, the UAE maintains a 50% tariff on imports of alcoholic beverages, while Oman applies a 100% tariff on alcohol products.

³² The list of prohibited imports maintained by each GCC member State can be found in Annex 2 to WTO document WT/REG276/1. The products concerned include mainly pork and pork products, ivory, poppy seeds, hemp, opium, coca leaf, asbestos, certain used pneumatic tyres, and live purebred swine.

Office, the GCC Intellectual Property Training Centre, and the Technical Office for Telecommunications. In the field of taxation, the GCC member States began rolling out value added tax in 2018. Other recent examples of regional integration include a common law for real estate owners, a common Environmental Program and a cultural strategy for 2020-30.

2.38. In June 2017, the UAE, the Kingdom of Saudi Arabia, and the Kingdom of Bahrain severed diplomatic, trade, and travel ties with Qatar, including restricting access by land, sea, and air. The restrictions were lifted in January 2021.

2.39. As stipulated in the 2001 Economic Agreement, GCC member States collectively negotiate trade and economic agreements with third parties. So far, the GCC has concluded a regional trade agreement with Singapore, and an agreement with the member States of the European Free Trade Association (EFTA).³³

2.3.2.2 GCC-Singapore Free Trade Agreement (GSFTA)

2.40. The GSFTA entered into force in September 2013 and was notified to the WTO in 2015 under the Enabling Clause and GATS Article V.7(a).³⁴ The Agreement covers trade in goods, customs procedures, rules of origin, technical regulations and standards, trade in services, government procurement, intellectual property, electronic commerce, movement of natural persons, and dispute settlement.

2.41. Upon entry into force of the GSFTA, Singapore committed to apply duty-free treatment to all products originating in the GCC. The GCC member States agreed to the immediate elimination of tariffs on 99% of their tariff lines for imports originating in Singapore, with most of the remaining tariffs to be removed five years after the entry into force of the Agreement. Certain goods were excluded from the tariff elimination.³⁵ In services, both parties committed to liberalize various sectors beyond their GATS commitments. Among the services sectors covered by the GSFTA are business, professional, communication, construction and engineering, distribution, financial, transport, tourism, health-related, and education services. The parties agreed to negotiate investment issues at a later stage.³⁶

2.3.2.3 GCC-EFTA Free Trade Agreement

2.42. The free trade agreement between the GCC and EFTA entered into force in July 2014, but its notification was pending as at end-October 2021.³⁷ Its coverage includes trade in goods, trade in services, government procurement, competition policy, and dispute settlement. Certain topics, such as intellectual property rights and investment, were left for subsequent negotiations after the entry into force of the Agreement.

2.43. Regarding trade in goods, the GCC agreed to eliminate most tariffs on EFTA-originating products after a transition period of five years. Upon entry into force of the Agreement, the EFTA States granted duty-free access to their respective markets to industrial goods, fish, and marine products originating in the GCC. The Agreement also provides for tariff concessions for processed agricultural products. Basic agricultural products are covered by bilateral agreements, which form an integral part of the Agreement.

³³ The EFTA member States are Iceland, Liechtenstein, Norway, and Switzerland.

³⁴ WTO documents WT/COMTD/N/45/Rev.1 and S/C/N/807/Rev.1, 14 July 2015.

³⁵ These goods are identified as Category C in Annex 1 to the GSFTA. They include, *inter alia*, live swine and swine meat and products; different types of frozen, dried, and preserved fish; preserved crustaceans; durum wheat and wheat flour; poppy and hemp seeds; coca leaf; cannabis; opium; cocaine; beer and alcoholic beverages; tobacco and tobacco products; asbestos; mineral or chemical fertilizers; re-treaded tyres; worn clothing; casing, tubing, and drill pipes used in drilling for oil or gas; air conditioning machines; and batteries.

³⁶ For more information see UAE Ministry of Economy, *GCC-Singapore FTA (GSFTA)*. Viewed at: <https://www.economy.gov.ae/english/Ministry/MinistrySectors/ForeignTradeSector/Pages/Singapore-GCCFTA.aspx>; and Ministry of Trade and Industry Singapore, *What You Need to Know About Singapore's Free Trade Agreements*. Viewed at: https://www.mti.gov.sg/-/media/MTI/Images/Improving-Trade/FTA_Booklet_Final.pdf.

³⁷ WTO Regional Trade Agreements Database, EFTA-GCC. Viewed at: <http://rtais.wto.org/UI/PublicShowMemberRTAIDCard.aspx?rtaid=462>.

2.44. The chapter on trade in services contains provisions on national treatment and market access and uses a positive list approach for scheduling commitments. Both parties agreed to go beyond their obligations under the GATS. The GCC member States undertook commitments in 11 GATS sectors. The UAE accepted additional commitments in professional, environmental, construction, health, tourism, transport, telecommunications, and maritime services.³⁸

2.3.2.4 Pan-Arab Free Trade Area (PAFTA)

2.45. The UAE is a member of PAFTA, established in 1998 with the objective of creating an Arab Free Trade Area (also known as the Greater Arab Free Trade Area (GAFTA)) by 2005, through the gradual elimination of trade barriers among its members.³⁹ The main body responsible for the implementation of PAFTA is the Economic and Social Council of the League of Arab States. The PAFTA agreement was notified by the Kingdom of Saudi Arabia to the WTO under Article XXIV of GATT 1994 in 2006.⁴⁰

2.46. The elimination of tariffs among PAFTA members was enforced in January 2005, except for some products for reasons such as public health, safety, morals, and the protection of the environment. Efforts are still being pursued to eliminate non-tariff barriers, including customs and administrative procedures at the borders, and transit fees.

2.47. During the review period, PAFTA members continued to engage in the Beirut Round of Negotiations on the Liberalization of Trade in Services among Arab States, launched in 2004. As a result, in February 2017, the UAE along with eight other PAFTA countries agreed on a schedule of commitments for trade in services.⁴¹ The UAE ratified the agreement to liberalize trade in services among Arab States on 10 March 2020. The authorities indicate that the UAE's schedule of commitments under this agreement is similar to the UAE's initial offer in services in the WTO Doha Round of trade negotiations.

2.3.3 Other agreements and arrangements

2.48. Within the framework of the GCC, the UAE has engaged in negotiations to conclude FTAs with several countries and economic groupings, including Australia, China, the European Union, India, Japan, the Republic of Korea, the Southern Common Market (MERCOSUR), New Zealand, Pakistan, and Turkey.⁴² The negotiations with Japan and Australia were notified to the WTO in 2006 and 2007, respectively.⁴³ None of the above negotiations has been formally concluded. Currently, all negotiations are suspended, except for those with China and Pakistan. The negotiations for an FTA with the European Union started in 1990 but were halted in 2008, and replaced with a Dialogue on Trade and Investment issues in 2017.⁴⁴ In September 2021, the UAE announced plans to bilaterally pursue comprehensive economic agreements with eight countries (including India, the Republic of Korea, the United Kingdom, and Turkey) on trade, foreign direct investment, and other sectors such as tourism.⁴⁵

³⁸ UAE Ministry of Economy, *GCC-EFTA FTA*. Viewed at: <https://www.economy.gov.ae/english/Ministry/MinistrySectors/ForeignTradeSector/Pages/GCC-EFTA-FTA.aspx>; and EFTA, *Gulf Cooperation Council (GCC)*. Viewed at: <https://www.efta.int/free-trade/free-trade-agreements/gcc>.

³⁹ PAFTA members include the GCC countries plus Algeria, Egypt, Iraq, Jordan, Lebanon, Libyan Arab Jamahiriya, Morocco, Palestine, Sudan, Syrian Arab Republic, Tunisia, and Yemen. The Comoros, Djibouti, Mauritania, and Somalia are accession candidates.

⁴⁰ WTO document WT/REGG223/N/1, 20 November 2006.

⁴¹ The other PAFTA countries were the Kingdom of Saudi Arabia, Qatar, Oman, Morocco, Lebanon, Egypt, Yemen, and Sudan. Economic and Social Commission for Western Asia (ESCWA) document E/ESCWA/EC.6/2019/6, 14 May 2019. Viewed at: <https://digitallibrary.un.org/record/3880405?ln=fr>.

⁴² UAE Ministry of Economy, *Free Trade Agreements*. Viewed at: <https://www.economy.gov.ae/english/Ministry/MinistrySectors/ForeignTradeSector/Trade-Negotiations-WTO/Trade-Agreements/Pages/default.aspx>.

⁴³ WTO Regional Trade Agreements Database. Viewed at: <http://rtais.wto.org/UI/PublicSearchByMemberResult.aspx?membercode=784>.

⁴⁴ European Commission, *Gulf Region*. Viewed at: <https://ec.europa.eu/trade/policy/countries-and-regions/regions/gulf-region/>.

⁴⁵ Cornwell, A. (2021), "UAE Wants Quick Trade Talks, Some Deals Signed in 6-12 Months", *Reuters*, 15 September 2021. Viewed at: <https://www.reuters.com/world/middle-east/uae-wants-quick-trade-talks-some-deals-signed-6-12-months-2021-09-14/>; and Mohamed, H. (2021), "UAE, S. Korea Agree to Resume

2.49. The UAE maintains a bilateral FTA with Morocco, in force since 2003. The agreement was notified to the WTO in June 2019 under the Enabling Clause.⁴⁶ It covers provisions on trade in goods only. The parties committed to the annual reduction of customs tariffs and taxes having equivalent effect at a rate of 10 percentage points more than the rate applied in the PAFTA framework. They also agreed to eliminate all non-tariff barriers upon entry into force of the FTA and to not apply any new non-tariff measures thereafter. The UAE authorities indicate that this agreement, although still in force, has become irrelevant since the full implementation of GAFTA.

2.50. The UAE is currently eligible for unilateral trade preferences under the Generalized System of Preferences (GSP) schemes of Australia, Belarus, the Russian Federation, and Kazakhstan. Table 2.3 depicts the UAE's use of GSP preferences in 2020. The UAE does not grant GSP treatment to other countries.

Table 2.3 Use of GSP preferences, 2020

(AED)

Country	No. of certificates issued	Value of exports
Australia	60	1,603,912
Belarus	7	175,367
Russian Federation	121	4,393,453
Kazakhstan	0	0

Source: Information provided by the authorities.

2.4 Investment Regime

2.51. Attracting foreign direct investment (FDI) is an essential element of the UAE's long-term development plans to diversify its economy, promote the development of the private sector, and consolidate the country's position as a trade and investment hub for a large geographic area. Accordingly, since the last Review, several legislative changes have been implemented to further open the economy to FDI and create a more favourable environment for foreign investors, including the enactment of legislation on FDI, and extensive amendments to the Commercial Companies Law (see below).

2.52. During the period under review, the Ministry of Economy adopted the National Agenda for Foreign Direct Investment covering both inward and outward FDI. The national agenda is in line with the strategic objectives of the UAE Centennial 2071 of fostering a diversified and competitive UAE economy, based on knowledge and innovation. As regards inward FDI, the national agenda aims at enhancing the UAE's global position as an attractive investment destination, by creating a business-conducive environment through the enactment and modernization of relevant legislation, and at encouraging investments from targeted countries in "promising sectors" related to innovation, leadership, and advanced industries. Indeed, the idea is to shift from an approach based on promotion only to an approach that identifies target countries, sectors, and specific investment opportunities. With respect to investment abroad, the national agenda seeks to strengthen the international presence of the UAE's leading companies, open new opportunities for Emirati investors in targeted sectors and markets, foster technology transfer, and protect the interests of Emirati investors abroad. Box 2.2 presents the pillars and target sectors established in the national agenda for both inward and outward FDI.

2.53. The Investment and Talent Attraction Department within the Ministry of Economy develops policies aimed at enhancing the UAE's attractiveness to both foreign investment and talents. The Department's tasks include working with local authorities to simplify and unify FDI registration and licensing procedures; receiving and studying requests from foreign investors, based on the initial approval of the local authorities; settling disputes through conciliation between investors and the local authorities; granting incentives in accordance with the laws regulating foreign investment; providing support to investors; disseminating information about the investment environment and investment opportunities in the UAE; and publishing investment data. The Department is also responsible for proposing policies to attract international skills in strategic sectors of the economy.

Negotiations on Multilateral Trade Agreement", *Emirates News Agency*, 11 September 2021. Viewed at: <https://www.wam.ae/en/details/1395302968970>.

⁴⁶ WTO document WT/COMTD/RTA1/N/1, 11 July 2019.

Box 2.2 National Action Agenda for Foreign Direct Investment

Inward FDI

Pillars:

1. Enhancing the attractiveness of the UAE's investment environment
2. Attracting foreign investment from targeted countries
3. Attracting foreign investment in specific and targeted sectors

Target sectors:

Financial technology, industry, healthcare, retail and e-commerce markets, medical and wellness tourism, aerospace and space tourism, supply chains, agricultural technology, entertainment, broadcasting and games, logistics, education, renewable energy, information and communication technology (ICT), water technology, genetics, and intelligent mobility

Outward FDI

Pillars:

1. Strengthening the international presence of the UAE through the leadership of Emirati companies abroad
2. Directing Emirati investments to targeted countries and sectors
3. Supporting and protecting the interests of Emirati investors abroad

Target sectors:

Blockchain, robotics, smart buildings, renewable energy generation/water supply, electronic healthcare/pharmaceuticals, cyber security, education technology, carbon capture technology, sustainable transportation, Internet of Things and sensors, 3D printing, consumer companies, housing and adult care organizations, health facilities, treatments and devices, G5 infrastructure, transportation, agricultural technology, augmented/virtual reality, artificial intelligence, e-commerce platforms, fintech, subscription based products/digital content, and sustainability in food consumption

Source: Information provided by the authorities.

2.54. The UAE's foreign investment regime is mainly governed by the Federal Commercial Companies Law (CCL)⁴⁷, the Commercial Agencies Law, and the federal Industry Law. Within the framework of federal legislation, each Emirate retains the authority to establish its own regulations on FDI, licensing procedures, and investment incentives. In September 2018, a new federal law on foreign investment (FDI Law) was enacted, paving the way for the easing of ownership restrictions on FDI. In 2020, amendments to the CCL provided for further liberalization of the foreign investment regime. GCC nationals and GCC companies are exempted from FDI restrictions, provided they are not in partnership with a non-GCC investor.

2.55. Prior to the enactment of the new legislation, foreign investors wishing to set up an onshore company in the UAE (outside the free zones) were required to have a local partner with 51% of the share capital; foreign companies operating through a branch office were required to have a UAE national agent; and joint stock companies were subject to board representation restrictions.

2.56. The FDI Law, promulgated on 23 September 2018⁴⁸, allowed foreign investors to own up to 100% of the share capital in UAE companies operating in specific sectors. In March 2020, a Cabinet Resolution approved a "positive list" of the economic sectors eligible for up to 100% foreign investment, covering 122 activities in the agriculture, manufacturing, and services industries. The Cabinet also issued a "negative list" of activities for which restrictions on foreign investment remain.⁴⁹

2.57. Federal Decree-Law No. 26 of 2020 amending the Commercial Companies Law was promulgated on 27 September 2020. It entered into force on 1 June 2021 and repealed the FDI Law of 2018. The Decree-Law introduced wide-ranging changes to the CCL aimed at enhancing the foreign investment regime and modernizing the regulations on commercial companies. Most of the

⁴⁷ The CCL (Federal Law No. 2 of 2015) applies to commercial companies established in the UAE, branch offices of foreign companies, and activities of free zone companies in the UAE customs territory, where such activities are allowed. It does not apply to the hydrocarbon sector or state-owned companies.

⁴⁸ Federal Decree-Law No. 19 of 2018. Now repealed.

⁴⁹ The negative list included oil exploration and production; security; military; banking and financial activities; insurance; pilgrimage and Umrah services; certain recruitment activities; water and electricity; fishing; post, telecommunications, and audio-visual services; road and air transport; printing and publishing; commercial agency; medical retail; and blood banks and venom banks.

amendments apply to limited liability companies (LLCs) and joint stock companies (JSCs), which are the two legal forms available for foreign investors in the UAE.

2.58. A major amendment to the CCL was the abolishment of the general requirement for a UAE company to have 51% Emirati ownership, thus allowing foreign investors to establish without a local partner and own 100% of UAE companies in most economic sectors, except in certain activities deemed to have a "strategic impact".⁵⁰ As required by Decree-Law No. 26⁵¹, on 30 May 2021, the Cabinet issued Resolution No. 55 of 2021 setting out a list of activities having a strategic impact. These activities are security, defence, and activities that have a military nature; banks, exchange houses, finance companies, insurance activities, and money printing; telecommunications; pilgrimage (Hajj) and Umrah services; Qur'an memorization centres; and services related to fisheries.⁵² Investors wishing to engage in activities with a strategic impact must obtain prior approval from the relevant competent authorities, which may impose foreign ownership and board participation restrictions. In the case of services related to fisheries, only 100% UAE ownership is permitted.

2.59. Other key amendments to the CCL were the removal of the obligation for branches and representation offices of foreign companies to have a local service agent with 100% UAE ownership, and the abolishment of the requirement for the chairperson and the majority of the board of a JSC to be UAE nationals. The changes to the CCL also relate to, *inter alia*, procedural aspects of general assembly meetings, amendment of articles of association, methods of settling disputes between partners, and flexibility in capital reduction requirements for public JSCs.⁵³

2.60. Decree-Law No. 26 grants the Department of Economic Development or the competent authority in each Emirate the power to set local ownership and board participation requirements for companies incorporated in their respective jurisdictions. Accordingly, the Emirates of Abu Dhabi and Dubai have each recently issued lists of commercial activities encompassing a broad range of sectors in which 100% foreign ownership is allowed.⁵⁴

2.61. Under the Commercial Agencies Law (Federal Law No. 18 of 1981), foreign principals are required to distribute their products in the UAE only through exclusive commercial agents, who may be appointed for the entire UAE territory or for a particular Emirate or group of Emirates. Prior to the amendment of Federal Law No. 18 of 1981, only UAE nationals or companies wholly owned by UAE nationals could qualify for registration as commercial agents. Federal Law No. 11 of 2020, which entered into force on 1 June 2020, amended the Commercial Agencies Law. The most important amendment was to broaden the scope of the legal entities that can register as commercial agents by including public joint stock companies (PJSC) with at least 51% of their capital owned by UAE nationals, and private entities owned by a PJSC meeting the 51% ownership requirement.⁵⁵ This change is expected to encourage local family businesses registered as commercial agents to convert their private companies into a PJSC in order to seek foreign equity investment without losing their registered commercial agent status.⁵⁶

⁵⁰ It should be noted that Federal Decree No. 32 on Commercial Companies, which was adopted in September 2021 and entered into force in January 2022, has replaced the 2015 Commercial Companies Law in its entirety. This Decree confirmed the relaxation of foreign ownership restrictions introduced under Federal Decree No. 26 of 2020.

⁵¹ Article 1 of the Decree-Law amending Article 10 of the CCL.

⁵² Middle East Alliance, Legal Consultancy LLC, *Provisions of Cabinet Resolution No. (55) of 2021 Determining the List of Activities with Strategic Impact*. Viewed at: <https://www.mealc.org/post/cabinet-res-no-55-of-2021-regarding-determining-the-list-of-activities-with-strategic-impact>.

⁵³ Ministry of Economy, *The Prominent Features and Incentives Granted to Investors on the Federal Decree Law No. (26) of 2020 regarding the New Amendments of the Federal Law No. (2) of 2015 on Commercial Companies*. Document provided by the authorities.

⁵⁴ Sovereign Group (2021), "UAE Opens Up to 100% Foreign Ownership of Companies", 30 June 2021. Viewed at: <https://www.sovereigngroup.com/news-and-views/uae-opens-up-to-100-foreign-ownership-of-companies/>; and *Economist Intelligence Unit* (2021), "Abu Dhabi Publishes List of Foreign Investment Sectors", 25 May 2021. Viewed at: <http://country.eiu.com/article.aspx?articleid=151057398&Country=United+Arab+Emirates&topic=Economy&ubtopic=Forecast&subsubtopic=External+sector>.

⁵⁵ Federal Law No. 11 of 2020, Article 2.

⁵⁶ Steenkamp W. and Roberts, R. (2020), "Amendments to the UAE Commercial Agencies Law: Broadening the Scope", *Al Tamimi & Co.*, August. Viewed at: <https://www.tamimi.com/law-update-articles/amendments-to-the-uae-commercial-agencies-law-broadening-the-scope>.

2.62. Under the Federal Industry Law, industrial projects must have 51% UAE ownership. The Law also requires projects to be managed by a UAE national or have a board of directors with a majority of UAE nationals. Exceptions to the Law include those provided for projects related to the extraction and refining of oil, natural gas, and other raw materials. The authorities indicate that the Federal Industry Law is currently being updated to allow 100% foreign ownership of industrial projects, in line with the amendments made to the CCL.

2.63. To register and obtain a licence as an FDI project, investors must comply with several conditions, including minimum capital requirements, which vary depending on the economic activity, and participation in the UAE Emiratization programme, which requires companies to employ a certain percentage of Emirati citizens. The programme is administered by the Ministry of Human Resources and Emiratization through the Tawteen Partners Club scheme.⁵⁷

2.64. The licensing departments and competent authorities of each Emirate are responsible for setting forth the conditions and procedures for the establishment and registration of FDI projects, as well as for specifying the required documents in accordance with federal and local laws. Generally, a foreign investor is required to obtain a preliminary approval from the local licensing authority, and thereafter apply for a licence for FDI from the local competent authority, usually the Department of Economic Development. The competent authority shall approve the application upon the fulfilment of the relevant conditions within five business days of the date of application or the fulfilment of the documents and information required.⁵⁸ Expiring this time, the application is deemed to be rejected.

2.65. Licensed foreign investment companies are entitled to the same treatment as national companies to the extent permitted by national legislation and international agreements to which the UAE is a signatory. Foreign companies may repatriate profits, the proceeds of the liquidation or sale of their investment, and those arising from the settlement of disputes relating to their investment. An FDI project may not be expropriated in whole or in part, except for public interest and in exchange of fair compensation. A court judgement is required to confiscate, freeze, or restrict the funds of an FDI project. The right to benefit from any real estate allocated to an FDI project may not be cancelled, suspended, or restricted except in the event of a violation of the licence conditions.⁵⁹

2.66. Since the last Review, a new Corporate Bankruptcy Law was adopted and entered into force in December 2016.⁶⁰ It applies to companies regulated by the CCL, most companies in the free trade zones, sole proprietorships, and civil companies engaged in professional businesses. The Law enables a creditor that is owed AED 100,000 or more to file bankruptcy proceedings against a debtor 30 days after sending a written notification to the debtor. A main feature of the Law is that it decriminalizes "bankruptcy by default", requiring companies and their owners who have ceased to pay their debts for more than 30 days to initiate insolvency proceedings rather than face fines and potential imprisonment. The Law was amended in 2019 and 2020. Among the latest amendments are new provisions to protect debtors during an emergency financial crisis, the existence of which is to be determined by the UAE Cabinet.⁶¹ This move towards a more flexible approach should make it easier for companies in the UAE to work through financial difficulties.

2.67. Land ownership regulation varies from Emirate to Emirate. For example, in Dubai, only UAE and other GCC nationals and companies fully owned by UAE and GCC nationals can own property anywhere in the Emirate. Non-UAE/GCC nationals and foreign companies can only own land in designated areas in the form of a freehold, a leasehold (for 99 years), or usufruct (including a

⁵⁷ UAE, Ministry of Human Resources and Emiratization, *Emiratization Laws*. Viewed at: <https://www.mohre.gov.ae/en/laws-legislation/emiratization-laws.aspx>.

⁵⁸ UAE Government Portal, *Foreign Direct Investment (FDI)*. Viewed at: <https://u.ae/en/information-and-services/finance-and-investment/foreign-direct-investment>.

⁵⁹ The authorities indicate that the said guarantees for foreign investment companies are found in the following laws: Federal Law No. 18 of 1993 Promulgating the Commercial Transactions Law, as amended; Federal Decree-Law No. 14 of 2018 Regarding the Central Bank of the UAE and Organization of Financial Institutions and Activities; Federal Decree-Law No. 20 of 2018 on Anti-money Laundering and Countering the Financing of Terrorism; Federal Law No. 20 of 2016 Regarding Pledge of Movable Properties in Guarantee of Debt, as well as local laws concerning ownership.

⁶⁰ Federal Decree-Law No. 9 of 2016.

⁶¹ Federal Decree-Law No. 9 of 2016, Chapter 15.

Musataha right⁶²) for up to 50 years. Currently, there are over 30 designated areas in Dubai. Likewise, Abu Dhabi has traditionally restricted ownership to UAE or GCC nationals, who may then lease the land to foreigners. However, in April 2019 the Abu Dhabi Government passed Law No. 13 of 2019 amending the rules on real estate to allow foreign individuals and companies to own freehold property within certain investment areas for an unrestricted time-period. Also, under the Law, public JSCs have been granted the right to own a freehold interest in land and property anywhere in the Emirate of Abu Dhabi, provided that at least 51% of the company is owned by UAE nationals.

2.68. The UAE provides incentives to foreign investments located in free zones across the country, where foreign companies are allowed to have 100% ownership and enjoy a number benefits, including exemption from customs duties and commercial levies, easy access to transport infrastructure, provision of energy at cheap rates, and other administrative and support services (Section 3.3.1).

2.69. As regards onshore investment, in addition to recent FDI liberalization measures, the authorities promote inward investments in high-tech industries including agriculture technology, the ICT sector, aerospace, FinTech, tourism, healthcare, and e-commerce. At the emirate level, investment facilitation and other administrative measures to attract FDI have been adopted in recent years. In 2017, Dubai implemented an "instant licence" that investors can obtain in a matter of minutes without a registered lease agreement, and with a one-year validity. In 2018, Abu Dhabi introduced dual licences allowing free zone companies to operate outside the free zones and to participate in government tenders; in 2019, Abu Dhabi amended its real estate law to facilitate foreign ownership in designated investment areas. It also set up an investment office to execute a comprehensive strategy to attract FDI.⁶³ In 2018, the Emirate of Sharjah allowed foreigners to purchase property without a UAE resident visa on a 100-year renewable land lease basis.⁶⁴ In addition, to stimulate the economy and attract FDI, the Emirates of Dubai and Abu Dhabi implemented a range of incentives, including cutting fees on certain government services, waiving fines, allowing the payment of fees on instalments, and licensing businesses without physical locations for up to two years.

2.70. The UAE does not maintain mandatory local content requirements, but it actively encourages Emirati and foreign investors to use domestic content or otherwise contribute to the development of the UAE economy. This is done mainly through government procurement programmes, by granting preferences in tenders to companies that utilize local content and employ Emirati nationals, among other criteria. Such is the case of the Abu Dhabi Local Content Program⁶⁵ and the recently launched National Value-Added Program (Section 3.3.6). Moreover, as part of a comprehensive strategy to increase the contribution of the industrial sector to GDP, in March 2021 the UAE Government launched "Make It in the Emirates", an industrial brand identity, to support domestic products and promote industrial competitiveness.⁶⁶

2.71. The UAE is a member of the Multilateral Investment Guarantee Agency. It is also a contracting state to the Convention of the International Centre for the Settlement of Investment Disputes. Since 2006, the UAE has been a party to the 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

2.72. The UAE's Arbitration Law (Federal Law No. 6 of 2018) became effective in June 2018. It follows the Model Law on International Commercial Arbitration of the United Nations Commission on International Trade Law (UNCITRAL). The new law introduced, *inter alia*, a streamlined process to enforce domestic arbitration awards, and amendments to the Civil Procedure Code to facilitate the

⁶² The rights of usufruct and Musataha are both forms of long-term lease, with the main difference being that the right of Musataha allows the holder to build or develop on the property of another person, while the right of usufruct does not.

⁶³ UNCTAD (2019), "Abu Dhabi Launches an Investment Office to Attract FDI", *Investment Policy Monitor*, 7 February 2019. Viewed at: <https://investmentpolicy.unctad.org/investment-policy-monitor/measures/3365/united-arab-emirates-abu-dhabi-launches-an-investment-office-to-attract-fdi>.

⁶⁴ U.S. Department of State, *2020 Investment Climate Statements: United Arab Emirates*. Viewed at: <https://www.state.gov/reports/2020-investment-climate-statements/united-arab-emirates/>.

⁶⁵ Industrial Development Bureau, *Abu Dhabi Local Content Program*. Viewed at: <https://idb.added.gov.ae/en/incentives/ADLC>.

⁶⁶ UAE Government Portal, *Become Our Partner, Make It in the Emirates*, Viewed at: <https://u.ae/en/information-and-services/business/uae-unified-industrial-brand-identity-make-it-in-the-emirates>.

recognition of foreign arbitral awards. The authorities expect the implementation of the Arbitration Law will increase confidence in the country's judicial system and facilitate the speedy settlement of international commercial disputes. The authorities also emphasize the importance of conciliation and mediation as alternative means to settle commercial disputes. In this regard, they point out to Federal Law No. 17 of 2016 on Establishing Conciliation and Reconciliation Centres in Civil and Commercial Disputes (as amended by Law No. 5 of 2021) and Federal Law No. 6 of 2021 on Mediation for the Settlement of Civil and Commercial Disputes.⁶⁷

2.73. The UAE maintains large networks of bilateral investment treaties (BITs) and Double Taxation Agreements (DTAs), which it continued to expand during the review period to encourage strategic global partnerships. In total, the UAE has signed 101 BITs, of which 70 are in force. Since 2016, 27 BITs have entered into force, with economies across all regions of the world, including Greece, Japan, Kenya, Mexico, and Thailand. In 2019 and 2020, the UAE signed BITs with Brazil; Dominica; the Gambia; Gabon; Guinea-Bissau; Hong Kong, China; Indonesia; Israel; Sierra Leone; and South Sudan. Some of these treaties have not yet entered into force. Currently, the UAE has 135 DTAs, of which 104 are in force. Of these, 29 have entered into force since 2016, including the agreements with the United Kingdom, South Africa, the Kingdom of Saudi Arabia, and other countries in Africa, Eastern Europe, and Latin America.⁶⁸ Since June 2018, the UAE has been a signatory to the Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting.

⁶⁷ These laws are based on the relevant UNCITRAL model laws. They contain, *inter alia*, provisions to speed up the settlement of commercial disputes through electronic platforms, hence also helping to ease the burden on courts.

⁶⁸ Information provided by the authorities.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Measures Directly Affecting Imports

3.1.1 Customs procedures, valuation, and requirements

3.1. There have been no significant changes in the United Arab Emirates' customs legislation and institutional framework since the last Review. The Gulf Cooperation Council (GCC) Common Customs Law and its Implementation Rules and Explanatory Note remain the basic legislation. The UAE implemented the GCC Common Customs Law by ratifying Federal Decree No. 85 of 2007 on the Common Customs Law for the Arab States of the Gulf. GCC members apply common customs procedures and tariffs for imports from non-member States.

3.2. The Federal Customs Authority (FCA) of the UAE, established in 2003, defines customs policies and supervises their implementation by the separate customs authorities in each of the seven Emirates. These separate customs authorities are responsible for applying the GCC Common Customs Law and the Unified Guide for Customs Procedures at First Points of Entry.¹ Customs departments at the emirate level are also allowed to define customs procedures as long as they are consistent with the Common Customs Law.² The implementation of customs laws and procedures is therefore mostly identical across the seven Emirates, and according to the authorities, the UAE is currently developing a national customs clearance system that is being rolled out across the local customs departments. Generally, trade procedures between the customs territory and customs warehouses of free zones are similar to those between the customs territory and the rest of the world. Goods originating in a GCC member State or partial consignments of goods previously imported into the GCC from third countries can be moved across GCC member States using a statistical customs declaration.³

3.3. Importers require a trade licence issued from any of the Emirates, an importer number⁴, renewable annually, and have to register on the electronic clearance system, or alternatively use an authorized customs broker. Trader licences can usually be requested online, for example, in the case of Dubai via the Dubai e-services portal. A licence for trading between free zones and the rest of the world is required from free zone authorities.

3.4. Customs declarations have to be submitted electronically or physically using the customs clearance system. According to the authorities, the functionality of the system has been improved over the review period and, for example, allows firms to directly link their internal systems to the customs clearance system to transfer information, facilitating the submission of declarations and the management of data by users. Declarations are processed prior to arrival in most entry points, according to the authorities, with goods also cleared prior to arrival based on the documents submitted unless a physical inspection is required. All shipments are classified into customs clearance channels based on risk criteria applied automatically using the local customs risk management system that includes post-clearance audits.⁵ No consolidated information regarding the share of declarations classified according to the existing risk channels was available. Efforts are under way to share risk information between customs and other border agencies. As a result, 96% of customs declarations are cleared in less than two minutes, according to the authorities. A system to request advance rulings on tariff classification, rules of origin, or customs valuation is being developed, according to the authorities, in line with the GCC Unified Guide on Advance Rulings in 2020.⁶ Goods

¹ GCC Secretariat (2015), *Unified Guide for Customs Procedures at First Points of Entry into the Member States of the Cooperation Council for the Arab States of the Gulf (GCC)*. Viewed at: <https://www.gcc-sg.org/en-us/CognitiveSources/DigitalLibrary/Lists/DigitalLibrary/Customs/1435652105.pdf>.

² FCA, *UAE Customs*. Viewed at: <https://fca.gov.ae/En/UAE-Customs/Pages/CustomsInUAE.aspx>.

³ FCA, *Procedures and Steps for Implementation of the Customs Union of the GCC States*. Viewed at: <https://www.fca.gov.ae/en/homerightmenu/pages/uniongccstates.aspx>. A statistical declaration contains only a statistical export bill cleared from an exporting GCC country including a Makasa declaration (a set-off mechanism using an automatic duty transfer system based on electronic barcodes).

⁴ According to the authorities, these are currently issued by each local customs authority, but efforts are under way to establish a UAE-wide unified system.

⁵ According to the authorities, some information in the system is exchanged between the local and federal levels.

⁶ Secretariat General of the Cooperation Council for the Arab States of the Gulf (2020), *Unified Guide of Advance Ruling*. Viewed at: <https://fca.gov.ae/En/HomeRightMenu/Documents/UnifiedGuideOfAdvanceRuling.pdf>.

in transit, imported into customs warehouses or free zones, or using temporary admission schemes are not subject to customs duty, VAT, or excise duties. Since late 2017, the UAE has allowed for the use of the TIR Carnet by authorized transport operators at certain customs points to facilitate transit flows, including to or from neighbouring GCC countries or offshore free zones, and since June 2021, following amendments to the TIR convention, has allowed for an electronic version of the TIR document.⁷

3.5. In October 2020, the FCA launched a new UAE Customs Gateway project. According to the authorities, the customs gateway will be a national customs clearance system, which will be developed into a national single window and to date it integrates 25 government agencies across the UAE, providing a single access point for users of customs services. At the time of writing, the gateway encompassed a number of systems⁸, with others such as an inspection system to be added later. While an e-statistics system introduced new comprehensive trade data collection, the circulation system connects 19 agencies, allowing for the exchange of circulars relating to product-specific trade regulations.

3.6. To obtain a broker licence in Dubai, an individual or company has to be registered with the Department of Economic Development and provide a guarantee of AED 50,000.⁹ Brokers licensed in one Emirate can operate across other Emirates without relicensing. Customs brokers operating in other GCC countries are required to obtain a customs broker licence from each GCC country where they plan to operate. Licences are renewable each year.

3.7. In October 2016, the UAE started to pilot the UAE Authorized Economic Operators (UAEO) Program developed by the FCA based on international best practices such as the WCO's SAFE framework and the WTO's Agreement on Trade Facilitation.¹⁰ The AEO scheme, which replaced existing schemes such as the Golden Card Program, has been designed in a way that it could be applied by all GCC members and could allow for joint status recognition under a future unified AEO policy. Firms meeting the basic conditions such as being a UAE company involved with customs processes or part of international supply chains and not having an AEO status revoked in the past three years can apply after completing a self-assessment regarding their operations. This is followed by a customs assessment of past compliance, financial viability, record keeping, and security. Approved applicants benefit, for example, from dedicated customs contacts that also assist with coordination across government agencies, lower risk scores, reduced documentary requirements and audits, and benefit from priority services from customs and other government agencies. Participants are continuously monitored and are revalidated for the programme every three to five years.

3.8. As of June 2021, 84 companies had been approved for the UAEO Program, among them 1 small and medium-sized enterprise (SME).¹¹ During the first quarter of 2021, 76% of customs declarations at Dubai were submitted by AEOs. According to the authorities, participants in the AEO scheme benefit overall from lower clearance times (estimated to be 90% shorter) and lower costs. Participation in the UAEO Program also facilitates imports in other countries as the authorities have signed mutual recognition agreements (MRAs) with the Republic of South Korea, the Kingdom of Saudi Arabia, and China. Other MRAs, for example with India and Indonesia, are under preparation.

3.9. According to available trade facilitation indicators, the time and cost to import remain high compared to other high-income economies. The OECD's 2019 Trade Facilitation Indicators show an overall solid performance but also that the UAE lagged OECD countries in relative terms in the areas of advance rulings (for further information see above), appeal procedures, internal and external

⁷ Dubai Customs Policy No. 52/2021 of 5 May 2021 on Implementation of the TIR Carnet (International Road Transport). Viewed at: https://www.dubaicustoms.gov.ae/en/PoliciesAndNotices/Policies/DCP52_2021.pdf.

⁸ According to an FCA news release, these encompass e-statistics, electronic set-off, customs duties direct transfer among GCC countries, customs circulations, cash sums declarations, and statistical integration. Viewed at: <https://fca.gov.ae/En/News/Pages/News155.aspx>, while the website of the UAE customs lists only four systems. Viewed at: <https://uaecustoms.ae/Home.aspx>.

⁹ Dubai Customs, Customs Broker Policy of 7 April 2008. Viewed at: <https://www.dubaicustoms.gov.ae/en/PoliciesAndNotices/Policies/CustomsProkerPolicyDCP17smaller1.pdf>.

¹⁰ For additional information on the UAEO, consult <https://www.aeo.ae>.

¹¹ UAEO, *AEO Certified Companies*. Viewed at: <https://www.aeo.ae/index.php/uaeo-list-of-certified-companies/>.

border coordination, and impartiality.¹² Regarding the efficiency of customs and border management clearance, the UAE was ranked 15th according to the 2018 Logistics Performance Index with a score that exceeded the average OECD high-income economy in this sub-indicator (Table 3.1). According to the authorities, the UAE does not publish detailed information obtained from Time Release Studies.

3.10. The UAE committed to implement nearly all provisions contained in the Agreement on Trade Facilitation upon the Agreement's entry into force in February 2017. The authorities designated only provisions related to advance rulings (Article 3.1), pre-arrival processing, and the single window as Category B commitments with definite dates for implementation set for end-2019 and end-2021.¹³ In June 2021, the dates for implementation of Article 3.1 and the single window were extended to 29 December 2022, but the authorities expect to implement advance rulings by end-2021.¹⁴ The UAE has not made any notification based on the transparency provisions of Articles 1.4, 10.4.3, 10.6.2, and 12.2.2 of the Agreement.¹⁵ The UAE established a National Trade Facilitation Committee in line with Article 23.2 in 2014. According to the WTO TFA database, the implementation commitments stood at 97.9% in June 2021.

Customs valuation

3.11. Imports are generally valued at CIF prices. In case no transaction values are provided, the establishment of customs value follows the methods agreed in the WTO Customs Valuation Agreement.¹⁶ Following a request by the importer and approval by the FCA, the sequential order of Articles 5 and 6 of the Customs Valuation Agreement can be reversed. The customs authorities in each of the seven Emirates established a Customs Valuation Committee to settle disputes regarding customs valuation where such issues cannot be resolved at customs posts. Where importers do not agree with any decision taken by the Committee, they can still go to court. No information was available regarding the use of these mechanisms.¹⁷

Table 3.1 Trade facilitation indicators, 2018-19

	UAE	MENA	OECD high income
OECD Trade Facilitation Indicators (2019) (0-2 (best))			
Average trade facilitation performance	1.344
A-Information availability	1.524	..	1.723
B-Involvement of the trade community	1.571	..	1.738
C-Advance rulings	0.857	..	1.806
D-Appeal procedures	1.222	..	1.57
E-Fees and charges	1.769	..	1.845
F-Documents	1.625	..	1.742
G-Automation	1.833	..	1.785
H-Procedures	1.481	..	1.666
I-Internal border agency cooperation	1	..	1.417
J-External border agency cooperation	0.9	..	1.562
K-Governance and impartiality	1	..	1.904
Logistics Performance Index (2018)			
Efficiency of customs and border management clearance (1-5)	3.63	2.54	3.5

.. Not available.

Source: OECD, Trade Facilitation Indicators 2019. Viewed at: <https://www.oecd.org/trade/topics/trade-facilitation/>; and World Bank, Logistics Performance Indicator 2018. Viewed at: <https://lpi.worldbank.org/>.

¹² OECD, Trade Facilitation Indicators. Viewed at: <https://www.oecd.org/trade/topics/trade-facilitation/>.

¹³ WTO document G/TFA/N/ARE/1/Corr.1, 19 September 2019.

¹⁴ WTO document G/TFA/N/ARE/1/Add.1, 1 June 2021.

¹⁵ WTO TFA database. Viewed at: <https://tfadatabase.org/members/ united-arab-emirates>.

¹⁶ WTO document G/VAL/N/4/ARE/1, 15 September 2004. See also the Common Customs Law for GCC States, Rules of Implementation.

¹⁷ For more detailed information on valuation, refer to WTO document WT/TPR/S/338/Rev.1, 4 October 2016.

3.1.2 Rules of origin

3.12. According to its notifications, the UAE does not have non-preferential rules of origin.¹⁸ Federal Law No. 11 of 19 December 2019 on the Rules and Certificates of Origin foresees the issuance of preferential (as defined in the free trade agreements (FTAs)) and non-preferential certificates of origin for products produced in the UAE.¹⁹

3.13. The agreements and rules for the GCC Customs Union do not contain specific provisions relating to rules of origin beyond that goods produced in any member State will be treated as of national origin. Generally, preferential treatment is granted for wholly obtained products or products with local value-added in GCC countries of not less than 40%²⁰, but according to the authorities GCC member States are currently developing GCC-wide preferential rules of origin. All goods imported from free zones located within the GCC countries are treated as foreign goods regardless of local content but according to the authorities, a study is being undertaken at the GCC level to review this approach.²¹

3.14. The UAE does apply preferential rules of origin under its FTAs. For example, under the GCC-Singapore FTA, products have to be wholly obtained, or undergone sufficient working by demonstrating meeting a 35% value-added criterion or satisfy the product-specific rules of origin for the products specified in Annex 3.²² As outlined in Annex IV of the GCC-EFTA FTA, qualification for origin requires products to be wholly obtained or to meet certain product-specific rules of origin.²³ For products traded under the Greater Arab Free Trade Area (also known as the Pan-Arab Free Trade Area), origin is transferred in case of products being wholly obtained, domestic value addition of at least 40%, some change in tariff-heading rules, certain process requirements, or a combination of some of these rules.²⁴

3.15. Since early 2020, importers are no longer required to submit a Certificate of Origin with every shipment but can declare origin in the invoice, unless they intend to claim preferential duty treatment.²⁵

3.1.3 Tariffs

3.16. As a member of the GCC, the UAE applies the CET with the vast majority (87.6%) of the 7,585 tariff lines at 5%, and another 11.2% duty-free (Table 3.2). While the GCC member States are aiming to establish a common GCC-wide prohibited list, each GCC member State can currently still determine a list of prohibited and/or restricted products. In the UAE, about 0.4% of products are currently prohibited to import, while another 0.9% are classified as "special goods" (products obtained from pigs and alcohol, products containing alcohol, and tobacco products). Jointly, these account for a similar share of products as those prohibited or restricted to import in 2016. The only goods attracting import duties of more than 5% are tobacco and alcohol (products) (Table 3.3).

3.17. The overall tariff structure remained basically unchanged from 2015 while the GCC CET was transitioned to the HS17 version in 2017. The average applied tariff in 2021 was 5.0%, with tariffs on agricultural products higher than those for non-agricultural products. The share of lines with non-*ad valorem* tariffs stands at 0.7% (including prohibited items), while there are no tariff quotas,

¹⁸ WTO document G/RO/N/17, 10 April 1997.

¹⁹ This law was notified in WTO document G/RO/N/231, 18 January 2022.

²⁰ WTO document WT/COMTD/RTA/9/1-WT/REG276/1, 21 March 2018.

²¹ According to news reports, some GCC member States are also considering (or have introduced) additional criteria (such as quota for local staff in factories) to confer GCC origin to goods produced in the GCC. See, e.g. Economist Intelligence Unit (2021), "Saudi Customs Tariff Rules Target UAE Free Zones", 7 July 2021. Viewed at: <https://www.eiu.com/n/saudi-customs-tariff-rules-target-uae-free-zones/>.

²² Ministry of Economy, *GCC-Singapore Free Trade Agreement (GSFTA)*. Viewed at: <https://www.moec.gov.ae/en/-/gcc-singapore-free-trade-agreement-gsfta->.

²³ EFTA. Viewed at: <https://www.efta.int/free-trade/free-trade-agreements/gcc>.

²⁴ Malkawi, B. and El-Shafie, M. (2019), "The Design and Operation of Rules of Origin in Greater Arab Free Trade Area: Challenges of Implementation and Reform", *Journal of World Trade*, Vol. 53, Issue 2, pp. 243-272. See also Dubai Customs Policy No. 50/2020 of 16 December 2020. Viewed at: https://www.dubaicustoms.gov.ae/en/PoliciesAndNotices/Policies/DCP50_2020.pdf.

²⁵ Ernst and Young (2020), *Dubai Customs Announces Changes in Proof of Origin Requirements*. Viewed at: https://www.ey.com/en_gl/tax-alerts/dubai-customs-announces-changes-in-proof-of-origin-requirements.

few tariff peaks, and no nuisance tariffs (Table 3.2). Customs duties as a share of GDP fell from 0.8% in 2016 to 0.5% in 2019.

Table 3.2 Structure of MFN tariff in the UAE

(%, unless otherwise indicated)

	MFN applied		Final bound ^a
	2015	2021	
Bound tariff lines (% of all tariff lines)	n.a.	n.a.	100.0
Simple average rate	4.7	5.0	14.4
WTO agricultural products	5.5	6.7	25.4
WTO non-agricultural products	4.5	4.7	12.6
Duty free tariff lines (% of all tariff lines)	11.2	11.2	3.5
Simple average rate of dutiable lines only	5.3	5.6	15.0
Tariff quotas (% of all tariff lines)	0.0	0.0	0.0
Non- <i>ad valorem</i> tariffs (% of all tariff lines) ^b	0.3	0.7	0.0
Domestic tariff "peaks" (% of all tariff lines) ^c	0.3	0.8	0.8
International tariff "peaks" (% of all tariff lines) ^d	0.3	0.8	0.8
Standard deviation	5.3	6.9	17.1
Coefficient of variation	1.1	1.4	1.2
Nuisance applied rates (% of all tariff lines) ^e	0.0	0.0	0.0

n.a. Not applicable.

a Final bound rates are based on the Consolidated Tariff Schedule (CTS) in HS12 nomenclature.

b Including 34 prohibited tariff lines (0.4% of total lines) in case of the 2021 tariff analysis.

c Domestic tariff peaks are defined as those exceeding three times the overall simple average applied rate.

d International tariff peaks are defined as those exceeding 15%.

e Nuisance rates are those greater than zero, but less than or equal to 2%.

Note: The 2015 tariff is based on HS12 nomenclature consisting of 7,321 tariff lines (at 8-digit tariff line level). The 2021 tariff is based on HS17 nomenclature consisting of 7,585 tariff lines (at 8-digit tariff line level). In case of non-*ad valorem* tariffs, the *ad valorem* part is used for mixed duties.

Source: WTO calculations, based on data provided by the authorities and WTO CTS database.

Table 3.3 UAE's applied MFN tariff summary, 2021

	Number of lines	Simple average (%)	Tariff range (%)	SD ^a	Share of duty-free lines (%)	Share of non- <i>ad valorem</i> tariffs (%)
Total	7,585	5.0	0-100	6.9	11.2	0.7
HS 01-24	1,483	6.2	0-100	13.5	24.1	2.6
HS 25-97	6,102	4.7	0-100	3.7	8.0	0.3
By WTO category						
WTO agricultural products	1,266	6.7	0-100	14.6	21.2	3.0
Animals and products thereof	157	3.0	0-5	2.5	40.1	1.9
Dairy products	45	5.0	5	0.0	0.0	0.0
Fruit, vegetables, and plants	366	5.0	0-50	7.9	25.4	1.9
Coffee, tea, and cocoa and cocoa preparations	44	5.9	0-50	9.8	22.7	0.0
Cereals and preparations	191	3.6	0-5	2.3	28.8	0.0
Oils seeds, fats, oil and their products	101	4.8	0-5	1.0	4.0	3.0
Sugars and confectionery	40	4.5	0-50	7.6	32.5	0.0
Beverages, spirits and tobacco	124	28.4	0-100	36.9	0.8	17.7
Cotton	5	5.0	5	0.0	0.0	0.0
Other agricultural products, n.e.s.	193	4.4	0-50	3.8	15.5	1.6
WTO non-agricultural products	6,319	4.7	0-100	3.7	9.2	0.3
Fish and fishery products	303	3.5	0-5	2.3	29.0	0.0
Minerals and metals	1,219	4.9	0-5	0.7	2.1	0.8

	Number of lines	Simple average (%)	Tariff range (%)	SD ^a	Share of duty-free lines (%)	Share of non- <i>ad valorem</i> tariffs (%)
Chemicals and photographic supplies	1,322	4.5	0-5	1.5	9.8	0.1
Wood, pulp, paper and furniture	469	4.6	0-5	1.4	8.7	0.0
Textiles	724	5.0	0-5	0.4	0.6	0.0
Clothing	254	5.0	5	0.0	0.0	0.0
Leather, rubber, footwear and travel goods	207	5.0	5	0.0	0.0	2.4
Non-electric machinery	652	4.2	0-5	1.8	16.3	0.0
Electric machinery	338	5.6	0-100	14.9	33.1	0.0
Transport equipment	251	4.5	0-5	1.5	10.4	0.0
Non-agricultural products, n.e.s.	545	4.6	0-5	1.4	8.6	0.0
Petroleum	35	5.0	5	0.0	0.0	0.0
By ISIC sector^b						
ISIC 1 - Agriculture, hunting and fishing	540	3.0	0-100	8.8	52.6	3.3
ISIC 2 - Mining and quarrying	127	4.9	0-5	0.8	2.4	4.7
ISIC 3 - Manufacturing	6,917	5.2	0-100	6.7	8.1	0.4
By stage of processing						
First stage of processing	985	3.9	0-100	6.6	29.4	2.6
Semi-processed products	2,251	4.8	0-5	1.0	4.6	0.0
Fully processed products	4,349	5.4	0-100	8.4	10.4	0.6

a Standard deviation.

b International Standard Industrial Classification (Rev.2). Electricity, gas, and water are excluded (1 tariff line).

Note: Calculations for averages are based on the national tariff line level (8-digit). Tariff schedule is based on HS17. In case of non-*ad valorem* rates, the *ad valorem* part is used for mixed rates.

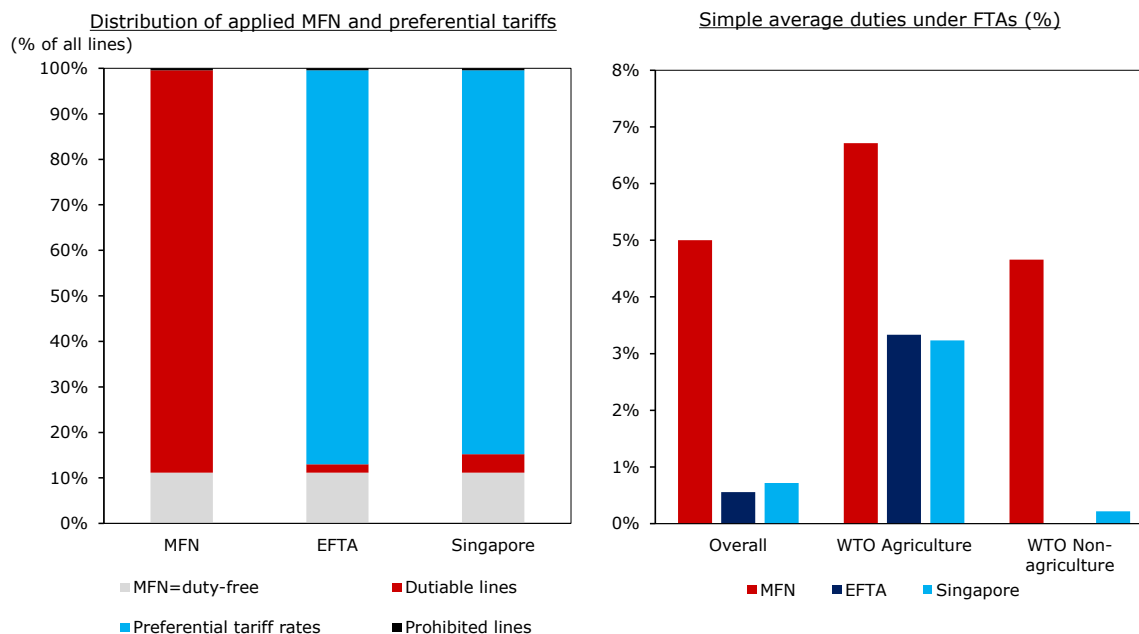
Source: WTO Secretariat calculations, based on data provided by the authorities.

WTO bound tariffs

3.18. The UAE has bound all tariff lines. They are all *ad valorem*, range from zero to 200%, and have a simple average of 14.4%, more than three times the average applied rate (Table 3.2). Tariffs for agricultural products are bound at twice the rate of non-agricultural goods. For 22 tariff lines covering "special goods", applied tariffs exceed bound tariffs by significant margins. This applies to 14 tariff lines of goods containing alcohol where the applied duty of 50% exceeds the bound rate of 15%, and 8 tariff lines for (parts of) electronic smoking devices where the applied duty of 100% exceeds the bound rate of 15% (Table A3.1).

Preferential rates

3.19. As part of its GCC commitments, goods originating in GCC member States enter duty-free. Goods produced in free trade zones within the GCC are taxed at the applied MFN tariffs (Section 3.1.2). Goods originating in the Greater Arab Free Trade Area countries also enter duty-free. Under the GCC FTA with Singapore, nearly all tariff lines are subject to preferential tariffs, while the number of preferential tariff lines under the GCC-EFTA agreement is more limited. As a result, the simple average of tariff lines under the GCC-Singapore FTA was 0.7% (3.2% for agricultural goods, 0.2% for others), while it was 0.6% under the GCC-EFTA FTA (3.3% for agricultural goods, 0% for others) (Chart 3.1).

Chart 3.1 Tariffs under preferential agreements, 2021

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.1.4 Other charges affecting imports

3.20. Following the Value Added Tax (VAT) Agreement reached among all GCC member States in 2016, the UAE introduced a VAT of 5% on 1 January 2018 as originally envisaged in the Agreement.²⁶ Implementation of the VAT by the Federal Tax Authority is outlined in the VAT Executive Regulations of Federal Decree-Law No. 8 of 2017 on Value Added Tax (Cabinet Decision No. 52 of 2017). Imports for temporary admission, imported into warehouses, in transit, or for re-export are not treated as imports and are therefore not liable for VAT. For a number of services sectors (including telecom, transport, and financial), specific regulations on exports are also outlined in Cabinet Decision No. 52.

3.21. For the movement of goods, 20 "designated zones" that are listed in Cabinet Decision No. 59 of 2017 are also treated as outside the customs territory²⁷ of the UAE and imports into such zones therefore do not attract VAT. However, services delivered in these zones (including water and energy), and goods consumed in these zones (excluding those that are incorporated in other products), fall under the VAT regime. According to Cabinet Decision No. 52, exports from the UAE to these designated zones are not zero-rated, in contrast with direct exports from the UAE to third countries (countries not implementing the GCC VAT Agreement), which are zero-rated.

3.22. The UAE also introduced an excise tax on selected products in 2017 in line with the Common Excise Tax Agreement of the States of the GCC.²⁸ Initially applying to carbonated drinks, energy drinks, and tobacco, the tax was expanded in December 2019 to include electronic smoking devices (including the liquids used and related tools) as well as sweetened drinks at rates ranging from 50% to 100%, while the excise duty on tobacco was also amended to include a minimum tax of AED 0.4 per cigarette.²⁹ A number of WTO Members have raised questions concerning the transparency and

²⁶ To date, only four of the GCC countries apply the common GCC VAT (the Kingdom of Saudi Arabia (which increased the rate to 15% during the pandemic), the UAE, the Kingdom of Bahrain, and Oman).

²⁷ Cabinet Decision No. 52 indicates that such movements should not be considered as "imported into the State [UAE]".

²⁸ The UAE ratified the Common Excise Tax Agreement of the States of the Gulf Cooperation Council (GCC) by Federal Decree-Law No. 32 of 2017.

²⁹ Products subject to excise duties and applicable rates are spelled out in Cabinet Decision No. 52 on Excise Goods, Excise Tax Rates and the Methods of Calculating the Excise Price of 4 August 2019. Viewed at: <https://www.tax.gov.ae/-/media/Files/FTA/links/Legislation/Excise-tax/Cabinet-Decision-No-52-of-2019.pdf>.

application of these excise duties across the GCC member States on a number of occasions in multiple WTO bodies with the UAE providing clarifications.

3.23. The customs authorities charge fees of not more than AED 100 for various customs services, such as for vehicle clearance per declaration (fees vary by type of declaration), or the issuance of an importer/exporter code. No inspection charges are payable for an inspection requested by customs or the scanning of containers. In addition to general service charges, Dubai Customs also applies generic Dubai government fees including a knowledge fee of AED 10 and an innovation fee of AED 10 that were both introduced in 2018 and are levied on all government services (except health services) for transactions with service charges worth AED 50 and above.

3.1.5 Import prohibitions, restrictions, and licensing

3.24. Under the GCC Common Customs Law, each GCC State may determine a list of prohibited and/or restricted products. Imports that are prohibited in one or more GCC member States and permitted in another may not transit through the States in which they are prohibited. According to the authorities, technical committees are currently developing a common GCC-wide prohibited list.

3.25. There have been no major changes to the legislation governing prohibited or restricted goods in the UAE, with restrictions based on issues of public safety, public health, environment, natural resources, and national security or for reasons related to the UAE foreign policy.³⁰ The Committee for Goods and Materials Subject to Import and Export Control³¹ issues permits for the import, export, or re-export of certain (dual-use) chemical components, for armoured vehicles including components, and dual-use strategic goods. The UAE is also a signatory to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), the Basel Convention on Hazardous Wastes, the Rotterdam Convention on Trade in Hazardous Chemicals, the Stockholm Convention on Persistent Organic Pollutants, the Minamata Convention on Mercury, the Montreal Protocol on Substances that Deplete the Ozone Layer, and the Kimberley Process Certification Scheme. Goods prohibited from entering the UAE are listed in Table 3.4.

Table 3.4 Prohibited goods

HS code	Goods categories/items	Controlling authorities
12079100, 12079910, 12079920, 12113000, 12119020, 12119060	Narcotic drugs	Ministry of Health and Prevention Ministry of Interior
95043000	Gambling tools, machineries and devices of all kinds	Ministry of Interior
56081100	Nylon fishing nets	Ministry of Climate Change and Environment (MOCCAE)
01031000, 01039100, 01039200	Live swine	MOCCAE
40121100, 40121200, 40121300, 40121900, 40122000, 40129000	Used, reconditioned, and inlaid tyres	Emirates Authority for Standardization and Metrology
28445000, 81121300, 81060000	Radiation and nuclear fallout contaminated substances	Federal Authority for Nuclear Regulation
Various HS codes ^a	Items that contradict Islamic faith and public morals	
24039921, 24039922	Paan and betel leaves	Dubai Municipality
Various HS codes ^a	Items infringing IP rights	Ministry of Economy
05071000	Ivory, ivory powder and waste	MOCCAE
25241000, 25249010, 25249020, 25249030, 25249040, 25249090	Asbestos	MOCCAE
38021000, 38029000	Somalian charcoal	Committee for Commodities Subject to Import & Export Control (CGMIEC) – Ministry of Foreign Affairs & International Cooperation

a No tariff codes provided by the authorities.

Source: Information provided by the authorities.

³⁰ Federal Law No. 13 of 19 August 2007 on the Commodities Subject to the Monitoring of Imports and Exports (as amended), and the list of strategic goods subject to import and export control attached to the law via Cabinet Resolution No. 50 of 2020. The list can be viewed at: <https://www.uaieic.gov.ae/en-us/control-list-good>.

³¹ Established by Cabinet Resolution No. 3/99 of 2009.

3.26. Other than goods prohibited from entering, a list of products that are restricted from entering the UAE exists as well. The products on this list are determined by each Emirate, and they are subject to additional import requirements, such as veterinary or plant health certificates or are subject to limits such as those applying to alcohol or e-cigarettes (Table 3.5).

Table 3.5 Restricted goods

Goods categories/items	Controlling authorities
Live animals, plants, fertilizers, insecticides and hazardous and medical waste	Ministry of Climate Change and Environment (MOCCA)
Firearms, ammunitions, explosives, and fireworks	Ministry of Defence / Armed Forces / Ministry of Interior
Pharmaceutical products and medical/surgical instruments and machines	Ministry of Health and Prevention
Print materials, publications, and media products	National Media Council
Nuclear energy-related products	Federal Authority for Nuclear Regulation
New tyres	Emirates Authority for Standardization and Metrology
E-cigarettes and electronic hookahs	Telecommunications and Digital Government Regulatory Authority (TDRA)
Transmitters and radio equipment	Dubai Police
Alcoholic beverages	Dubai Municipality
Foodstuffs, personal care and cosmetic products	UAE Kimberley Process office
Rough diamonds	Central Bank
Cash money and checks for passengers, shipments and parcels	MOCCA
Products harmful to the ozone layer	

Source: Information provided by the authorities.

3.27. According to the latest notifications by the authorities, the UAE does not have legislation on import licensing procedures nor are there import licensing requirements in place.³²

3.28. Pre-shipment inspection requirements for products and countries of origin are in place based on risk management criteria.

3.29. Following the conclusion of the Abraham Accords Peace Agreement between the UAE and Israel that officially normalized the relationship between the two countries, all UAE customs authorities lifted the ban on imports from and exports to Israel on 15 November 2020 and trade flows are no longer restricted.³³

3.30. Between June 2017 and January 2021, the UAE applied restrictions on trade with Qatar as part of measures imposed by the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the United Arab Emirates, and Egypt.

3.1.6 Anti-dumping, countervailing, and safeguard measures

3.31. On intra-GCC trade, no anti-dumping and countervailing measures are permitted according to Article 1 of the 2001 Economic Agreement between the GCC States, which eliminated all tariff and non-tariff barriers on internal trade. There are no provisions permitting the imposition of safeguard measures in intra-GCC trade. Article 8 of the Agreement requires member States to unify their industrial legislation and regulations with respect to rules related to anti-dumping and precautionary safeguards on extra-GCC trade.³⁴

3.32. During the review period, the UAE amended its domestic trade remedy legislation to bring it into conformity with the 2010 amended GCC Common Law on Antidumping, Countervailing Measures and Safeguard Measures, while also introducing a national mechanism that can be applied independently from the GCC Common Law. On 16 April 2017, the authorities published Federal Law

³² WTO documents G/LIC/N/1/ARE/1, 18 April 1997; and G/LIC/N/3/ARE/2, 6 January 2022.

³³ See, for example, Dubai Customs, Customs Notice No. 18/2020 on the Movement of Goods and Commodities between the UAE and Israel, 15 November 2020. Viewed at: https://www.dubaicustoms.gov.ae/en/PoliciesAndNotices/Notices/CN18_2020.pdf.

³⁴ WTO document WT/COMTD/RTA/9/1-WT/REG276/1, 21 March 2018.

No. 1 of 2017 on anti-dumping, countervailing, and safeguard measures, followed on 19 March 2018 by its Implementation Rules.³⁵

3.33. Federal Law No. 1 of 2017 sets up a national mechanism for the determination of injury and the potential establishment of countervailing measures and anti-dumping. This mechanism can be applied where concerns are specific to the domestic (UAE) industry, rather than the GCC industry, an area covered under the Common Law. Under the GCC Common Law on Antidumping, Countervailing Measures and Safeguard Measures, the determination of injury is based on the GCC member States joint market.³⁶ The Ministerial Committee, the Permanent Committee, and the Bureau of Technical Secretariat of Anti-injurious Practice in International Trade (GCC-TSAIP) deal with trade remedy issues at the GCC level. The Ministry of Industry and Advanced Technology (MoIAT) represents the UAE in the Ministerial Committees, while the Ministry of Economy represents the UAE in the Permanent Committee.

3.34. The GCC-TSAIP is the investigating authority for trade remedy proceedings. The GCC-TSAIP receives and reviews complaints before issuing a report and recommendation to the Permanent Committee. On this basis, the Permanent Committee decides whether to initiate an investigation and whether to impose provisional measures. The Permanent Committee can also, in exceptional circumstances, initiate investigations on its own initiative or based on a request made by any of the competent Ministries of GCC member States. Based on the final findings of an investigation, the Permanent Committee may propose the imposition of definitive measures to the Ministerial Committee.

3.35. During the review period, the GCC-TSAIP conducted a number of anti-dumping and safeguards proceedings but no countervailing proceedings. Six trade remedy measures were imposed between 2016 and 2020 (four anti-dumping duties and two safeguard measures), while three were terminated without the imposition of a definitive duty. Two measures are ongoing. All trade remedy measures imposed by the Ministerial Committee are imposed by all GCC member States. There were no official requests for initiation of investigations for anti-dumping, countervailing duties, or safeguard measures at the UAE level.

3.2 Measures Directly Affecting Exports

3.2.1 Customs procedures and requirements

3.36. The Common Customs Law of the GCC States and the GCC Unified Guide for Customs Procedures at First Points of Entry include provisions for exports that are consistent across GCC member States. In the UAE, exporters (like importers) require a trade licence from any of the Emirates and have to register with the customs authority or use an authorized broker. According to the Guide, only the invoice is required for exports outside the GCC customs territory (a movement from the customs territory to a free zone is considered an export). Special customs regimes for re-exports and temporary exports are in place. When re-exporting to other GCC economies, a statistical export declaration is required and needs to be endorsed by the Makasa duty transfer system to avoid duplicate payment of customs duties upon arrival. Special documentary requirements apply for certain types of exports or re-exports, for sanitary or security reasons (Section 3.2.3). Firms importing to or exporting from free zones need a trade licence from the free zone authority.

3.2.2 Taxes, charges, and levies

3.37. Exports to countries not implementing the GCC VAT Agreement are VAT zero-rated, while exports to free zones remain liable for VAT.³⁷ For trade of goods among GCC member States implementing the Agreement, an exporter has to retain documentation confirming such movement

³⁵ WTO document G/ADP/N/1/ARE/2/Suppl.1, G/SCM/N/1/ARE/2/Suppl.1, and G/SG/N/1/ARE/2/Suppl.1, 5 October 2018, contains an English translation of the Law and Implementing Rules.

³⁶ Domestic industries eligible to submit complaints are the GCC producers of "like products" as a whole, or those whose collective output represents more than 50% of the GCC production of those products. Trade remedy investigations therefore examine the GCC market as one market, and all GCC producers of the "like products" within the GCC are treated as a single domestic industry.

³⁷ Cabinet Decision No. 52 of 2017, Article 30.

of goods (i.e. the statistical customs declaration). Exports are exempt from excise tax.³⁸ The authorities indicate that the exporting fee for scrap metal introduced in 2004 is not applied.

3.2.3 Export prohibitions, restrictions, and licensing

3.38. The GCC Common Customs Law prohibits the admission, transit, or exit of prohibited goods, infringing goods, and restricted goods without approval of the competent authorities at the emirate level (Tables 3.4 and 3.5). As mentioned in Section 3.1.5, Federal Law No. 13 of 19 August 2007 on the Commodities Subject to the Monitoring of Imports and Exports (as amended) authorizes government bodies to restrict or ban the import, export, and re-export of goods deemed a threat to the UAE's national security, foreign policy, natural resources, public health and safety, or the environment. The Law prohibits the export and re-export of strategic goods including arms and military hardware, chemical and biological materials, and dual-use items without a special licence, detailed in a list of strategic goods subject to import and export control established by Cabinet Resolution No. 50 of 2020 attached to Federal Law No. 13 of 2017.³⁹ The Committee for Goods and Materials Subject to Import and Export Control oversees implementation. Additional items are prohibited or restricted for exportation under specific laws such as narcotic drugs that are prohibited under Federal Decree-Law No. 8 of 2016 amending some provisions of Federal Law No. 14 of 1995 on Combating Narcotic Drugs and Psychotropic Substances, or exports of rough diamonds that are restricted under Federal Law No. 13 of 2004 for Controlling Import, Export, and Transit of Rough Diamonds.

3.39. In May 2020, the Ministry of Economy banned the export of ferrous and paper scrap to maintain raw material supplies for the manufacturing of equipment to address the COVID-19 pandemic. The ban was extended in September 2020 and again in July 2021 for five months. The authorities indicate that the measure will be notified to the WTO. The authorities also indicate that no other export restriction measure (either ban or specific export licence) has been implemented in the context of the COVID-19 pandemic, as found by the WTO COVID-19 and World Trade database and the International Trade Centre.⁴⁰

3.40. As described in Section 3.1.5, imports from and exports to Israel are no longer banned as of 15 November 2020. Between June 2017 and January 2021, the UAE applied restrictions on trade with Qatar as part of measures imposed by the Kingdom of Bahrain, the Kingdom of Saudi Arabia, the United Arab Emirates, and Egypt.

3.2.4 Export support and promotion

3.41. According to the UAE's notification to the WTO in 2016, the UAE does not grant or maintain within its territory any subsidy within the meaning of Article 1.1 of the Agreement on Subsidies and Countervailing Measures that is specific within the meaning of Article 2 of the Agreement, or which operates directly or indirectly to increase exports from or reduce imports into its territory within the meaning of Article XVI:1 of the GATT 1994.⁴¹ According to the UAE's recent notifications, no export subsidies for agricultural products existed between 2016 and 2020.⁴² In practice, no special incentives related to exports are in place. A duty suspension schemes for inputs that are later exported as part of final goods is in place and incentives are provided in free zones (see below) that are not linked to export targets.

3.42. Export agencies at the emirate level provide general support to exporters. For example, Dubai Industries and Exports (DIE), formerly Dubai Export, provides various services to UAE-based companies and foreign buyers to support exports from the UAE. These services include, *inter alia*, the Export Assistance Support Program targeting SMEs (co-financing certain marketing activities such as export feasibility studies, exhibitions, or market visits), the Export Academy (providing information on foreign markets and general export management skills), the Export Resource Center

³⁸ Federal Decree-Law No. 7 of 2017, Article 12.

³⁹ The list can be downloaded at the following link: <https://www.uaieec.gov.ae/en-us/control-list-good>.

⁴⁰ WTO, *COVID-19 and Trade – United Arab Emirates*. Viewed at: https://www.wto.org/english/tratop_e/covid19_e/covid_details_by_country_e.htm?country=ARE#countNot.

⁴¹ WTO document G/SCM/N/284/ARE, 23 February 2016.

⁴² WTO documents G/AG/N/ARE/10, 26 January 2018; G/AG/N/ARE/14 and G/AG/N/ARE/15, 2 April 2020; G/AG/N/ARE/18, 10 January 2022; and G/AG/N/ARE/20, 13 January 2022. The UAE did submit a notification regarding export subsidies for agricultural products in 2017.

(allowing firms to showcase products and providing practical assistance to potential exporters), or Export Credit Insurance.⁴³ DIE also hosts the SheTrades MENA Hub to support women-owned businesses throughout the region and has 23 trade offices abroad, supporting UAE-based companies to export and connect with foreign buyers. The Sharjah Export Development Center provides information about export markets, supports the identification of trade partners, and supports exporters in establishing a presence in export markets through training.⁴⁴ No information was available regarding the total financial support provided to enterprises via these services.

3.2.5 Export finance, insurance, and guarantees

3.43. The Etihad Export Credit Insurance Company (ECI) was established in 2017 as a federal export credit agency.⁴⁵ Following its establishment, the Dubai-registered Export Credit Insurance Company of the Emirates was dissolved in 2018. The ECI is mandated to guarantee commercial and non-commercial risks associated with the export and re-export of goods and services, working with exporters in all seven Emirates, including those in free zones. The ECI facilitates trade, provides stable risk coverage, and supports companies in expanding operations. It offers trade credit insurance, export financing guarantees, project financing guarantees, factoring insurance policies for banks, equity investments insurance policies (political risk coverage), and letter of credit confirmation. In addition, the ECI provides advice to prospective clients regarding the type of insurance most suited and also offers to connect prospective clients to other financial institutions that could provide loans at preferential rates that can be guaranteed by the ECI. According to the authorities, premiums paid by UAE companies to access ECI solutions are priced based on risk, considering OECD country risks ratings and buyers' credit scores. No information was available regarding the total amount of export credits insured and their breakdown by economic activity.

3.44. Export finance in the form of buyer credit facilities to firms across the UAE is provided by the Abu Dhabi Exports Office (ADEX), which was established by the Abu Dhabi Fund for Development (ADFD) in 2019. It extends loans and guarantees to overseas buyers (public and private) with the objective of encouraging the exports of goods and services made in the UAE and opening new markets for UAE exporters. ADEX was established to encourage UAE companies to pursue export opportunities, protecting them from delayed and non-payment risk, offer buyers of UAE goods and services financial solutions that will ease their cash flow, and enhance competitiveness of UAE goods and services.⁴⁶

3.3 Measures Affecting Production and Trade

3.3.1 Incentives and free zones

3.45. Over the reporting period, there were no major changes to the tax framework in the UAE other than the introduction of VAT and excise taxes described above. Corporate income taxes are regulated at the emirate level, with only enterprises engaged in exploration and production of oil and gas, as well as branches of foreign banks, falling under a federal corporate tax. According to the authorities, the introduction of a federal-level tax regime is still under study. Service charges levied at the municipal level, in contrast, vary among the Emirates, while a number of federal fees were removed as part of the Federal Fee Review.⁴⁷

3.46. Free zones play an important role in the economic development and diversification strategy of the UAE. Additional incentives are granted to businesses established in one of the 45 free zones, while foreign ownership is allowed at 100%.⁴⁸ According to Article 121 of the Constitution, the establishment and regulation of most free zones falls under the authority of the Emirates, and each zone is set up by a local law and governed by its own free zone authority. Free zones exist in all

⁴³ Dubai Industries and Export. Viewed at: <https://www.dubaiie.gov.ae/>.

⁴⁴ Sharjah Export Development Center. Viewed at: <http://sharjahexports.gov.ae>.

⁴⁵ The company is a public joint stock company owned by the Federal Government and five of the seven Emirates. The Emirates of Sharjah and Umm Al Quwain do not hold ownership. Viewed at: <https://eci.gov.ae/faq>.

⁴⁶ Abu Dhabi Exports Office. Viewed at: <https://www.adfd.ae/english/adex/Pages/Home.aspx>.

⁴⁷ *Emirates News Agency* (2019), "MoE Reduces, Cancels Fees for over 100 Public Services", 13 July 2019.

⁴⁸ Cherian, D. (2017), "45 Free Zones in the UAE: Find the Right One for Your New Business", *Gulf News*, 15 August 2017. Viewed at: <https://gulfnews.com/lifestyle/community/45-free-zones-in-the-uae-find-the-right-one-for-your-new-business-1.1716197>.

seven Emirates, but two thirds of all zones are located in Dubai, which is also the location of the largest zone (Jebel Ali Free Zone (JAFZA)). In addition to the most common type of Free (Trade) Zones, there are also Financial Free Zones⁴⁹, and zones dedicated to specific commercial activities such as zones dedicated to creative industries, information technology-related industries, media, or medical services, where only related companies can obtain operating licences. Economic activity in each free zone is governed by a zone-specific law, and all free zone authorities are either government departments or operate as, or under, state-owned companies.

3.47. Key incentives include an exemption of corporate income taxes up to 50 years, a benefit that is renewable, no personal income taxes for employees of firms established in these zones, no restrictions on the repatriation of capital and profits, tax-free imports into the zones (taxes are payable when goods are exported from free zones to the regular customs territory), and simplified or facilitated licensing procedures. Authorities managing the free zones support investors in establishing legal entities such as free zone establishments (effectively limited liability companies under a specific zone), a branch of a local or foreign company, or representative offices. Authorities also issue licences (e.g. commercial, logistics, industrial, or trading licences) and permits (e.g. construction or work permits). Companies with licences from a specific zone can operate only in that zone, while for economic activity in the regular customs territory of the UAE, operations of firms registered in free zones are regulated by Federal Law No. 2 of 2015 on Commercial Companies (Section 2.4) if free zone-specific laws allow for such operations. To distribute goods in the UAE, free zone companies continue to be required to work with an intermediary established outside the zone.

3.48. As a result, 63.8% of the UAE's non-oil merchandise exports originated in these zones in 2020, while in 2018, 36% of all imports were destined for free zones (Section 1.1). No information regarding the total production in free zones as a share of GDP was available, but JAFZA, the largest zone, accounted for 23.8% of Dubai's GDP in 2019.⁵⁰ Many of the largest global companies are established in these free zones as well, but no comprehensive information regarding zone production, employment, or exports was available.

3.49. The amendments to Federal Law No. 2 of 2015 on Commercial Companies on 30 September 2020 by Federal Decree-Law No. 26 of 2020 lifted ownership limitations for businesses established outside free zones in many sectors while repealing Federal Law No. 19 of 2018 on Foreign Direct Investment that had started to introduce reforms to open the onshore economy, eliminating the difference between free zones and onshore locations regarding foreign ownership.⁵¹ However, restrictions for sectors of strategic interest remain in place for onshore investments (Section 2.4). The amendments to the Commercial Companies Law also removed the need for foreign companies to appoint a "national service agent" when setting up branches or representative offices onshore.

3.50. These changes to ownership restrictions are aligned with Operation 300bn, a 10-year strategy aiming to increase the industrial sector's contribution to GDP from AED 133 billion to AED 300 billion by 2031. Operation 300bn was launched in March 2021 and consists of four strategic objectives: (i) creating an attractive business environment to meet the needs of local and international investors; (ii) supporting growth of home-grown national industries and enhancing their competitiveness; (iii) stimulating innovation and the adoption of enhanced technologies in industrial ecosystems of the future; and (iv) boosting the UAE's reputation as a global destination for leading future industries with world-class infrastructure and a highly skilled and technologically advanced workforce.

⁴⁹ These zones are regulated separately by Federal Law No. 8 of 2004 on Financial Free Zones, allowing their creation, following amendments to Article 121 of the Constitution in 2004. The amendment established that the order and the manner of establishing Financial Free Zones and the boundaries within which they are exempted from having to apply rules and regulations of the Union falls under the exclusive legislative jurisdiction of the Union (UAE). Financial Free Zones are established by Federal Decree (Section 4.2.2.1.1).

⁵⁰ DP World, *JAFZA – A Vital Part of Dubai's Economy*. Viewed at: <https://www.dpworld.com/en/uae/parks-and-economic-zones/jebel-ali-free-zone>.

⁵¹ Prior to 2018, foreign ownership in the onshore economy was limited to 49%. Under the FDI law, Cabinet Resolution No. 16 of 16 March 2020 defined 122 economic activities where full foreign ownership was allowed, using a mix of between 2- and 7-digit ISIC-4 codes (falling into 20 divisions of the ISIC classification). Viewed at: https://www.gccfintax.com/files/21363226_cabinet_resolution_no_16_of_2020.pdf.

3.51. Operation 300bn is implemented by the MoIAT, which was set up in July 2020 to increase the competitiveness of products made in the UAE and the industrial sector's contribution to the economy. The MoIAT aims to collaborate with stakeholders in the seven Emirates to implement the operation, while the Emirates Development Bank (EDB), fully owned by the UAE Government, will play an important role in allocating financing to SMEs.⁵² In 2021, the Prime Minister of the UAE approved the allocation of AED 30 billion to support priority industrial sectors via EDB financing to 13,500 large companies and SMEs. Other support under the Operation 300bn includes 15 initiatives that will enhance the industrial ecosystem's competitiveness and growth across 11 priority sectors including chemical products, rubber and plastics, machinery and equipment, electronics, pharmaceuticals, food and beverages, and hydrogen. The Make It in the Emirates initiative is part of the broader strategy of industrial development, aiming to increase the share of industrial output in the economy. No information was available regarding the total financial support planned to be provided under Operation 300bn, and whether supporting regulatory measures will be put in place.

3.52. According to the authorities, the Federal Industry Law and its executive regulation are being updated to reflect the strategy of the MoIAT.

3.53. The authorities provide support to SMEs, as outlined in the 2014 SME Law⁵³ and the National Programme for Small and Medium Enterprises (SME Programme), implemented by the UAE SME Council to Empower Small and Medium-Sized National Entrepreneurs. The SME Law, *inter alia*, introduces the possibility for the Government to exempt SMEs from certain federal fees and a commitment for federal government entities and companies in which the Federal Government owns more than 25% of the total capital to procure certain percentages with SMEs (Sections 3.3.6.1 and 3.3.6.2). Member companies of the SME Programme also receive certain incentives and financial support via the EDB, and they gain access to: (i) expertise, training, and space in international exhibitions; (ii) support for product marketing; and (iii) the Programme's specialized database containing up-to-date information on foreign markets (Section 3.2.4).⁵⁴

3.54. The EDB provides SME financing (asset-backed financing, project financing, pre-sale financing, and receivables financing) in priority industrial sectors (manufacturing, healthcare, infrastructure, food security, and technology) to firms based in the UAE, potentially at preferential conditions, and a credit guarantee scheme for SMEs and start-ups that are majority emirate-owned. According to the SME Law, the EDB has to contribute at least 10% of its total annual financing to members of the SME Programme.⁵⁵ The EDB also provides financing support in the context of the Make It in the Emirates initiative, including by providing preferential financing rates for companies with high National In-Country Value scores (Section 3.3.6.3).⁵⁶ Since 2015, the EDB has provided AED 1.8 billion in business loans to SMEs.⁵⁷

3.3.2 Standards and other technical requirements

3.55. In 2020, the Emirates Authority for Standardization and Metrology (ESMA) was merged into the newly founded MoIAT, which took over all issues related to standardization and metrology.⁵⁸ As the sole standardization body in the UAE, the MoIAT issues (and supervises the implementation of) standards in the fields of safety, health, and environment. At the regional level, the UAE is a member of the GCC Standardization Organization (GSO), which coordinates the development of and approves GCC standards and technical regulations to facilitate trade and economic integration, protect consumers and the environment, and support economic development.⁵⁹ The Ministry of Health and Prevention is responsible for medicines.

⁵² Emirates Development Bank, *Make It in the Emirates*. Viewed at: <https://www.edb.ae/en/ministry-of-industry-and-technology/>.

⁵³ Federal Law No. 2 of 4 March 2014 on Small and Medium Projects and Enterprises, Articles 10 and 21.

⁵⁴ UAE Government Portal, *National SME Programme*. Viewed at: <https://u.ae/en/information-and-services/business/small-and-medium-enterprises/national-sme-programme>.

⁵⁵ SME Law, Article 17.

⁵⁶ Emirates Development Bank, *EDB Supports the UAE's National In-Country Value Program*. Viewed at: <https://www.edb.ae/en/ministry-of-industry-and-technology/>.

⁵⁷ Ministry of Economy, *Emirates Development Bank*. Viewed at: <https://www.moec.gov.ae/en/web/guest/emirates-development-bank>.

⁵⁸ WTO document G/TBT/2/Add.96/Rev.1, 8 June 2021.

⁵⁹ GSO member States are all GCC members and Yemen.

3.56. The MoIAT is also the sole authority responsible for metrology in the UAE following the merger of ESMA into the MoIAT; it is tasked to manage measurement and calibration activities and to renew the National Metrology System. The Emirates Metrology Institute as National Metrology Institute of the UAE maintains the 12 national measurement standards, provides advice on metrology issues, and represents the UAE internationally in organizations and events related to metrology.⁶⁰ The UAE is a member of the International Bureau of Weights and Measures (BIPM) and joined the International Committee for Weights and Measures Mutual Recognition Arrangement (CIPM-MRA) in 2016.

3.57. The MoIAT participates in the standards-setting procedures at the GSO. GSO standards are developed under the leadership of a GSO Technical Committee or the leadership of a member State's standards-setting body, before being circulated for comments, discussed, and adopted by the majority of the GCC Technical Council members. A fast-track mechanism exists to adopt international standards such as those from the International Standards Organization (ISO), the International Electrotechnical Commission (IEC), the International Organization of Legal Metrology (OIML), or Codex Alimentarius.⁶¹ Adopted GCC standards can subsequently be used and referred to in the design of national standards, while existing national standards inconsistent with GSO standards have to be withdrawn.⁶² The MoIAT has led the development of GSO standards in the technical committees on chemicals and textiles, and cosmetics and personal care products. The GSO's Technical Council and Higher Ministerial Committee for Standardization can also adopt GCC Technical Regulations that apply directly in member States unless there is specific national legislation with the same objective. As of June 2021, the GSO had issued more than 20,000 standards and more than 1,300 GCC technical regulations.⁶³

3.58. At the national level, standards are usually drafted by the Standards Department of the MoIAT before being discussed further in one of the technical committees, in which private sector representatives also participate. Standards are then approved by the Minister of Industry and Advanced Technology (formerly by the Board of the ESMA). Between 2016 and 2021, ESMA and subsequently the MoIAT established an additional 6,161 standards, bringing the total number to 26,500. More than 95% of standards reflected GCC standards at the end of 2020.

3.59. Technical regulations are developed by the MoIAT based on a request from the Government, producers, or consumers based on needs for environmental or consumer protection. Drafts of technical regulations developed by the MoIAT with broad stakeholder involvement are circulated nationally and to the WTO for comments before being adopted by the Cabinet based on a recommendation of the MoIAT. The number of technical regulations adopted stood at 1,214 at the end of 2020. All national standards and technical regulations are published in the Official Gazette.

3.60. Over the review period, the UAE made 214 notifications under the Agreement on Technical Barriers to Trade: 43 notifications by the UAE alone and 171 joint notifications by all GSO members. Most of these covered draft standards and technical regulations for WTO members to comment. Other WTO members raised concerns regarding a few draft standards as they continued to be discussed by GSO members.⁶⁴

3.61. Products covered by technical regulations require a certificate of conformity prior to their import. Under the UAE Conformity Assessment Scheme (ECAS), the MoIAT accepts certificates of conformity issued by specifically MoIAT-accredited conformity assessment bodies in the UAE and abroad, according to UAE technical regulations.⁶⁵ Since 2018, it has become mandatory to print the ECAS Mark of Conformity on such ECAS-accredited products with some exceptions such as

⁶⁰ Emirates Metrology Institute, *EMI Overview*. Viewed at: <https://emi.qcc.gov.ae/en/About-Us/About-EMI---Overview>.

⁶¹ GSO, *Standards Development*. Viewed at: <https://www.gso.org.sa/en/standards/method-of-standards-development/>.

⁶² GSO, *Standards*. Viewed at: <https://www.gso.org.sa/en/standards/>; and WTO document WT/TPR/S/408/Rev.1, 28 May 2021.

⁶³ GSO, *Standards Store*. Viewed at: <https://www.gso.org.sa/store/standards>.

⁶⁴ At more recent TBT meetings, especially the GCC Technical Regulations for the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (IMS ID 572) and Halal Feedstuff (IMS ID 643) were discussed.

⁶⁵ According to the authorities, foreign Conformity Assessment Bodies can also be approved if they fulfil certain conditions in line with Cabinet Resolution No. 35 of 2015.

cosmetics, tobacco products, and energy drinks.⁶⁶ An automated system of conformity assessment is in place and processed all applications in 2020.

3.62. The National Accreditation Department under the MoIAT accredits compliant conformity assessment bodies under the Emirates National Accreditation Scheme (ENAS), which it manages. ENAS accredits conformity assessment bodies (including calibration and testing laboratories), certification bodies, inspection bodies, medical laboratories, and halal certification bodies.⁶⁷ ENAS is a member of the International Laboratory Accreditation Cooperation (ILAC), the International Halal Accreditation Forum (IHAF), and other regional fora. ENAS has joined the Asia Pacific Accreditation Cooperation mutual recognition agreement (APAC MRA) and became a full member in June 2019 following a peer review of its competence to accredit certification bodies in line with ISO/IEC 17011.⁶⁸ As the APAC MRA is recognized by ILAC, calibration and testing laboratories accredited to ISO/IEC 17025 by ENAS are therefore recognized globally.⁶⁹ Accreditation centres exist also at the emirate level, for example, the Emirates International Accreditation Centre in Dubai, which is also a full member of APAC, is recognized for accreditation in various management systems. According to the authorities, 155 bodies are accredited under ENAS.

3.63. The UAE notified its acceptance of the WTO TBT Code of Good Practice for the Preparation, Adoption and Application of Standards in 2006. The MoIAT is the national enquiry point and participates as a member in the activities of the IEC; the ISO; the ILAC; the GSO; the Arab Industrial Development, Standardization, and Mining Organization (AIDSMO); the OIML; the Standards and Metrology Institute for Islamic Countries (SMIIC); and Codex Alimentarius.

3.64. Although harmonized across the seven Emirates, labelling requirements are defined at the emirate level and apply to toys, tobacco products, food, chemical products, industrial products, drinking water, textiles, and cosmetics. Requirements for labels generally include all ingredients, food additives, the origin of any ingredients of animal origin, the country of origin, the producer's address, expiry dates, and storage conditions. These must be in Arabic, which can be added on a separate sticker that is difficult to remove and does not cover any of the original label. Dubai Municipality also requires the inclusion of a barcode, specific per product and packaging size. Electrical household products also require a mandatory "green product" energy and water efficiency label issued by the MoIAT. Tobacco packages require a special health warning in Arabic. Individual Emirates have issued their own detailed food labelling requirements, for example, Abu Dhabi also issued its own Food Law.⁷⁰

3.65. To market goods as "halal" in the UAE, they need to display the National Halal Mark, which can be obtained from the MoIAT following submission of a halal certificate, and declarations of compliance and accountability. In late 2021, there were 76 global halal certification bodies that have been certified by the MoIAT to provide halal certificates that are acceptable for an application.

3.66. The MoIAT also issues a mostly voluntary Emirates Quality Mark to interested companies, but the quality mark is mandatory for bottled drinking water, milk and dairy products, and juices and beverages.

⁶⁶ The requirement was introduced by ESMA Board of Directors Resolution Number 78 of 2017.

⁶⁷ MoIAT, *National Accreditation System ENAS*. Viewed at: <https://moiat.gov.ae/en/about-us/national-accreditation-system-enas>.

⁶⁸ APAC Register of Members and Affiliates. Viewed at: <https://www.apac-accreditation.org/publications/gov-series/>.

⁶⁹ MoIAT, *National Accreditation System ENAS*. Viewed at: <https://moiat.gov.ae/en/about-us/national-accreditation-system-enas>.

⁷⁰ Abu Dhabi Agriculture and Food Safety Authority (2019), *General Food Labelling Requirements, Code of Practice No. 5 of 2019*. Viewed at: <http://www.adafsa.gov.ae/English/PolicyAndLegislations/Guidelines/Documents/General%20Food%20Labelling%20Requirements%20cop.pdf>. See also: Abu Dhabi Food Control Authority, *Law No. 02 for the Year 2008 with Respect to Food within the Emirate of Abu Dhabi*, Viewed at: <http://www.adfca.ae/English/PolicyAndLegislations/Laws/Documents/law-En.pdf>.

3.3.3 Sanitary and phytosanitary requirements

3.67. Over the review period, the institutional national framework for sanitary and phytosanitary (SPS) measures remained broadly unchanged, but the authorities issued several by-laws, ministerial decrees, and administrative measures to improve its implementation.⁷¹

3.68. The WTO focal point on SPS issues is the Ministry of Climate Change and Environment (MOCCAE), renamed from the Ministry of Environment and Water to underline the Government's commitment to tackle climate change.⁷² The Ministry is responsible for the regulation of SPS issues and delivers import permits for live animals and certain animal products, animal by-products, veterinary products (medicine and vaccines) and animal feed, plants, plant products, plant propagation materials, growing media, and seeds.

3.69. The National Food Safety Committee under the MOCCAE implements Federal Law No. 10 of 2015 on Food Safety. The MOCCAE is tasked to unify and supervise the procedures on food safety applied by the emirate-level authorities that are liable for the verification of safety along the food chain, including import, export, and re-export of food and feed trading. Only the MOCCAE retains the power to ban the importation of products. Federal Law No. 10 of 2015 also applies in free zones.

3.70. While individual GCC members retain the authority to issue national food legislation, they aim to harmonize all regulatory requirements for imported foods and provide a coordinated and efficient border inspection and clearance system. Generally, UAE federal SPS regulations are based on GSO standards in addition to the related national standards developed by the MoIAT (formerly ESMA). GCC member States had developed a GCC Guide for Control on Imported Foods that was piloted in 2015-16. However, its application was suspended in 2017 before entering fully into force due to concerns raised by WTO Members.⁷³ Currently, each country applies its own procedures, while trade among GCC members needs to take into consideration the implementation of regulations concerning veterinary and agricultural quarantine regulations and prohibited and restricted goods.⁷⁴

3.71. At the UAE level, a National Food Accreditation and Registration System (ZAD) was launched in 2018 per Ministerial Decree No. 239.⁷⁵ All food items, whether domestically produced, imported, or modified, must be registered in the electronic ZAD system before entering the UAE market.⁷⁶ There is no fee for registering on the platform. The objective of the ZAD platform⁷⁷ is to offer a unified and user-friendly service to foreign and local food traders. Previously, traders had to separately register products in each Emirate they wanted to transport products to.⁷⁸

3.72. Each Emirate has its own agency responsible for applying rules adopted by the MOCCAE to enhance food safety, and animal and plant health. The MOCCAE and local authorities at the emirate level share the responsibility for the control and inspection of agricultural food safety, as well as phytosanitary control and inspection, including in the free zones. Emirate authorities can issue additional standards and regulations on food safety that have to be consistent with federal rules.⁷⁹ Imports generally require an original health certificate issued by the competent authority of the country of origin, a halal certificate for meat and poultry or food derived from animal products or

⁷¹ Key applicable laws are Federal Law No. 5 of 1979 on agricultural quarantine (as amended); Federal Law No. 6 of 1979 on Veterinary Quarantine (as amended); Federal Law No. 38 of 1992 regarding the Establishment of Plant Nurseries and Organising the Production, Import, and Circulation of Seedlings; Federal Law No. 5 of 2009 on Organic Inputs and Products; Federal Law No. 9 of 2013 on Plant Genetic Resources for Food and Agriculture; and Federal Law No. 10 of 2015 on Food Safety.

⁷² MOCCAE, *About the Ministry*. Viewed at: <https://www.moccae.gov.ae/en/about-ministry/about-the-ministry.aspx>.

⁷³ WTO (2017), "WTO Members Adopt Report on Food Safety Agreement", 14 July 2017. Viewed at: https://www.wto.org/english/news_e/news17_e/sps_13jul17_e.htm.

⁷⁴ WTO document WT/COMTD/RTA/9/1-WT/REG276/1, 21 March 2018.

⁷⁵ Such a system is outlined in Federal Law No. 10 of 2015.

⁷⁶ According to the authorities, registration is sufficient and does not require approval.

⁷⁷ The platform is available at: <https://zad.gov.ae>.

⁷⁸ *Emirates News Agency* (2021), "Ministry of Climate Change Plans Launch of New Food Safety Standards System: Belhaif al Nuaimi", 13 June 2021.

⁷⁹ TAMM Abu Dhabi, *Food Safety*. Viewed at: <https://www.tamm.abudhabi/en/aspects-of-life/healthsafety/healthinsurance/ConsumerRightsProtection/food-safety>.

that may contain additives of animal origin, and supporting documents for nutritional or health claims.

3.73. The UAE launched the National Rapid Alert System for Food in 2017 to ensure proper responses when serious food risks are detected, and the MOCCAE also joined the International Food Safety Authorities Network (INFOSAN) and the Gulf Rapid Alert System for Food (GRASF). The GRASF operates to allow food and feed authorities of GCC member States to exchange information on direct or indirect risks to consumers' health. Food items that have been determined as unfit for human consumption by any other country or international organization will be automatically rejected in all Emirates.⁸⁰

3.74. Ministerial Decree No. 335 of 2018 on Regulating the Importation of Live Animals, Their Products and Their By-products and Federal Law No. 6 of 1979 on Veterinary Quarantine regulate the importation of animals and their products. Ministerial Decree No. 335 of 2018 includes import terms and conditions depending on the animal species, taking into account international standards (World Organisation for Animal Health (OIE) standards and guidelines) and comments received from WTO Members on the draft decree to facilitate trade between the UAE and its trading partners.⁸¹ Slaughterhouses intending to export poultry or red meat to the UAE require prior approval by the MOCCAE.⁸² To ensure safety from infectious diseases, all animals are subject to quarantine processes, physical inspection, and laboratory testing.⁸³ As for plant imports, several laws and decrees set out specific requirements in addition to Federal Law No. 5 of 1979 Concerning Agricultural Quarantine.⁸⁴ Federal authorities retain the right to put in place targeted regulations or import bans during periods of diseases presenting a risk to animal or plant health in some affected countries. The MOCCAE online portal publishes a list of approved countries for importing certain live animals (sheep, goats, cattle, camels, birds, day-old chicks, and hatching eggs).⁸⁵ Country approval is based on the OIE status of the concerned countries, as well as the evaluation of the exporting countries' veterinary services to ensure their capacity to monitor and control contagious animal diseases.

3.75. Between January 2016 and September 2021, the UAE submitted 272 notifications under the Agreement on the Application of Sanitary and Phytosanitary Measures, including 68 regular notifications and 180 emergency (or addenda emergency) notifications. Seventy-six notifications were joint GCC notifications. The UAE has notified the measures it has taken regarding animal, agricultural, and food consignments in response to the pandemic to facilitate trade in tandem with necessary precautionary measures.⁸⁶ In November 2017, Turkey raised a concern regarding documentation requirements for the registration of pesticides.⁸⁷

3.76. Importation and circulation of organic food inputs and products are regulated by Federal Law No. 5 of 2009 on Organic Inputs and Products and Ministerial Decree No. 768 of 2014. Under the 2012 organic certification scheme, registration and issuance of a conformity certificate for organic products are available for crops, livestock, and processed food. Products marketed as "organic" require certification by ESMA under the Emirates Organic Foods Certification Scheme, independent of their origin.⁸⁸ The UAE recognizes 10 international organic standards as equivalent to the UAE ones, which are from Australia, Canada, the European Union, India, Japan, New Zealand, the Kingdom of Saudi Arabia, Tunisia, the United Kingdom, and the United States.

⁸⁰ Information provided by the authorities.

⁸¹ Information provided by the authorities.

⁸² WTO document G/SPS/N/ARE/145, 7 March 2018.

⁸³ United States Department of Agriculture (2019), *United Arab Emirates: Food and Agricultural Import Regulations and Standards Report*. Viewed at: <https://bit.ly/3vv5XI3>.

⁸⁴ These include Federal Law No. 38 of 1992 Concerning the Establishment of Arboretums and the Regulation of the Production, Import and Circulation of Seedlings, Ministerial Decree No. 315 of 2011 Concerning the Regulation of the Importation of Palms, and Federal Law No. 9 of 2013 on Plant Genetic Resources for Food and Agriculture.

⁸⁵ MOCCAE, *List of Approved Countries for Importing Live Animals*. Viewed at: <https://www.moccae.gov.ae/en/our-services/list-of-approved-disapproved-countries-for-import.aspx#page=1>.

⁸⁶ WTO document G/SPS/GEN/1774, 6 May 2020.

⁸⁷ WTO SPS Information Management System, STC Number 429. Viewed at: <http://spsims.wto.org/en/SpecificTradeConcerns/View?ImsId=429>.

⁸⁸ This service was offered by ESMA, which was merged into the MoIAT. The corresponding service from the MoIAT was not available at the time of writing.

3.77. Importation and registration of pesticides are governed by Federal Law No. 10 of 2020 and Ministerial Decision No. 27 of 2018. Labelling is mandatory for unprocessed agricultural products, processed food products, or feed products or seed that contain more than 1% genetically modified ingredients. Any genetically modified product must be approved for use in the country of origin for human or animal consumption.⁸⁹

3.78. The UAE is a member of the OIE, the Codex Alimentarius, and the International Plant Protection Convention (IPPC). The MOCCA is committed to adopting IPPC measures and guidelines, and to communicating with the IPPC on every relevant SPS issue.

3.3.4 Competition policy and price controls

3.3.4.1 Competition policy

3.79. The competition policy regime in the UAE is primarily regulated by Federal Law No. 4 of 2012 on the Regulation of Competition (the Competition Law), which entered into force on 23 February 2013, and its Implementing Regulations (Cabinet Resolution No. 37 of 2014). Since the previous Review, the legislative framework for competition has been supplemented with Cabinet Resolution No. 13 of 2016, which provides the market thresholds necessary for implementing the Competition Law.

3.80. Other laws predating the Competition Law contain competition provisions or regulate competition in specific sectors. These include Federal Law No. 4 of 1979 on the Suppression of Fraud and Deception in Commercial Transactions; Federal Law No. 18 of 1981 on Trade Agencies (as amended); Federal Law No. 18 of 1993 (Commercial Code); Federal Law No. 6 of 1985 regarding Islamic Banks, Financial Institutions and Investment Companies; and Federal Law No. 3 of 2003 on the Telecommunications Sector. Moreover, under the new Federal Law No. 15 of 2020 on Consumer Protection, the Ministry of Economy is responsible for "working to achieve the principle of competition and combatting misleading advertisements and monopoly".

3.81. The objectives of the Competition Law are to protect and promote competition, and maintain a competitive market governed by market mechanisms, specifically by prohibiting restrictive agreements and the abuse of dominant position, and regulating economic concentration operations (including mergers and acquisitions).

3.82. The Competition Law applies to natural or legal persons, or a combination thereof, engaging in economic activities or exploiting intellectual property rights in the UAE. Economic activities carried out abroad but affecting competition in the UAE are also subject to the Competition Law (Article 3). The following activities and entities are explicitly excluded from the application of the Competition Law (Article 4):

- activities subject to sector-specific laws or sectoral regulators: telecommunications; financial services; cultural activities; oil and gas; production and distribution of pharmaceuticals; postal services (including express mail services); production, distribution, and transmission of electricity and water; sanitation, waste disposal, and environmental services; and all transport services;
- acts undertaken by federal and local governments, entities acting upon the authority of federal or local governments, and enterprises owned or controlled by federal or local governments; and
- small and medium-sized enterprises.⁹⁰

3.83. The UAE competition authority is the Ministry of Economy through its Competition Department. The Ministry's responsibilities include implementing policy, investigating alleged violations of the Competition Law (based on complaints received from the public or on its own

⁸⁹ United States Department of Agriculture (2020), *United Arab Emirates: Food and Agricultural Import Regulations and Standards Country Report*, p. 17. Viewed at: <https://bit.ly/3vxVz2d>.

⁹⁰ Cabinet Resolution No. 22 of 2016 sets out the criteria and thresholds to determine which enterprises fall within the categories of "micro enterprise" and "small and medium-sized enterprises".

initiative), and making recommendations to address such violations in coordination with the competent authorities in the UAE. In addition, the Competition Law provides for the establishment of the Competition Regulation Committee (CRC) to be chaired by the Undersecretary of the Ministry of Economy. The CRC operates under the supervision of the Ministry of Economy, and its mandate includes proposing policy and legislation on competition, making recommendations to the Ministry on the implementation of the Law, examining requests for reconsideration of the decisions made by the Minister of Economy, and making recommendations to the Minister regarding companies' requests for an exemption of restrictive agreements or dominant position practices from the provisions of the Law. The CRC was formally established in 2018, five years after the entry into force of the Competition Law, and it held its first meeting in March 2018.⁹¹

3.84. Article 5 of the Competition Law prohibits the use of restrictive agreements and provides an illustrative list of such agreements including price-fixing, collusion on bids, market allocation arrangements, agreements to suppress production, barriers to entry, and exclusive distribution and other distribution agreements. However, the prohibition does not apply to exclusive distribution agreements that fall within the ambit of the Trade Agencies Law (Federal Law No. 18 of 1981). Moreover, the prohibition on restrictive agreements does not apply to what is termed "low-impact" agreements, i.e. agreements between entities whose collective market share does not exceed 10% of the "total transactions" (i.e. total annual sales) in the relevant market (Cabinet Resolution No. 13 of 2016).

3.85. Article 6 of the Competition Law prohibits enterprises having a dominant position in their relevant market ("or in a substantial or influential part thereof") from abusing such position to prejudice, restrict, or prevent competition. The Law provides examples of what may be considered abuse of dominant position, including indirect resale price maintenance, predatory pricing, unjustified discrimination of customers with identical contracts, trade restraints (i.e. preventing customers from dealing with competing entities, denying a customer access to products and services, or not permitting access on standard commercial terms), price manipulations, and tying (i.e. conditioning the supply of goods/services on the requirement that the customer also purchases a different product from the supplier). As per Cabinet Resolution No. 13 of 2016, an enterprise is deemed to have a dominant position if its shares exceed 40% of the "total transactions" in the relevant market.⁹²

3.86. Under the Competition Law and its Implementing Regulations, individual undertakings may make an application to seek exemptions from the provisions on restrictive agreements and abuse of dominant position by notifying the CRC of the agreement or business practice in question, and submitting the prescribed supporting documents. The CRC may recommend to the Minister of Economy that the applicant be exempted from the relevant provision of the Competition Law if the applicant can demonstrate that the agreement or business practice in question is in the interest of the economy and consumers. Based on the CRC's recommendation, the Minister may approve, approve with conditions, or reject the request within 90 days of the date the applicant was notified of the receipt of the complete application. This period may be extended for 45 additional days. If no decision is issued within this period, the application is deemed to be approved.

3.87. Economic concentrations are regulated under Article 9 of the Competition Law. This provision requires a prior approval of the Minister of Economy for any economic concentration operation (such as a merger or acquisition), which will result in an enterprise attaining a dominant position and may affect competition within the relevant market.⁹³ Applications for approval must be made 30 days prior to the operation taking place. If approval is not sought, the enterprises involved are liable to a fine. The procedures for filing an application are set out in the Implementing Regulations. A Ministry's report is prepared and sent to the Minister who may approve, approve with conditions, or reject the application within 90 days (with a possible extension of 45 days). Again, if no decision is issued within such period, the application is deemed to have been approved. An enterprise is prohibited

⁹¹ The composition of the CRC is set in Cabinet Resolution No. 16 of 2021, issued on 13 September 2021.

⁹² As per Cabinet Resolution No. 13 of 2016, each relevant market includes only those products which, in terms of price and other relevant features, consumers would consider interchangeable with one another in a particular geographic area. The Ministry of Economy has not issued any directive or decision on how to determine the scope of the "relevant market".

⁹³ The authorities indicate that, when examining requests for economic concentration, the UAE market is considered as a single market.

from executing the economic concentration operation pending its approval; non-compliance with this provision is subject to a fine. The Minister is empowered to approve an economic concentration operation if it has no adverse impact on competition or if its positive effects outweigh any negative effects on competition.

3.88. The Competition Law stipulates several penalties for violations of its provisions (Articles 16-24). Penalties may include fines or the suspension of the relevant activities pending a final court decision. In the most severe cases, a court may order the closure of the offending business for a period of three to six months and the publication of the court's decision in at least two local newspapers at the expense of the offending party. In most cases, fines range from AED 500,000 to AED 5,000,000 (Table 3.6). The fines are doubled in the event of recurrent violations. The imposition of penalties on an offending party is without prejudice to the right of any aggrieved party to file a court case to seek compensation for damages resulting from the unlawful acts.

Table 3.6 Fines for violations of the Competition Law

Infringing practice	Amount of fine
Restrictive agreements (Article 5)	AED 500,000-AED 5,000,000
Abuse of dominant position (Article 6)	AED 500,000-AED 5,000,000
Economic concentration (Article 9)	<ul style="list-style-type: none"> • 2% to 5% of annual sales/revenues of goods/services accrued by the violating entity in the UAE in the last financial year; or • AED 500,000-AED 5,000,000 if annual sales/revenues cannot be determined
Executing an economic concentration operation pending approval from the Minister of Economy (Article 10.2)	AED 50,000-AED 500,000
Non-compliance with the obligations relating to confidential information (Article 15)	AED 50,000-AED 200,000
Violations of any other provision of the Competition Law	AED 10,000-AED 100,000

Source: Competition Law, Chapter VIII.

3.89. The Minister's approval is required for initiating any criminal prosecution of acts contrary to the Competition Law. The Minister is also authorized to reconcile or settle any contravention of the Law before a criminal case is referred to trial, provided the defendant pays an amount equivalent to no less than double the minimum fine. So far, there have been no cases referred to the Public Prosecution office; rather, cases have been addressed through reconciliation or settlement in accordance with Article 15 of Cabinet Resolution No. 37 of 2014.

3.90. There is no special leniency programme available for violations of the Competition Law.

3.91. As per the Law's Implementing Regulations, any concerned party may file a request (along with supporting documents) asking for reconsideration of a decision made by the Minister no later than 14 days from the date the decision was notified. The CRC is required to study the request and submit its recommendations to the Minister within 10 days. The Minister must decide upon the request within 30 days of the submission date of the CRC's recommendation. If no decision is issued within this period, the request is deemed rejected.

3.92. Decisions issued by the Minister under the Competition Law may be appealed before the competent court, i.e. the UAE Federal Court, within 60 days of the date when such decisions were notified to the concerned parties.⁹⁴

3.93. Enforcement of the Competition Law in the UAE can be said to still be in its early stages. While several cases seem to have been filed and examined by the Ministry of Economy and the CRC, there are no publicly available official records on decisions concerning such cases. The authorities indicate that during the period 2018-21, the Ministry of Economy handled eight requests for economic concentration (mergers and acquisitions) and four competition complaints. During this initial phase, the competition authorities are more focused on educating businesses and elaborating implementation guidelines, particularly as regards economic concentration provisions, and where

⁹⁴ Competition Law, Article 27.

complaints are filed, the focus is on assisting the concerned parties to agree to an amicable settlement rather than referring the cases to criminal prosecution.⁹⁵ The authorities indicate that, in line with the Competition Law and its Implementing Regulations, the parties to a complaint are encouraged to reach an amicable solution. Where a solution is not reached, the parties may refer the case to the competent court.

3.94. As regards international cooperation on competition matters, the Ministry of Economy is mandated under the Competition Law to promote the exchange of information with competition authorities in other countries to fulfil the purpose of, and implement, the Law. The CRC participated in the International Competition Network's annual meeting for the first time in 2018. The CRC has not yet signed any memoranda of understanding with foreign competition agencies, but a recommendation to do so was issued at a recent CRC meeting.

3.3.4.2 Price controls

3.95. Federal Law No. 15 of 2020 on Consumer Protection (CPL) entered into force on 16 November 2020, repealing Federal Law No. 24 of 2006. The CPL retains some provisions of the previous law, and expands the protection available to consumers, notably in the context of e-commerce transactions. It also empowers the Minister of Economy to apply price controls "in the event of a crisis, emergency circumstances, or unusual conditions in the internal or external markets ... to protect and preserve the interest of consumers from any harm" (Article 9), and mandates the Ministry of Economy to monitor the movement of prices in order to limit increases (Article 22).

3.96. While in the UAE prices are generally determined by the market, the Ministry of Economy monitors the prices of several commodities to ensure price stability and consumers' welfare. The commodity groups subject to price monitoring are fish and marine products; meat and poultry; rice and other cereals; dairy, cheese, and eggs; fats and oils; vegetables; fruits; sugar and honey; coffee, tea, and cocoa; and juices and drinks. Traders selling these products must obtain prior authorization from the Ministry of Economy to increase their prices. The Ministry carries out market inspections and imposes penalties to traders infringing this procedure.

3.97. Other government entities apply price controls under product- or sector-specific legislation. The Ministry of Health sets the prices for 11,137 pharmaceutical products.⁹⁶ Law No. 8 of 2019 on Medical Products, the Pharmacy Profession and Pharmaceutical Establishments entered into force on 30 January 2020, replacing Law No. 4 of 1983. The new law sets out a consolidated legal framework under which medical products (medicines, medical devices, and health-related consumer goods) are placed in the UAE market. As regards pricing, Law No. 8 of 2019 mandates the establishment of a price for medical products as part of the marketing authorization procedure. It also provides that medical products subject to price control cannot be sold at higher prices and shall not be subject to any price discounts.⁹⁷

3.98. The Telecommunications Regulatory Authority (TRA) is responsible for policy formulation and implementation of price controls in the sector in accordance with its Regulatory Policy and Procedure on Price Control, updated on 28 June 2017. Telecommunication operators are required to obtain prior approval for any change in the prices of the services they offer that fall under the TRA's oversight. The TRA may amend, revoke, or suspend an existing approval should circumstances warrant such action (Section 4.3.3).

3.99. The electricity and water sectors, which are mostly owned and controlled by government authorities⁹⁸, are also subject to price controls applied by the relevant regulators at the emirate level. In Abu Dhabi, following an energy sector reform in 2018, the Department of Energy took over

⁹⁵ See for example, BSA, Ahmad Bin Hezeem & Associates LLP, *Cartels: UAE Chapter*, June 2019. Viewed at: https://bsabh.com/cartels-uae-chapter/?utm_source=Mondag&utm_medium=syndication&utm_campaign=LinkedIn-integration.

⁹⁶ Ministerial Resolution No. 140 of 2013 (Pricing Resolution) established fixed margins for the distributors and pharmacies in respect of registered pharmaceutical products sold to consumers.

⁹⁷ For more details on Law No. 8 of 2019, see Baker McKenzie, *UAE Overhauls Legal Framework for Medicines, Medical Devices and Health Consumer Products*, 24 February 2020. Viewed at: <https://www.bakermckenzie.com/en/insight/publications/2020/02/uae-overhauls-legal-framework-for-medicines>.

⁹⁸ In 2020, the electricity and water transmission and distribution companies in Abu Dhabi were partially privatized, with the new owner being TAQA, a company listed on the Abu Dhabi stock exchange.

the mandate to manage price controls for the purchase and distribution of electricity and water, the transmission of electricity, and the collection, treatment, and disposal of sewage.⁹⁹ Regulatory price controls continue to be determined using a price/revenue cap mechanism (Section 4.2). In Dubai, the Dubai Electricity and Water Authority (DEWA) exclusively owns and operates the electricity- and water-generation facilities, the transmission grid, and the distribution networks. It sets the prices using "cost-reflective tariffs", which are approved by the sector's regulator, the Dubai Supreme Council of Energy. In the Emirate of Sharjah, the Sharjah Electricity, Water and Gas Authority (SEWGA) is authorized to set electricity tariffs subject to approval of the Ruler of Sharjah. In the Emirates of Ras Al Khaimah, Fujairah, Ajman, and Umm Al Quwain, the government-owned Etihad Water and Electricity Company provides water and electricity distribution services, while generation and transmission are undertaken by Etihad and TAQA. The UAE Ministry of Energy and Infrastructure provides the regulatory framework for the water and electricity sector in these four Emirates and is responsible for ensuring fair and transparent prices for consumers.

3.100. Since August 2015, domestic fuel prices have been linked to international prices.¹⁰⁰ Currently, retail prices for gasoline and diesel are determined by the Ministry of Energy and Infrastructure, based on an average price from several international sources and a margin for the three distribution companies operating in the market. The prices are published on a monthly basis.

3.3.5 State trading, state-owned enterprises, and privatization

3.101. State-owned enterprises (SOEs), usually referred to as government-related entities (GREs) in government documents¹⁰¹, play an important role in the economy of the UAE, and they have been an important element in the diversification efforts led by the Government, although the importance of their role varies by Emirate. They are present in nearly all sectors of the economy. In 2013, the percentage of SOEs among the largest business entities stood at nearly 90%, the second highest among all countries having at least 10 firms in the Forbes Global 2000 list.¹⁰² At the same time, the authorities state that many SOEs have full operational autonomy and are managed independently through their boards.

3.102. Ownership of GREs is mostly decentralized, with the Emirates Investment Authority sovereign wealth fund (SWF) (at the federal level) and various emirate-level wealth funds controlling GREs either fully or partially. No consolidated and complete information is available for the total number, assets, employment, revenues, and performance of GREs in the UAE.¹⁰³ According to the OECD, UAE authorities also directly control some GREs where they are a minority, but the largest individual shareholder.¹⁰⁴

3.103. Building on earlier reforms aimed at increasing competitiveness and governance of SOEs¹⁰⁵, some authorities continued to reform the SOE sector over the review period by adjusting ownership structures, improving governance, and strengthening financial independence from government budgets. In 2018, Abu Dhabi set up the Abu Dhabi Developmental Holding Company (ADDHC), an entity fully owned by the Government of Abu Dhabi, holding notionally financial and administrative autonomy. In 2019, the Executive Council of Abu Dhabi announced it would initially transfer ownership of 11 SOEs to the ADDHC, tasked to function as a state holding company and to improve performance and monitoring of these entities.¹⁰⁶ No information was available regarding how many

⁹⁹ The previous regulator, the Regulation and Supervision Bureau, was merged into the Department of Energy in 2018. The functions and duties of the Department of Energy are set out in Law No. 11 of 2018, Law No. 2 of 1998, and Law No. 17 of 2005.

¹⁰⁰ UAE Government Portal, *Energy and Fuel Prices*. Viewed at: <https://u.ae/en/information-and-services/environment-and-energy/water-and-energy/energy-and-fuel-prices>.

¹⁰¹ GREs are defined as certain entities wholly or majority-owned by various levels of government.

¹⁰² Kowalski, P., et al. (2013), "State-Owned Enterprises: Trade Effects and Policy Implications", *OECD Trade Policy Papers*, No. 147. Viewed at: <http://dx.doi.org/10.1787/5k4869cckqk7l-en>.

¹⁰³ OECD (2019), *Corporate Governance in MENA: Building a Framework for Competitiveness and Growth*. Viewed at: <https://doi.org/10.1787/2a6992c2-en>; and Government of Dubai (2020), *Euro Medium Term Note Programme – Base Prospectus Dated 29 July 2020*. Viewed at: [https://www.dof.gov.ae/en-us/Investor/Lists/InvestorForms/Attachments/8/Base%20Prospectus%20\(EMTN\).pdf](https://www.dof.gov.ae/en-us/Investor/Lists/InvestorForms/Attachments/8/Base%20Prospectus%20(EMTN).pdf).

¹⁰⁴ OECD (2019), *Corporate Governance in MENA: Building a Framework for Competitiveness and Growth*.

¹⁰⁵ See for example WTO document WT/TPR/S/338/Rev.1, 4 October 2016.

¹⁰⁶ These SOEs include Abu Dhabi Ports, Abu Dhabi Airports, Musanada (the Abu Dhabi General Services Company), and the Higher Corporation for Specialised Economic Zones. Sanderson, D. (2020), "State-Owned Abu Dhabi Firms Transferred to New Parent Company", *The National*, 19 February 2020. Viewed at:

companies had been transferred to the holding company subsequently and how many remained under direct control of the Executive Council. Following the transfer, the holding company also initiated performance optimization, restructuring, and partial privatization programmes in some of these SOEs. Now known as ADQ, the holding company has become the third-largest SWF in Abu Dhabi with estimated assets of USD 110 billion and a mandate to enhance Abu Dhabi's competitiveness and resilience through local and international investments.¹⁰⁷ Mubadala, one of the other investment funds, also holds investments in the UAE across nine sectors, in addition to its international investments.¹⁰⁸ In the UAE, it owns 29 companies and is the majority shareholder in 16 companies. The Abu Dhabi Accountability Authority also audits the financial statements of all SOEs and their subsidiaries and has the right to review the performance of their operations.¹⁰⁹ SOEs owned by the Government of Abu Dhabi retain financial and administrative autonomy. In Dubai, both the Investment Corporation of Dubai and Dubai World own and manage some SOEs.

3.104. Over the reporting period, the Securities & Commodities Authority approved the listing of a number of SOEs on the national stock exchanges, floating varying percentages of shares. For example, the Abu Dhabi National Oil Company (ADNOC) issued 13% of the shares in its distribution subsidiary as part of an initial public offering (IPO) in 2017. While ADNOC Distribution is now listed on the Abu Dhabi Stock Exchange, the company remains nearly 77% owned by its state-owned parent company.¹¹⁰ In 2021, Al Yah Satellite Communications raised AED 2.7 billion in an IPO that represents 40% of the share capital of the company. There are 41 GREs (the Government holding a share of the capital) or their holding companies that have issued debt that is listed on such exchanges, requiring them to publish key financial information when issuing debt instruments, including Mubadala, Senaat, Dubai World, or Abu Dhabi Port owned by ADQ. Listed GREs also publish their financial information as part of disclosure obligations.

3.105. Debt levels at GREs vary widely, as do available credit ratings. While the authorities continue to emphasize that most GRE debt is not explicitly guaranteed by the Federal or Emirate Governments, some of it is.¹¹¹ Expectations that authorities could provide support in case of major financing difficulties for at least some companies are reflected in rating decisions by major rating agencies. Officially, in the case of Dubai, GREs that are considered strategically important can apply to the Dubai Financial Support Fund (DFSF) for support¹¹², which may or may not be granted and is expected to be repaid. According to the authorities, consolidated information on the overall financial position and potential future financing requirements of Dubai's GREs may not yet have been fully identified.¹¹³ Abu Dhabi authorities also remain open to providing significant financial or other support to certain government-owned or strategic companies in Abu Dhabi or other Emirates, should they face difficulties, without being under obligation to do so, however. At the end of 2018, total outstanding liabilities of SOEs in Abu Dhabi alone were estimated at USD 43.3 billion.¹¹⁴

3.106. Total credits to GREs in the banking system of the UAE increased from AED 180 billion in 2016 to AED 219.9 billion at the end of 2020, driven primarily by increases in March and April of 2020 during the COVID-19 pandemic.¹¹⁵ Rules regarding commercial banks' large exposure limits to

<https://www.thenationalnews.com/uae/state-owned-abu-dhabi-firms-transferred-to-new-parent-company-1.882597>.

¹⁰⁷ Global SWF, *Ranking*. Viewed at: <https://globalswf.com/top-100>.

¹⁰⁸ Mubadala, *Our Portfolio*. Viewed at: <https://www.mubadala.com/en/our-portfolio>.

¹⁰⁹ Abu Dhabi Accountability Authority, *Subject Entities*. Viewed at: <https://adaa.gov.ae/en/About-ADAA/Pages/Subject-Entities.aspx>.

¹¹⁰ Economist Intelligence Unit (2017), "ADNOC Distribution Lists on Abu Dhabi Exchange", 21 December 2017. Viewed at: <http://country.eiu.com/article.aspx?articleid=406251424>.

¹¹¹ For example, the Government of Dubai has issued an explicit payment guarantee of USD 3 billion under the New Dubai World Facility. See Government of Dubai (2020), *Euro Medium Term Note Programme – Base Prospectus Dated 29 July 2020*.

¹¹² The DFSF is financed with USD 10 billion from the Government of Dubai using proceeds from bonds issued to the Central Bank of the UAE and USD 10 billion from the Government of Abu Dhabi.

¹¹³ Government of Dubai (2020), *Euro Medium Term Note Programme – Base Prospectus Dated 29 July 2020*.

¹¹⁴ Emirate of Abu Dhabi (2019), *Global Medium Term Note Programme – Base Prospectus*. Viewed at: https://www.rns-pdf.londonstockexchange.com/rns/3012N_1-2019-9-23.pdf.

¹¹⁵ Central Bank of the UAE (2018), Main Highlights of the UAE Banking Indicators January 2018. Viewed at: https://centralbank.ae/sites/default/files/2018-09/UAEMonthlyBankingIndicators_Highlights_January18_En.pdf; Central Bank of the UAE (2020), Main Highlights of the UAE Banking Indicators February 2020. Viewed at: <https://centralbank.ae/sites/default/files/2020-05/Main%20Highlights%20of%20the%20UAE%20Banking%20Indicators%20-%20February%202020%20-%20English.pdf>; Central Bank of the UAE (2020),

GREs established in 2013 by the Central Bank remain in place and are monitored by the Central Bank's supervision department. In Dubai, the Supreme Fiscal Committee continues to approve borrowings by the Government and SOEs, as well as guarantees given to SOEs.

3.107. Some GREs are internationally renowned and seemingly commercially very profitable companies that contribute significant revenue to the federal budget with government revenue from GRE profits representing 8.8% of GDP in 2020.¹¹⁶ A number of GREs directly or indirectly compete against each other (e.g. in the areas of telecommunications, air transport, and air transport services).

3.108. The UAE notified the WTO that it does not maintain any state trading enterprises within the meaning of Article XVII of the GATT 1994 and the Understanding on the Interpretation of Article XVII as of 2019, the last year covered by the notifications.¹¹⁷

3.3.6 Government procurement

3.109. Government procurement is regulated at both the federal and emirate levels. Each Emirate has specific provisions on government procurement activities. The UAE is neither a signatory to the Agreement on Government Procurement nor an observer to the Government Procurement Committee.

3.110. In the UAE, most public procurement is carried out at the level of the Emirates (Table 3.7). In 2020, total government expenditure on goods and services amounted to AED 101.1 billion, to which the Federal Government contributed AED 24.4 billion and the Emirates' Governments AED 76.7 billion.¹¹⁸ According to the authorities, federal government purchases from foreign suppliers are mostly related to strategic goods (such as medical equipment and medicines) and single-source products in cases where contractors do not have a local distributor in the UAE. Foreign suppliers are also engaged in defence procurement by the Federal Government.

Table 3.7 Government expenditure on goods and services

(AED billion)

	2016	2017	2018	2019	2020 ^a
General Government	62.3	91.0	86.6	119.4	101.1
Federal Government	23.0	21.1	22.5	26.2	24.4
State (Emirates) Governments	39.2	69.9	64.1	93.2	76.7

a Preliminary data.

Source: Based on IMF data, *Government Finance Statistics*. Viewed at: <https://data.imf.org/>. Data for 2020 provided by the authorities.

3.3.6.1 Procurement at the federal level

3.111. During the period under review, the main legislative change at the federal level was the issuance, on 6 January 2019, of Cabinet Resolution No. 4 of 2019 on Procurement Regulations and Storehouse Management at the Federal Government.¹¹⁹ This is the principal legislation regarding

Main Highlights of the UAE Banking Indicators April 2020. Viewed at: <https://centralbank.ae/sites/default/files/2020-06/Main%20Highlights%20of%20the%20UAE%20Banking%20Indicators%20-%20April%202020.pdf>; and Central Bank of the UAE (2020), Main Highlights of the UAE Banking Indicators December 2020. Viewed at: https://www.centralbank.ae/sites/default/files/2021-02/Main%20Highlights%20of%20the%20UAE%20Banking%20Indicators%20%28English%29%20-%20December%202020_010221.pdf.

¹¹⁶ Federal Competitiveness and Statistics Centre.

¹¹⁷ WTO documents G/STR/N/4/ARE, G/STR/N/7/ARE, G/STR/N/10/ARE, G/STR/N/11/ARE, G/STR/N/12/ARE, G/STR/N/13/ARE, G/STR/N/14/ARE, G/STR/N/15/ARE, G/STR/N/16/ARE, G/STR/N/17/ARE, G/STR/N/18/ARE, 28 May 2020.

¹¹⁸ The WTO Secretariat did not have access to government procurement statistics for the UAE. As a proxy, data on government expenditure on goods and services were used.

¹¹⁹ Viewed at: <https://www.mof.gov.ae/en/lawsAndPolitics/public-finance-sector/public-financial-management/Documents/Cabinet+Resolution+No.+4+of+2019+Procurement+Regulation+and+Storehouse+Management+in+Federal+Government+.pdf>.

procurement by federal entities; it replaced Cabinet Resolution No. 32 of 2014. Public-private partnerships carried out by federal entities are regulated under Cabinet Resolution No. 1/1 of 2017.

3.112. The aims of Cabinet Resolution No. 4 are to organize and unify procurement procedures for federal entities, reduce costs, ensure an effective procurement system and align it with international best practices. It introduces more flexibility in procurement by, *inter alia*, eliminating the limits on the value of contracts that Ministers can approve. It also decentralizes the procedures for suppliers' complaints by requiring the creation of a dedicated committee in each procuring entity to address such complaints, and sets out in greater detail the rules governing the procurement bodies in each entity. In addition, the Resolution reduced the prescribed periods for submitting bids and offers, and increased the thresholds for the use of different procurement methods.

3.113. Cabinet Resolution No. 4 applies to procurement of goods and services and public works by the Federal Government, including ministries, government agencies, and specific federal entities.¹²⁰ It does not apply to the Ministry of Defence, the State Security Service, or any purchases of military character. It also excludes the federal entities that are linked to international agreements or obligations of the UAE, partnership contracts with the private sector, and purchases of medicines.

3.114. The federal entities covered by Cabinet Resolution No. 4 must prepare their annual procurement plans and are responsible for conducting their procurement processes. To that effect, they must establish their own procurement bodies, i.e. a Procurement Organizational Unit, a Procurement Committee, an Open-bidding Procedures and Bids Receiving Committee, an Inspection and Evaluation Committee, and a Suppliers Grievance Committee. The procuring entities and their staff are obliged to uphold the highest levels of transparency and professional integrity, follow open competitive procedures, preserve impartiality and autonomy, announce their procurements through the electronic procurement system or through periodical publications, and avoid conflicts of interest.

3.115. The Ministry of Finance (MOF) operates an advanced e-procurement system for all federal entities, which contains a list of all purchases to be made by the MOF, other ministries, and federal agencies. Through this system, federal entities can launch tenders, invite bids, and announce the awarding of contracts. Also, suppliers and contractors can submit their bids.

3.116. To participate in government procurement, suppliers are required to register on the Federal Suppliers Register maintained by the MOF. To be included in the Register, a supplier must be a citizen of the UAE, a company registered in the UAE under the federal Commercial Companies Law (including wholly foreign-owned companies), or a branch of a free zone company provided it is registered outside the free zone. In addition, the company must be licensed to practice commercial activities, and at least one of its partners or service agents must be a UAE citizen. Registration is subject to the payment of fees unless exemptions apply. The MOF has recently eased the procedures for registration to encourage more companies, including SMEs, to participate.

3.117. Depending on the value and nature of the procurement, federal entities may use one of the procurement methods stipulated in Article 25 of Cabinet Resolution No. 4. Table 3.8 provides a brief description of some of these methods and their corresponding criteria. The "General Procedure" (open tendering) is mandatory for procurements with a value exceeding AED 10 million. For procurements above AED 250,000 but not exceeding AED 10 million, "Practice" (limited tendering) or open tendering may be used. The "Direct Solicitation of Offers" (direct purchases or quotations) can be used when the value of the procurement does not exceed AED 250,000. In addition, subject to specific conditions, Cabinet Resolution No. 4 allows for the use of other procurement methods, i.e. competition, competitive dialogue, direct order, pricing agreements, and outstanding advance.¹²¹

3.118. In exceptional cases, federal entities may procure using the "Urgent Procedure".¹²² This procedure is available only when procurement is carried out through open or limited tendering; in both cases, it is possible to reduce the bidding period to seven working days. It should be noted that

¹²⁰ These include the General Authority for Civil Aviation, the Emirates Real Estate Corporation, the Federal Electricity and Water Authority, the Emirates Securities and Commodities Authority, the Insurance Authority, the Emirates Post Group Holding, the National Transport Authority, the TRA, UAE University, and Zayed University.

¹²¹ Cabinet Resolution No. 4 of 2019, Articles 33-37.

¹²² Cabinet Resolution No. 4 of 2019, Article 38. The "exceptional cases" allowing for the use of the urgent procedure are not defined in the Resolution.

Cabinet Resolution No. 4 reduced considerably the submission periods for bids and offers, compared to the periods stipulated in the former Cabinet Resolution No. 32 of 2014; the authorities explain that the main reason for reducing these periods is to facilitate purchases in emergency cases.

Table 3.8 Selected procurement methods and criteria

Method	Thresholds/criteria	Requests sent to	Submission period
General procedure (open tendering)	Mandatory: more than AED 10 million Optional: AED 250,000- AED 10 million	General invitation to all interested parties via e-procurement and publications	No less than 15 working days from the day following the announcement of the tender
Practice (limited tendering)	AED 250,000-AED 10 million	Registered suppliers	No less than 10 working days from the day following the request of offers
Direct solicitation of offers (direct purchases)	Up to AED 250,000	Registered suppliers (at least three offers must be obtained)	n.a.
Competition	Logos, models, drawings, and engineering plans	General	n.a.
Competitive dialogue	More than AED 5 million, and contract is multi-stage, overlaps with other projects, has a term of more than one year, or requires more than one supplier	Qualified and registered suppliers (at least three suppliers)	20 working days following the day the invitation was sent
Direct order	Up to AED 1 million. In cases of single source, declared emergency, utmost necessity	Supplier	n.a.

n.a. Not applicable.

Source: Cabinet Resolution No. 4 of 2019, Articles 25 and 30-35.

3.119. The authority to approve a contract lies with the federal entity, i.e. the Minister or whoever is delegated by the entity. Ministers have the power to approve contracts as they see fit regardless of the value (there is no upper limit), provided they state the reasons and justification for their decision. Approval of contracts by delegated officials is subject to value thresholds depending on their rank and the procurement method (Table 3.9). Fragmentation of procurements to bypass the authority of a higher-ranking official is prohibited.

Table 3.9 Public procurement thresholds for approval

Method	Undersecretary	Assistant Undersecretary	Director of Financial Resources/Procurement Department
Solicitation of offers (open and limited tenders)	AED 15 million	AED 5 million	AED 3 million
Direct order	AED 1 million	AED 500,000	AED 250,000

Source: Cabinet Resolution No. 4 of 2019, Article 4.

3.120. Value for money remains the main objective of public procurement; it is construed as the best combination of an item's cost and quality over its expected lifetime, or its suitability to meet the requirements of the procuring entity. Contracts are to be awarded to the most economically advantageous bid that is the best in technical terms and offers the lowest price.¹²³

3.121. Under the GCC Unified Rules on Granting Priority in Government Procurements to National Products and Products of National Origin (1987), products from other GCC member States qualify for a price preference of 10%.

3.122. Generally, Cabinet Resolution No. 4 does not appear to make a distinction between domestic and foreign goods and services. However, with respect to the solicitation of offers for open and

¹²³ Cabinet Resolution No. 4 of 2019, Article 6.

limited tenders, it requires that priority be given to "products of the national industry" when establishing technical specifications, if such products meet the required needs.¹²⁴

3.123. The Government actively promotes the participation of small and medium-sized enterprises (SMEs) in federal procurement. A price preference of 10% is granted to bids by UAE companies that receive support from SME funds under federal or local laws, provided that their capital does not exceed AED 10 million. The same price preference is given to "green" companies and to bids offering "green" goods and services produced or manufactured in the UAE.¹²⁵

3.124. The UAE also provides a 10% set-aside of federal procurement for SMEs. Federal entities are required to indicate in their annual procurement plans the goods and services that can be provided by suppliers who benefit from SME support funds.¹²⁶ In addition, companies receiving support from SME funds are exempted from registration fees in the Federal Suppliers Register, provided their capital does not exceed AED 10 million over the first two years from the date of registration. Exemptions from the obligation to submit a final guarantee (bid bond) are available for bids to supply goods for less than AED 1 million, and for bids for consulting services of less than AED 3 million.¹²⁷ The exemption from submitting a final guarantee also applies to companies to which the Government contributes at least 51% of their capital.

3.125. As part of a broader initiative to reduce government fees in support of UAE businesses (especially SMEs) during the COVID-19 pandemic, in May 2020, the MOF reduced all supplier registration fees by 50%, and cancelled all registration renewal fees and tender purchase fees.¹²⁸

3.126. In 2017, the MOF implemented the Procurement-to-Pay (P2P) automation project for purchases by federal entities. P2P is aimed at eliminating all manual tasks, streamlining collaboration among procurement departments, and saving costs through increased accuracy and reduced manual labour. The authorities indicate that the P2P has reduced the procurement cycle times, increased efficiency, and enabled proper governance of the procurement process by adding controls and submitting all procurement steps to auditing.

3.127. Currently, the MOF is developing a digital Government Procurement Platform to make federal procurement faster and more accessible to UAE companies. This initiative, launched in April 2019, is expected to increase cost effectiveness, and reduce procurement times from 60 days to 6 minutes. The platform will offer greater flexibility in procurement processes, streamline procedures for suppliers and users, and incentivize the participation of SMEs in federal procurement. The latter will be done through the following measures in favour of SMEs: (i) simplified registration procedures; (ii) a requirement that at least three SMEs be invited to each tender; (iii) a 10% bonus in the scoring process; (iv) exemption from submitting a performance bond; and (v) monitoring of yearly spending by purchasing entities to ensure SMEs receive a "fair" share of federal procurements. Moreover, the new platform will enable the use of framework agreements for categories of items frequently procured across federal entities, hence contributing to the speeding-up of purchasing processes and a reduction in costs. Overall, the platform will support the digital transformation of federal procurement, and it is expected to be operational for all federal entities in April 2022.

3.3.6.2 Procurement at the emirate level

3.128. At the local level, almost all Emirates have their own procurement departments and regulations applicable to the procurements made by local public authorities (Table 3.10). Generally, local procurement laws are substantially similar to the federal procurement law, although some matters may be addressed differently in each Emirate.

¹²⁴ Cabinet Resolution No. 4 of 2019, Article 21.

¹²⁵ Cabinet Resolution No. 4 of 2019, Article 27.

¹²⁶ Cabinet Resolution No. 4 of 2019, Article 18. This provision also requires federal entities to indicate in their annual procurement plans the goods and services that can be provided by green companies and companies contributing to social responsibilities.

¹²⁷ Cabinet Resolution No. 4 of 2019, Article 43.

¹²⁸ *Gulf Today* (2020), "MoF Announces New Decisions for Federal Entities in the UAE", 30 May 2020. Viewed at: <https://www.gulftoday.ae/en/business/2020/05/30/mof-announces-new-decisions-for-federal-entities-in-the-uae>.

3.129. Suppliers and contractors wishing to do business with government entities at the emirate level must register with the local authority that manages that Emirate's e-procurement system. Prior to that, they must obtain the necessary licences to practice commercial activities from the local competent authority such as the Department of Economic Development. Foreign suppliers may be required to partner with UAE nationals or to have a local service agent to participate in public tenders.

Table 3.10 Public procurement authorities and regulations at the emirate level

Emirate	Authority	Regulation	E-procurement portal or registration portal
Abu Dhabi	Department of Government Support, Government Procurement Office	Abu Dhabi Procurement Standards issued in April 2021	https://adgpg.gov.ae
Dubai	Department of Finance	Law No. 12 of 2020 on Contracts and Warehouse Management in Dubai Government	https://esupply.dubai.gov.ae/web/about-esupply.html
Sharjah	Finance Department	Law No. 8 of 2017 Concerning Tenders, Auctions and Stored Warehouse	https://www.eprocurement.sfd.gov.ae/web/login.html
Ajman	Department of Finance	Emiri Decree No. 11 of 2011 regarding the issuance of the Financial Law for the Government of Ajman	https://www.ajmanded.ae/en/tenders.aspx
Ras Al Khaimah	Finance Department	A set of government laws and decrees regulating purchases in the Ras Al Khaimah Government	https://finance.rak.ae/en/pages/evaluation.aspx

Source: Information provided by the authorities; and UAE Government Portal, *Government Tendering and Awarding*. Viewed at: <https://u.ae/en/information-and-services/business/government-tendering-and-awarding>.

3.130. During the period under review, the Emirate of Dubai issued Law No. 12 of 2020 on Contracts and Warehouse Management in Dubai Government, which came into effect on 1 January 2021. The new law established a framework to standardize the procurement processes of all Dubai government entities with the aim of achieving financial efficiency. It also seeks to foster transparency, integrity, and equal opportunity among suppliers, and to provide a legal framework for automating procurement as part of Dubai's smart transformation objectives. The law mandates the Department of Finance to create guidelines for the governance of procurement and to draft policies and decisions to unify procurement processes; it also stipulates the creation of a Central Registry of Suppliers.

3.131. In Abu Dhabi, the Government Procurement Office was set up as per Law No. 4 of 2020 regarding the Establishment of the Department of Government Support. According to Article 5, one of the objectives of the Department of Government Support is to regulate government procurement by setting directives, submitting them to the Executive Council for approval, supervising their implementation, and preparing reports thereon. The Law also stipulates the need to develop an information technology platform for government procurement, and to strengthen partnerships with the private sector to modernize the government support sector and increase efficiency and effectiveness. In April 2021, the Department of Government Support circulated the new Abu Dhabi Procurement Standards among the Emirate's government entities. On 1 July 2021, the Department was mandated to provide a unified procurement framework aiming to elevate procurement into a strategic function to drive value for the Abu Dhabi government entities.

3.132. Measures to promote SMEs' participation in government procurement are also applied at the emirate level. The Government of Dubai requires that all government entities and companies in the Emirate, in which the Government has at least 25% ownership, provide preferences for SMEs, including a 10% set-aside, an exemption from registration fees, a 5% discount in rent for entities in commercial centres, and a 5% percent price preference. In April 2020, the Government of Abu Dhabi announced a set-aside of 15% of procurement spending and annual contracts to micro, small, and

medium-sized enterprises (MSMEs).¹²⁹ MSMEs are also exempted from providing bid bonds and performance bonds.

3.3.6.3 Special procurement regimes

3.133. Certain public authorities have specific legislation governing their procurement and tendering activities. For instance, procurements for the UAE Armed Forces and the Abu Dhabi Police are governed by special procurement rules. The Tawazun Economic Council is in charge of managing such procurements; it awards contracts, supervises their execution, allocates procurement budget, registers suppliers, and develops procurement legislation and policies.¹³⁰ Foreign defence contractors that are awarded contracts with a value exceeding USD 10 million must participate in the Tawazun Economic Program, which requires them to establish joint ventures with UAE companies that yield profits equivalent to 60% of the contract value within a seven-year period.¹³¹

3.134. As part of its efforts to promote economic diversification, support the national industry, and create jobs for UAE citizens, the UAE has progressively put in place a scheme to increase national value-added or In-Country Value (ICV), which is mainly linked to government procurement. The ICV programme was originally launched in 2018 in the Emirate of Abu Dhabi. Under this scheme, companies participating in government tenders are assessed according their contribution to the local economy by way of an ICV certificate; those with the highest scores are given preference in the process of awarding procurement contracts.

3.135. In September 2021, the UAE Government launched the National Value-Added Program, expanding the ICV scheme to the national level. The new programme is one of the main pillars of the National Strategy for Industry and Advanced Technology aimed at enhancing the competitiveness of the industrial sector and reducing dependence on imports (Section 3.3.1). The National Value-Added Program, which is to be implemented by the Ministry of Industry and Advanced Technology, seeks to increase demand for local goods and services by redirecting more than 42% of procurement and contract spending to the national economy. It will gradually incorporate 45 federal entities and 15 major national companies and is expected to increase the number of approved suppliers from 5,000 to 7,300 and the value of purchases from AED 33 billion to AED 55 billion by 2025.¹³² Participant suppliers/companies with the highest scores in national value-added will be granted preference in goods and services tenders by the federal entities and main national companies.¹³³ In addition, local and foreign suppliers participating in the programme will benefit from competitive financing solutions provided by the Emirates Development Bank. The national value-added of each company will be assessed based on the following criteria: (i) cost of manufacturing or amount of spending on products and services within the UAE; (ii) value of investment in fixed assets; (iii) expenditure on recruitment, qualification, and development of capabilities of national and resident cadres working in the country; and (iv) investment in advanced technologies, and research and development. Participating companies will be evaluated by independent certifying bodies and will be awarded a National Value-Added Certificate.

3.136. In the context of the GCC-Singapore and the GCC-European Free Trade Association (EFTA) trade agreements, the UAE has accepted to open its government procurement market for procurements by UAE federal government entities (as specifically listed in each agreement), with a value above certain thresholds. For the GCC-Singapore agreement, the thresholds are special drawing rights (SDR) 134,000 for goods and services, and SDR 5,844,000 for construction services.

¹²⁹ USTR, *2021 National Trade Estimate Report on Foreign Trade Barriers*. Viewed at: <https://ustr.gov/sites/default/files/files/reports/2021/2021NTE.pdf>.

¹³⁰ UAE Government Portal, *Government Tendering and Awarding*. Viewed at: <https://u.ae/en/information-and-services/business/government-tendering-and-awarding>.

¹³¹ U.S. Department of State, *2020 Investment Climate Statements: United Arab Emirates*. Viewed at: <https://www.state.gov/reports/2020-investment-climate-statements/united-arab-emirates/>.

¹³² *Middle East in 24*, "Launching the 'National Value Added Program' to Stimulate National Industries and Enhance the Competitiveness of the UAE Economy", 5 September 2021. Viewed at: <https://middleeast.in-24.com/News/208115.html>.

¹³³ Etisalat (a telecommunications company), Emirates Steel and TAQA (an electricity and water utility) were the first main national companies to join the National Value-Added Program. *Gulf News Report* (2021), "Leading UAE Firms Join the National In-Country Value Programme", 11 September 2021. Viewed at: <https://gulfnews.com/uae/year-of-the-50th/leading-uae-firms-join-the-national-in-country-value-programme-1.82191588>.

For the GCC-EFTA agreement, the thresholds are SDR 147,000 for goods and services, and SDR 6,438,400 for construction services.

3.3.7 Intellectual property rights

3.3.7.1 Overview

3.137. The UAE recognizes the importance of a strong intellectual property (IP) protection for creating a stimulating environment for innovation.¹³⁴ The UAE National Innovation Strategy, published in 2015, highlights that sound institutions and a sound regulatory environment are key constituents of innovation. The Strategy sets as one of its goals to design efficient patent registration procedures and raise awareness on intellectual property rights (IPRs).¹³⁵ Since its last TPR in 2016, the UAE has thus made some updates of its intellectual property regime including three major changes. First, the repeal of Patent Law No. 17 of 2002 by Federal Law No. 11 of 2021 covering the protection of patents, industrial designs, undisclosed information, and utility certificates. Second, the UAE joined the Madrid Protocol in September 2021 (entry into force in December 2021) as its 125th member. This will allow future trademark applications to be filed in a single application among its 124 member countries. Third, Federal Law No. 36 of 2021 on Trademarks repealed Federal Law No. 37 of 1992 on Trademarks as amended. In addition, the Ministry of Economy signed a Roadmap for 2019-2020 to strengthen IP applications and develop an innovative environment with the French National Industrial Property Institute. Training for students on IP awareness and raising the importance of IP registration for owners of SMEs were especially emphasized.¹³⁶ Between 2018 and 2021, the UAE improved its ranking in the Global Innovation Index from 38th to 33rd.¹³⁷

3.138. In 2016, Federal Law No. 19 on Combating Commercial Fraud repealed Federal Law No. 4 of 1979 on Combating Fraud and Deception in Commercial Transactions, notably increasing potential penalties. Article 2 stresses that the Law also applies in the free zones, which have at times been used to move counterfeit goods.¹³⁸ The reinforcement of controls over counterfeit goods and greater awareness of customs officials allowed the UAE to be removed from the United States' Watch List for IP protection in 2021.¹³⁹

3.139. The UAE IP regime is based on several laws covering copyrights and neighbouring rights, patents and designs, trademarks, and plant varieties (each detailed below). In addition, the UAE complies with the GCC Unified Patent Law of 1992 (as amended) and the provisions of the new Trademarks Law align with the GCC Trademark Law.¹⁴⁰

3.140. The UAE is a member of WIPO (1974); a signatory to the Paris Convention (1996), the Patent Cooperation Treaty (1999), the Berne Convention (2004), the Rome Convention (2004), the WIPO Copyright Treaty (2004), the WIPO Performance and Phonograms Treaty (2005), and the Marrakesh Treaty (2016); a contracting party to the Beijing Treaty on Audiovisual Performances (2020) and the Madrid Protocol (2021); and a party to the Budapest Treaty (2021) and the Strasbourg Agreement Concerning the International Patent Classification (2022). The UAE accepted the amendment to the Agreement on Trade-Related Aspects of Intellectual Property Rights in January 2017. In addition, as a member State of the GCC, the UAE is a party to the GCC patent system. The UAE is not a member of the International Union for the Protection of New Varieties of Plants but has announced its intention to join the Union (Section 3.3.7.5).

¹³⁴ UAE Ministry of Economy, Achievements of the Intellectual Property Sector. Viewed at: <https://www.economy.gov.ae/english/Knowledge-Section/SDGs/Pages/IP.aspx>

¹³⁵ UAE National Innovation Strategy, pp. 5 and 8. Viewed at: <https://bit.ly/3sOZtnu>

¹³⁶ *Emirates News Agency* (2019), "Ministry of Economy, French INPI to Collaborate Further on Intellectual Property Rights", 19 October 2019.

¹³⁷ The Global Innovation Index (GII) ranks world economies according to their innovation capabilities, through roughly 80 indicators, grouped into innovation inputs and outputs. WIPO (2021), *Global Innovation Index 2021*, 14th ed. Viewed at: https://www.wipo.int/edocs/pubdocs/en/wipo_pub_gii_2021.pdf

¹³⁸ OECD (2018), *Governance Frameworks to Counter Illicit Trade*. Viewed at: <https://www.oecd-ilibrary.org/docserver/9789264291652-en.pdf?expires=1639488626&id=id&accname=ocid195767&checksum=8617C9780B9B4C97E01077FA7902BFD2>.

¹³⁹ *Emirates News Agency* (2021), "Dubai Customs' IP Protection Efforts Get the UAE Off U.S. Anti-Counterfeiting Watch List", 5 May 2021.

¹⁴⁰ Information provided by the authorities.

3.141. The Ministry of Economy is the institution responsible for most IP matters with some specific health and agriculture-related protection issues dealt with by the Ministry of Health and Prevention and the MOCCA. The FCA sets the policies and procedures in partnership with the emirate customs authorities, while enforcement of IPRs at the border is done by the latter under the supervision of the FCA. The FCA also organizes trainings on IPRs for all emirate customs authorities in collaboration with the private sector and international organizations to help implement best practices.¹⁴¹

3.142. In 2019, the Dubai International Financial Centre (DIFC) (free zone) published the DIFC Intellectual Property Law, which applies to any person who owns or claims ownership, uses or attempts to use, or seeks to enforce or protect an IPR, or any part thereof, in the DIFC. Under the legislative authority of the Emirate of Dubai, the Law follows the announcement of the Dubai Future District project, which will create a district dedicated to the new economy and technologies, by connecting the Dubai World Trade Centre, Emirates Towers, and the DIFC.¹⁴² The Law integrates the UAE federal laws on IP protection and adds new dimensions such as several criteria for considering a trademark as "well-known" (Article 45) and details on the framework for trade secrets. The DIFC is the only free zone to have its own IP law, while all other free zones apply the federal laws.

3.143. Following a previous increase in 2015¹⁴³, the Government decided to reduce fees for trademarks first in July 2019 by approximately 25% and again in a second phase by around 25% in April 2020, applicable to new and pending trademark applications, to encourage better IP protection. Copyrights fees were reduced from AED 300 (legal person) and AED 100 (natural person) to AED 200 and AED 50, respectively.¹⁴⁴ Fees for filing a patent, which had been increased to AED 2,000 for companies in 2015, remained the same. Individuals submitting a patent application are asked to pay AED 1,000.

3.3.7.2 Patents

3.144. Several changes occurred on patent protection during the review period. The Government repealed Federal Law No. 17 of 2002 on Regulating and Protecting Industrial Property for Patents, Designs, and Industrial Drawings, as amended by Federal Law No. 31 of 2006, through Federal Law No. 11 of 2021, planned to be effective in December 2021. The purpose of this legislative change is to bring the Law closer to current international standards and best practices. In addition, changes occurred at the GCC level, with the GCC Patent Office announcing in January 2021 that it would temporarily suspend accepting new patent applications. Since 1998, the GCC Patent Office had been providing a mechanism for regional filings of patents, offering protection in all six GCC member States after a single patent application was filed and approved by the Patent Office. Until the resumption of operations, applicants seeking patent protection in the GCC member States must file applications directly to individual States or through the Paris Convention or Patent Cooperation Treaty. Existing pending GCC patent cases will continue to be processed, and patents granted will still be protected. The authorities indicate that after this transitional period, the GCC Patent Office will provide customized services for its member States.

3.145. According to the new federal law, patents can be granted for each new invention that is contrived from a creative idea or creative enhancement, forms an inventive step, and is capable of industrial application. The Law specifies that "inventive" means that it is not axiomatic in the opinion of the ordinary craftsperson based on the state of the art. The "novelty" is assessed if the invention has not been disclosed to the public prior to the filing date. Article 5(4) introduces a grace period of 12 months prior to the filing date, whereby disclosures occurring within this timeframe will not break the "novelty" requirement. Patents can be granted to new inventions or to a modification, enhancement, or addition made to a previous invention. Article 22 indicates that patents do not apply, *inter alia*, to the combination of two or more medicines for the purpose of a medical treatment by a licensed pharmacist.

3.146. The Ministry of Economy is the competent authority to register patents in the UAE. Applications can submit their filing online through the Ministry's website. The new patent law

¹⁴¹ Information provided by the authorities.

¹⁴² Dubai Future District, *About*. Viewed at: <https://dubaifuturedistrict.ae/about/>; and DIFC, Intellectual Property Law, DIFC Law No. 4 of 2019.

¹⁴³ See WTO document WT/TPR/S/338/Rev.1, 4 October 2016, para. 3.118.

¹⁴⁴ Ministry of Economy, *Registration of Works*. Viewed at: <https://services.economy.ae/m/Pages/ServiceCard.aspx?WFID=41>.

introduces the possibility to file urgent patent applications open to any applicant after the payment of a fee. Pending applications will be made available to the public.

3.147. Patent protection runs for 20 years from the date of original filing. Utility certificates may also be granted to relatively small inventions of devices with tangible structures (i.e. do not include chemicals, materials, methods, or compositions). Utility certificates will be protected for 10 years, while industrial drawing and designs will be protected for 20 years under the new law compared to 10 years previously. A Know-how is protected until it has been published or put at the public disposal and the owner has adopted necessary measures to maintain the secrecy needed.¹⁴⁵

3.148. The new law retains the previous exclusions for patentability that concerned plant varieties, animal species, or biological methods of producing plants or animals (with exceptions for microbiological methods and their products); diagnostic methods, treatments, and surgical operations needed for humans and animals; scientific and mathematical principles, discoveries, and methods; guides, rules, or methods for business, mental activities, or to play games; and inventions that may lead to violation of public order or morals¹⁴⁶, and it adds three exclusions (on research on plant and animal species, software¹⁴⁷, and natural substances). Computer coding or computer programs are not patentable. However, business model or system inventions heavily using computer algorithms, as well as computer-readable media containing a computer program for execution in a computer, are patentable.¹⁴⁸

3.149. Patent applications have been increasing steadily since 2011. Ranging between 1,300 and 1,500 annually until 2014, they reached 1,700-1,900 during 2015-19 for resident and non-resident applications. The vast majority are non-resident applicants. In addition, abroad applicants have submitted around 700 each year since 2016. While the Ministry of Economy used to allow for an unlimited number of re-examinations, the new law will enable statutory withdrawal or final rejection for the applications that do not satisfy the conditions for registration.¹⁴⁹

3.3.7.3 Copyrights and related rights

3.150. There has been no change to the copyright legislation in the UAE since the last Review. Registration of copyrights is done through the Ministry of Economy and can be submitted online via the Ministry's website.¹⁵⁰

3.151. Federal Law No. 7 of 2002 on Copyrights and Neighbouring Rights, as amended by Federal Law No. 32 of 2006, grants copyright protection to various types of literary, artistic, dramatic, and musical work, as well as works given verbally such as speeches, applied arts such as handicrafts, works of drawings including architecture or designs, computer software and applications, databases, and similar works. The Law prevents third parties from copying without consent and deals with infringing works. Protection is automatically granted upon the creation of an original work in material form, provided it is not in a category that is excluded from protection (unless an innovative element is included) such as legal texts, news reports, and works that have become public property.¹⁵¹ Registration is not required to achieve protection, but it facilitates the burden of proof in legal proceedings.¹⁵²

3.152. Under Article 20 of the Copyright Law, economic rights shall be protected for the lifetime of the author plus 50 years starting from the first day of the calendar year following their death; joint works shall be protected for the duration of the authors' lives plus 50 years starting from the first day of the calendar year following the death of the last surviving author. Works of applied art are

¹⁴⁵ Federal Law No. 17 of 2002 as amended, Article 39.

¹⁴⁶ UAE Government Portal, Intellectual Property. Viewed at: <https://u.ae/en/information-and-services/business/intellectual-property>.

¹⁴⁷ While copyright protection of software is harmonized internationally, many countries do not recognize the patentability of software. For more information, see WIPO, *Copyright Protection of Computer Software*. Viewed at: <https://www.wipo.int/copyright/en/activities/software.html>; and *Computer Programs and Business Models*. Viewed at: <https://www.wipo.int/patents/en/topics/software.html>.

¹⁴⁸ Information provided by the authorities.

¹⁴⁹ Information provided by the authorities.

¹⁵⁰ UAE Government Portal, *Intellectual Property*. Viewed at: <https://u.ae/en/information-and-services/business/intellectual-property>

¹⁵¹ Federal Law No. 7 of 2002 on Copyrights and Neighbouring Rights, as amended, Articles 3-4.

¹⁵² WTO document WT/TPR/S/338, 27 April 2016.

protected for 25 years from the first day of the calendar year following the year in which the work was first published, and broadcasts are protected for 20 years from the date of first broadcast.

3.153. As the UAE is a party to the Berne Convention for the Protection of Literary and Artistic Works, any works created by nationals of other Berne Convention States are recognized in the UAE.¹⁵³

3.154. The number of copyright registration increased every year during the review period, leading to a substantial overall augmentation from 590 in 2016 to 1,984 in 2020. The authorities received 308 applications for computer programs and applications in 2020 compared to 117 in 2016.¹⁵⁴

3.3.7.4 Trademarks

3.155. Trademark legislation in the UAE was changed in late 2021 with the development of the new Federal Law No. 36 of 2021 on Trademarks. At the time of writing, the executive regulations had not yet been made available, and the provisions of the Law could not be covered in this Review.

3.156. Under the previous law (Federal Law No. 37 of 1992 on Trademarks as amended by Federal Law No. 19 of 2000 and Federal Law No. 8 of 2002), all that takes a distinctive shape composed of names, words, signatures, letters, numbers, drawings, symbols, addresses, hallmarks, stamps, pictures, engravings, advertisements, packages, or any other mark or a combination thereof if used or meant to be used either in distinguishing goods, products, or services, or establishing that the goods or products are owned by the owner of the trademark can be considered as a trademark.¹⁵⁵ The voice accompanying a trademark is considered a part of it.¹⁵⁶ A trademark must be distinctive and not confusingly similar to earlier trademarks. The 1992 Law on Trademarks does not contain provisions specific to geographical indications (GIs); nevertheless, Article 3 forbids registration of geographical names and data should their use create confusion as to the origin or source of the goods, products, or services. The authorities indicate that some undue references to countries have been rejected.

3.157. Under the 1992 Law on Trademarks, trademarks are registered with the UAE Trademark Office (integrated to the Ministry of Economy) in one of the classes within the standard international classification of goods and services. Applications that cover multiple classes are not permitted under the Law, hence separate applications must be filed for marks used across different ones.¹⁵⁷ Trademark applications can be submitted online. After approval, the trademark will be issued in two UAE Arabic newspapers at the expense of the applicant, and potential complainants have 30 days to submit their opposition.¹⁵⁸

3.158. Duration of protection is for 10 years under the 1992 Trademarks Law, and can be renewed indefinitely for additional periods of 10 years. Third parties can claim the cancellation of a trademark if it has not been used for five consecutive years.¹⁵⁹ Article 4 of the Law specifies that trademarks having international goodwill transcending the boundaries of their country of origin may not be registered, unless a request is made by its original owner or someone acting on their behalf. The authorities clarified that the protection enjoyed by well-known trademarks is automatic.

3.159. Upon implementation of the Madrid Protocol (entry into force was scheduled for December 2021), UAE trademark applicants will be able to file a single international application and its protection will be extended to all other 124 Madrid Protocol member countries (of the GCC, Oman and the Kingdom of Bahrain are members of the Protocol). This centralized filing of trademarks system will increase the effectiveness of trademark registration, which currently has to be made

¹⁵³ WTO document WT/TPR/S/338, 27 April 2016.

¹⁵⁴ Information provided by the authorities.

¹⁵⁵ Federal Law No. 37 of 1992, as amended, Article 2.

¹⁵⁶ UAE Government Portal, *Intellectual Property*. Viewed at: <https://u.ae/en/information-and-services/business/intellectual-property>.

¹⁵⁷ Federal Law No. 37 of 1992 as amended, Article 8.

¹⁵⁸ Federal Law No. 37 of 1992 as amended, Article 14.

¹⁵⁹ Federal Law No. 37 of 1992 as amended, Articles 19 and 22.

through separate applications in each country. The Madrid Protocol allows for a single payment of fees to apply for protection.¹⁶⁰

3.160. Cabinet Resolution No. 17 of 2019 allows trademark and copyright owners to register their trademarks and copyrights for protection at any customs authority in the UAE if these were already pre-recorded by the Ministry of Economy.

3.161. The new UAE Law on Trademarks aligns with the GCC Trademark Law. The GCC law does not establish a unified registration or enforcement system; it aims to create a single set of regulations for trademark protection that applies uniformly across all the GCC member States. Therefore, registering a trademark in all six GCC member States requires filling separate national trademark applications.

3.162. Applications for trademarks remained stable over the review period, at around 18,000-19,000 annually. Registration can take one or more years to be completed once the application is done; thus, in a given year, registrations can outnumber applications (Table 3.11).

Table 3.11 Trademark registrations and applications in the UAE, 2016-20

Year	2016	2017	2018	2019	2020
Applications	18,777	19,055	18,455	18,686	18,620
Registrations	16,726	26,149	22,417	21,543	16,781

Source: Information provided by the authorities.

3.3.7.5 Plant variety protection

3.163. Federal Law No. 17 of 2009 on the Protection of Plant Varieties is based on the principles of the International Union for the Protection of New Varieties of Plants (UPOV), of which the UAE is currently an observer member. The UAE authorities indicated to UPOV in 2020 their intention to adhere to the Union, and to this effect have issued a draft law to make current Emirati plant protection regulations compliant with the requirements of UPOV.¹⁶¹ Accordingly, UPOV reviewed and accepted the draft and requested that the UAE issues the law to enable its full membership.¹⁶²

3.164. According to Ministerial Decision No. 377 of 2017, registration for the protection of new plant varieties is to be done through the Director of the Agriculture Development and Health Department at the MOCCA. Protection of the plant breeder's right extends to 20 years after the right was granted, and 25 years in the case of varieties of vines and trees.

3.3.7.6 Enforcement

3.165. All major laws on patents and designs, copyrights, and trademarks include provisions that intend to prevent violations of IPRs. Thus, various provisions of each of these laws lay out penalties for IPR violations that include monetary fines and prison sentences. In coordination with the FCA, emirate customs authorities are in charge of combating IPR fraud, such as seizing counterfeit goods to uphold the UAE's IPR protection and customs regulations. Customs can take legal action in terms of seizing counterfeit goods after having received a complaint by the trademark owner or pre-emptively to protect consumers from being misled.¹⁶³ To request an investigation of customs inspection for a suspected infringement of IPRs, the complainant must pay a fee of AED 2,000.¹⁶⁴ Once a suspension or a seizure is made, customs coordinates with private sector actors to give feedback and potentially take legal action.¹⁶⁵

3.166. Within the Emirates, several authorities have different scopes for the control of goods, thus Dubai Customs has the authority to search and seize counterfeit products at the Emirate's borders

¹⁶⁰ WIPO, *Madrid – The International Trademark System*. Viewed at: <https://www.wipo.int/madrid/en/>.

¹⁶¹ UPOV (2020), *Analysis Document C/Analysis/2020/2*, 22 May 2020, Annex 1. Viewed at: https://www.upov.int/edocs/mdocs/upov/en/c_54/c_analysis_2020_2.pdf.

¹⁶² Information provided by the authorities.

¹⁶³ Information provided by the authorities.

¹⁶⁴ FCA, *Intellectual Property*. Viewed at: <https://fca.gov.ae/En/HomeRightMenu/Pages/IntellectualProperty.aspx?SelectedTab=8>.

¹⁶⁵ Information provided by the authorities

and in Dubai's free zones, whereas the Dubai Police and the Dubai Department of Economic Development manage controls within the Dubai (non-free zones) market.

3.167. In addition to Federal Law No. 19 of 2016 on Combating Commercial Fraud, the authorities strengthened their arsenal to combat IPR violations during the review period by signing a Memorandum of Understanding (MoU) between the Dubai Customs and the Brand Owners' Protection Group (GCC and Yemen).¹⁶⁶ The aim of this MoU is to work on a framework of cooperation to prevent the import of counterfeit and pirated goods through bilateral exchange of information, awareness training for customs officials, and testing of goods samples.¹⁶⁷ The DIFC Intellectual Property Law of 2019 (Section 3.3.7.1) also introduces penalties issued by the DIFC Court, ranging from USD 5,000 to USD 40,000 in case of infringement, which can be doubled in case of repetition, in some cases much higher than federal law provisions.¹⁶⁸ Under the new federal Patent Law, the range of penalties was increased to AED 100,000 (minimum) to AED 1 million (maximum). The authorities indicate that as of October 2021 the Commissioner of Intellectual Property had received one infringement complaint regarding a trademark for the year 2021, resulting in a fine of USD 25,000 and the temporary suspension of the infringer's commercial licence.¹⁶⁹

¹⁶⁶ Non-profit organization that aims to achieve improvement in the protection of IP and especially brand protection environment across the Gulf region. Brand Owners' Protection Group, *About BPG*. Viewed at: <https://gulfbpg.com/about/>.

¹⁶⁷ Information provided by the authorities.

¹⁶⁸ DIFC, Intellectual Property Law, DIFC Law No. 4 of 2019, Schedule 3.

¹⁶⁹ Information provided by the authorities.

4 TRADE POLICIES BY SECTOR

4.1 Agriculture and Fisheries

4.1.1 Overview

4.1. The agriculture, forestry, and fishing sector in the United Arab Emirates (UAE) grew as a share of GDP during the review period, but remained relatively small at less than 1% (from 0.65% in 2016 to 0.78% in 2020) (Section 1.1).¹ In 2020, the value added of the sector was worth AED 12.1 billion.² Because the UAE is projected to have 11 million people by 2050, has less than 5% arable land, and imports 90% of its food, increasing local food stock and securing foreign supply are top priorities for the Government.³ To this end, several policy plans and investment programmes have been implemented in recent years, centring on new technologies and innovative methods (Section 4.1.3). In the meantime, the share of agriculture in the labour market continued to decline, and stood at 1.4% in 2019 (compared to 1.8% in 2016), significantly lower than the 8.5% it accounted for in 1990.⁴

4.2. During the review period, the value of agricultural production (field crops, vegetables, and fruit trees) rose by 3.7% to AED 4.1 billion, while total crop area increased by 15.3%. Abu Dhabi, as the largest Emirate, is by far the main contributor to the agriculture sector. In 2020, 67% of total land use for agriculture was located in Abu Dhabi, followed by Ras Al Khaimah (10%). For an Emirate of Abu Dhabi's size, its shares of total production and total value are relatively small (44% and 55%, respectively), which might be explained by a much higher proportion of fallow land than in other Emirates.⁵

4.3. Total value of crops is distributed among fruit trees (61%), vegetables (22%), and field crops (17%). The value of vegetable production more than doubled in four years. Vegetables have by far the highest ratio of value produced per land use. Table 4.1 details the total area, production, and value for field crops, vegetables, and fruit trees between 2016 and 2020.

Table 4.1 Agriculture production and value by types of crops for 2016-20

(donum (area), tonnes (production), or '000 AED (value))

	2016	2017	2018	2019	2020
Field crops: area	92,439	111,955	77,591	109,644	107,704
Field crops: production	506,677	645,282	467,903	579,785	476,958
Field crops: total value	845,768	1,066,119	697,864	859,305	695,338
Vegetables: area	43,974	55,481	53,204	65,847	65,088
Vegetables: production	156,137	226,108	246,523	304,474	336,580
Vegetables: total value	350,163	538,800	686,387	817,084	895,683
Fruit trees: area	365,596	393,228	393,940	406,051	406,047
Fruit trees: production	445,646	368,248	376,347	382,588	394,585
Fruit trees: total value	2,748,505	2,361,466	2,237,427	2,468,721	2,501,463

Note: 1 donum = 1,000 m².

Source: Federal Competitiveness and Statistics Centre.

4.4. The three main field crop types cultivated in the UAE in 2020 were Rhodes grass, elephant grass, and alfalfa. Dates are by far the principal fruit grown in the UAE, representing 92.6% of the total value of fruit trees in 2020. Other fruits cultivated include mangos, figs, and limes. Vegetables are more diversified, with cucumbers contributing to 31% of the total value of production, followed by tomatoes (27%) and squash (6%).⁶

¹ WTO Secretariat calculations, in constant 2010 prices.

² Federal Competitiveness and Statistics Centre, *GDP at Current Prices by Economic Sectors*.

³ Ministry of Food and Water Security (2021), *The Future of Food: Towards Future Food Security 2051*.

Viewed at:

https://foodsecurity.gov.ae/en/download_report/AtoAiyMU4R9umA9wDQVT5P0LjqIfVcsPqrYzsdNx.pdf.

⁴ World Bank, *Employment in Agriculture (% of Total Employment)*. Viewed at:

<https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=AE>.

⁵ 2020 data were provided by the authorities. Federal Competitiveness and Statistics Centre, *Statistics by Subject: Agriculture, Environment and Energy*. Viewed at: <https://bit.ly/3duiDsn>.

⁶ Information provided by the authorities.

4.5. In 2020, the UAE counted almost 5 million livestock animals in its territory, among which were mainly goats, sheep, camels, and cattle (in decreasing order). Most (70%) were located in the Emirate of Abu Dhabi. Compared to 2016, the year of the last Review, total livestock increased by about 150,000 animals (+3%).

4.1.2 Trade

4.6. The UAE's small agriculture and fishery production means that it imports most of its food for consumption. While agriculture and fisheries represented 0.78% of GDP in 2020 and not more than 1.1% of non-oil GDP, their share of total trade is much more substantial at 7%-8%. On a slight declining trend from 2016 (8.1%) to 2019 (7.4%), the share of imports of agricultural and fish products in the total of UAE's imports rose again in 2020 (8.2%) in the context of the pandemic. Between 2015 and 2020, the top three partners for imports were on average: the European Union (EU-27) (16.6%), India (10.4%), and Brazil (8.1%).

4.7. For total non-oil exports (including re-exports), top partners for the period 2015-20 were regional partners, namely Iraq (14%), the Islamic Republic of Iran (12.9%), and the Kingdom of Saudi Arabia (9.1%). Agricultural and fishery products exports and re-exports represented an average of 7.4% of total non-oil exports and re-exports between 2016 and 2020. Total value of exports (including re-exports) of agriculture and fishery products increased by 25% between 2016 and 2019 before dropping to 2016 levels in 2020.⁷

4.8. The UAE's applied MFN tariff for agricultural products (not including fish and fishery products) of 6.7% was higher than its total simple average of 5% (Section 3.1.3). This relatively high average is explained by the high tariff average of beverages, spirits, and tobacco of 28.4%, while other categories' simple average ranges between 3% and 5.9%. Of tariff lines for WTO agricultural products, 21.2% were duty-free.

4.9. Tables 4.2 and 4.3 record trade in agricultural and fishery products (for more information on fisheries, see Section 4.1.4) for 2016-20. Only products whose share exceeded 1% of their respective category are included.

Table 4.2 Imports of agricultural and fish products and major partners, 2016-20

(USD million)

HS code	Product description	2016	2017	2018	2019	2020	2016-20 avg	Top three major partners in 2015-20 (% of total)
08	Edible fruit and nuts	2,103	2,208	1,957	2,363	1,618	2,050	United States (20.4%); India (13.7%); South Africa (10.1%)
02	Meat and edible meat offal	1,641	1,706	1,870	2,282	1,452	1,790	Brazil (42.7%); Australia (13.7%); India (9.5%)
24	Tobacco and manufactured tobacco substitutes	2,409	2,307	1,525	1,200	1,021	1,692	Republic of Korea (26.6%); EU-27 (18.5%); China (9.9%)
04	Dairy produce	1,583	1,816	1,851	1,726	1,449	1,685	EU-27 (30%); New Zealand (26.5%); Kingdom of Saudi Arabia (20.5%)
10	Cereals	3,102	1,301	1,257	1,080	1,057	1,559	India (33.6%); Canada (27.8%); Russian Federation (7.5%)
07	Edible vegetables and certain roots and tubers	1,292	1,342	973	946	849	1,080	India (14.1%); Canada (12.6%); EU-27 (11.8%)

⁷ WTO Secretariat calculations, based on trade statistics provided by the authorities.

HS code	Product description	2016	2017	2018	2019	2020	2016-20 avg	Top three major partners in 2015-20 (% of total)
22	Beverages, spirits and vinegar	1,117	1,150	1,080	1,141	655	1,029	EU-27 (39.8%); United Kingdom (20.8%); United States (7.8%)
12	Oil seeds and oleaginous fruits	953	940	934	1,002	925	951	Canada (33.4%); EU-27 (24.7%); United States (12.8%)
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	1,080	887	856	946	807	915	EU-27 (27.8%); Kingdom of Saudi Arabia (15.1%); Oman (9.9%)
21	Miscellaneous edible preparations	956	924	932	914	789	903	EU-27 (27.4%); United States (23.9%); United Kingdom (5.3%)
17	Sugars and sugar confectionery	780	1,361	763	553	457	783	Brazil (59.3%); EU-27 (8.6%); India (6.5%)
09	Coffee, tea, mate and spices	685	734	732	683	623	691	India (22.7%); Kenya (15.2%); Guatemala (11.8%)
18	Cocoa and cocoa preparations	557	560	710	746	462	607	EU-27 (39%); Russian Federation (10.1%); Switzerland (6.5%)
03	Fish and crustaceans	566	618	649	648	453	587	India (29.5%); Norway (10.3%); Viet Nam (7.8%)
15	Animal or vegetable fats and oils and their cleavage products	604	625	608	515	409	552	Indonesia (28.6%); Malaysia (11.4%); Ukraine (10.9%)
20	Preparations of vegetables, fruit, nuts or other parts of plants	597	587	543	558	383	534	EU-27 (28.4%); Kingdom of Saudi Arabia (16.1%); United States (10.2%)

Source: WTO Secretariat calculations based on data from the Federal Competitiveness and Statistics Centre.

Table 4.3 Exports (including re-exports) of agricultural and fish products and major partners, 2016-20

(USD million)

HS code	Product description	2016	2017	2018	2019	2020	2016-20 avg	Top three major partners in 2015-20 (% of total)
24	Tobacco and manufactured tobacco substitutes	4,280	5,107	4,531	4,652	3,772	4,468	Iraq (27.3%); Islamic Republic of Iran (9.1%); Afghanistan (7.3%)
08	Edible fruit and nuts	721	771	1,199	1,360	1,009	1,012	Islamic Republic of Iran (26.2%); Kingdom of Saudi Arabia (10.4%); Oman (8.7%)
04	Dairy produce	573	539	946	988	724	754	Kingdom of Saudi Arabia (19.6%); Oman (15.4%); Iraq (12.8%)

HS code	Product description	2016	2017	2018	2019	2020	2016-20 avg	Top three major partners in 2015-20 (% of total)
17	Sugars and sugar confectionery	763	1,037	500	302	611	643	Sudan (21.7%); Islamic Republic of Iran (10.1%); Oman (7.1%)
21	Miscellaneous edible preparations	642	486	648	656	561	598	Islamic Republic of Iran (20%); Kingdom of Saudi Arabia (18.2%); Oman (9.2%)
22	Beverages, spirits and vinegar	515	481	573	628	417	523	Oman (12.9%); Islamic Republic of Iran (12.8%); EU-27 (6.8%)
09	Coffee, tea, mate and spices	418	380	522	615	561	499	Islamic Republic of Iran (12.9%); Iraq (9.7%); Russian Federation (8%)
19	Preparations of cereals, flour, starch or milk; pastrycooks' products	306	278	441	550	518	419	Kingdom of Saudi Arabia (28.5%); Oman (11.2%); Iraq (8.4%)
15	Animal or vegetable fats and oils and their cleavage products	305	275	375	468	539	392	China (22.4%); Kingdom of Saudi Arabia (13%); Oman (8.6%)
20	Preparations of vegetables, fruit, nuts or other parts of plants	433	313	357	401	278	356	Iraq (16.9%); Oman (15.5%); Kingdom of Saudi Arabia (11.3%)
18	Cocoa and cocoa preparations	316	253	438	450	301	352	Kingdom of Saudi Arabia (38.1%); Oman (13.4%); State of Kuwait (9.3%)
07	Edible vegetables and certain roots and tubers	267	323	357	367	402	343	Islamic Republic of Iran (24.1%); Kingdom of Saudi Arabia (13.2%); Oman (12.9%)
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	159	218	347	424	356	301	Kingdom of Saudi Arabia (29.7%); Egypt (18.1%); State of Kuwait (13.3%)
10	Cereals	501	337	344	167	105	291	Islamic Republic of Iran (62.8%); Oman (14.6%); Sri Lanka (3.5%)
02	Meat and edible meat offal	57	71	245	653	209	247	Islamic Republic of Iran (49.2%); Kingdom of Saudi Arabia (12.3%); Oman (9.8%)
23	Residues and waste from the food industries; prepared animal fodder	220	188	192	251	243	219	Viet Nam (25.9%); Oman (16.6%); Thailand (12.4%)

Source: WTO Secretariat calculations based on data from the Federal Competitiveness and Statistics Centre.

4.10. Food products are subject to special sanitary and phytosanitary requirements (Section 3.3.3). Imports permits, quarantines, and trade restrictions apply in certain cases. Federal Law No. 10 of

2015 prohibits the trade of rotten, harmful, adulterated, or deceptive food, and of feed that causes damage to human and animal health or that violates applicable technical regulations.⁸

4.1.3 Policies

4.1.3.1 Relevant authorities for regulation and support

4.11. At the federal level, the Ministry of Climate Change and Environment (MOCCAE) is responsible for the development of UAE policies and the regulation of agricultural issues related to agriculture, animal husbandry, and fisheries. Its missions include increasing the contribution of these sectors to the GDP, ensuring food security⁹, and enhancing their overall quality.¹⁰

4.12. Emirate authorities are also involved in managing the sector, as demonstrated by the Abu Dhabi Agriculture and Food Safety Authority (ADAFSA), which is the local body in charge of preparing programmes and activities in the fields of agriculture, food safety, food security, and biosecurity in the Emirate of Abu Dhabi.¹¹ The authorities indicate that individual Emirates and the Federal Government work in coordination, and that the authorities of all seven Emirates follow federal policies and regulations. Emirate authorities are thus responsible for ensuring that provisions of the federal laws on agriculture and food products are implemented.

4.13. In addition, the UAE collaborates with other Gulf Cooperation Council (GCC) countries to provide food security and optimize the utilization of resources. The UAE complies with the 2006 GCC Law on Fertilizers and Agricultural Soil Improvements, the 2007 GCC Pesticides Act, the 2009 GCC Law on Seeds, Seed Tubers and Seedlings, and the 2011 GCC Law for Practicing Veterinary Medicine.¹² The GCC Agricultural Cooperation Committee submits recommendations and tasks to its relevant specific committees (e.g. Permanent Committee for Livestock, and Permanent Committee for Fisheries).¹³ In 2020, the Agricultural Cooperation Committee recommended that the amended GCC Law on Agricultural Quarantine and the Law on preventive measures for endemic zoonoses be approved, and it approved the aquaculture regional manual.¹⁴

4.14. According to the authorities, the MOCCAE does not provide production subsidies to farmers; instead, it encourages farmers to use modern technology and adopt efficient approaches for water and environmental protection. As mentioned in Section 3.3.4.2, the MOCCAE monitors the prices of several food commodities¹⁵ to ensure price stability and consumer welfare. To increase prices, traders of these commodities have to obtain prior authorization from the MOCCAE.

4.15. Emirate authorities can also provide support to farmers. For example, in 2020, the ADAFSA provided AED 1.28 billion in support to livestock breeders as part of its feed support programme; an additional AED 1.1 billion to the farmers' income improvement programme, which has offered monthly instalments to farmers since 2012¹⁶; and AED 232 million as support to small-scale producers and broiler and layer farms.¹⁷ For farmers to benefit from the financial assistance programme, ADAFSA Decree No. 23 of 2020 requires them to apply the relevant regulations

⁸ Federal Law No. 10 of 2015, Article 12.

⁹ Food security is defined by the United Nations' Committee on World Food Security as occurring when "all people, at all times, have physical, social, and economic access to sufficient, safe, and nutritious food that meets their food preferences and dietary needs for an active and healthy life". Viewed at: <https://www.fao.org/3/y4671e/y4671e06.htm>.

¹⁰ MOCCAE, *Duties and Responsibilities*. Viewed at: <https://www.moccae.gov.ae/en/about-ministry/mandate-of-the-ministry.aspx>.

¹¹ ADAFSA, *Policies and Legislations*. Viewed at: <https://www.adafsa.gov.ae/english/policyandlegislations/pages/default.aspx>.

¹² Information provided by the authorities.

¹³ *Emirates News Agency* (2020), "UAE Climate Change Minister Chairs 30th Meeting of GCC Agricultural Cooperation Committee", 22 November 2020.

¹⁴ *Saudi Gazette* (2020), "AI Nuaimi Calls for Updating Agricultural Plans and Strategies in GCC", 22 November 2020.

¹⁵ Fish and marine products; meat and poultry; rice and other cereals; dairy, cheese, and eggs; fats and oils; vegetables; fruits; sugar and honey; coffee, tea and cocoa; and juices and drinks.

¹⁶ ADAFSA, *Income Improvement Program for Farmers Implemented Across the Emirate of Abu Dhabi*, 21 May 2012. Viewed at: <https://www.adafsa.gov.ae/english/mediacenter/news/archived%20news/incomeimprovement.aspx>.

¹⁷ Information provided by the authorities.

including on biosecurity and food safety.¹⁸ Funding is not linked to production.¹⁹ The authorities indicate that support programmes were also available for farmers in the northern Emirates (i.e. Ajman, Fujairah, Ras Al Khaimah, Sharjah, Umm Al Quwain).

4.1.3.2 WTO notifications

4.16. The UAE notified that no export subsidies existed in accordance with Article 18.2 of the Agreement on Agriculture between 2016 and 2020.

4.17. Total support to the agriculture sector increased from AED 180 million in 2016 (mainly through pest and disease controls, and infrastructure support) to AED 242 million in 2019 (mainly through pest and disease controls, and extension and advisory services). In 2020, support was strongly reduced to AED 136 million. According to the UAE's notifications, all support measures were listed in the Green Box for 2016, 2018, 2019, and 2020.²⁰ No other support measure was notified. According to the authorities, emirate-level support measures were not included in the UAE notifications to the WTO, as the relevant information was not available at the time of notification.

4.1.3.3 Access to the agriculture sector

4.18. At the time of the previous Review, non-GCC nationals could own only up to 49% of an agri-business. Following the 2020 amendments to the Commercial Companies Law, the list of activities opened to 100% foreign ownership in Abu Dhabi now includes the management and operation of farms and manors, as well as investment, institution, and management of agricultural enterprises. Dubai's list includes investment in agricultural enterprises and management.²¹

4.19. Emirate authorities are in charge of issuing licences for agricultural activities. For regulated agricultural activities, such as import or export of agricultural products, fertilizers, and pesticides, licences must be obtained first at the relevant local emirate authority, such as the Dubai Department of Economic Development, and then from the MOCCA.²²

4.1.3.4 Policies and plans adopted since the last Review

4.20. Between 2016 and 2021, the UAE authorities launched several initiatives in agriculture with the aim of achieving greater agricultural production. Due to challenging weather conditions, indoor farming and greenhouse vegetable production are seen as a potential, yet very demanding, solution. Investments have been made, for example, in urban farming and hydroponics.²³ Dubai also hosts the first indoor commercial vertical farming operation launched in the UAE. In Abu Dhabi, the Green Factory Emirates project will create the world's largest indoor farm, through a joint venture between Dutch and UAE firms.

4.21. The National Climate Change Plan 2017-2050 highlights several key challenges for the country, such as limited arable land, intense heat, high salinity, water shortage, and heavy reliance on food imports.²⁴ To overcome these risks related to food supply, the authorities decided to emphasize their agricultural policies on food security. The Ministry for Food and Water Security, created in 2017 and merged in 2021 with the MOCCA, had as one of its main missions to raise the UAE's position in the Economist Intelligence Unit's Global Food Security Index to 1st by 2051.²⁵ An

¹⁸ FAOLEX Database, *United Arab Emirates*. Viewed at: <http://www.fao.org/faolex/results/details/en/c/LEX-FAOC199804>.

¹⁹ Information provided by the authorities.

²⁰ WTO documents G/AG/N/ARE/12-G/AG/N/ARE/13, 8 August 2018; G/AG/N/ARE/16-G/AG/N/ARE/17, 7 April 2020; and G/AG/N/ARE/19, 10 January 2022.

²¹ The relevant lists can be downloaded at: <https://u.ae/en/information-and-services/business/full-foreign-ownership-of-commercial-companies>.

²² Information provided by the authorities.

²³ Dennis, S. (2020), "Covid-19: The Re-shaping of Supply Chains and Why the UAE Is Ready for It", *Arabian Business*, 24 March 2020; Gulf Petrochemicals & Chemicals Association (2019), *GCC Fertilizer Market Outlook: Challenges and Opportunities for GCC Fertilizer Producers, Executive Summary*, November, p. 11. Viewed at: <https://bit.ly/2RlowA0>; and Gerretsen, I., "Farming in the Desert: Are Vertical Farms the Solution to Saving Water?", *DW*, 22 July 2020.

²⁴ Information provided by the authorities.

²⁵ The Index measures food affordability, availability, quality and safety, and natural resources and resilience. UAE Government Portal, *National Food Security Strategy 2051*. Viewed at: <https://u.ae/en/about->

intermediate target was to among the top 10 by 2021. However, while the UAE was on a promising track, improving from 31st in 2018 to 21st in 2019, it dropped to the 42nd position in 2020 after the introduction of the Natural Resources and Resilience category, in which the country scored relatively poorly. The Index, however, notes that food security, food safety, and agricultural import tariffs are among the country's strengths.

4.22. A year after the publication of the National Climate Change Plan, the 2018 National Strategy for Food Security determined 42 short- and long-term initiatives to address the challenges of food and agriculture production and supply based on 5 main goals²⁶:

- Facilitate global agri-business trade and diversify international food sources.
- Enhance sustainable technology-enabled domestic food supply across the value chain.
- Reduce food loss and waste.
- Sustain food safety and improve nutritional intake.
- Enhance capacity to respond to food security risks and crises.

4.23. The 42 initiatives integrate into the main objective of implementing resilient agricultural practices to increase productivity and production, while transforming the food systems to be more sustainable and to safeguard ecosystems. The National Strategy for Food Security uses different schemes to support the farming industry, such as providing access to technology, using a contract farming approach to ensure fair and just interaction between small and medium to large-scale entities, and providing access to affordable financing mechanisms as well as to farm land. Implementation of the Strategy was meant to increase domestic production of main food items by 100,000 tonnes by 2021 and enhance yield by 30% for selected items of the UAE food basket. Advancements are monitored by the Emirates Food Council, established in 2019. This Council, whose membership includes several Ministries and authorities along with representatives from the public, private, and academic sectors, is tasked with promoting collaboration between UAE federal and emirate entities. It is chaired by the MOCCA. ²⁷

4.24. In 2019, the UAE started to promote agricultural technology through the USD 272 million Ag-Tech Programme launched by the Abu Dhabi Investment Office.²⁸ Four Ag-Tech private companies – AeroFarms (research and vertical farming), Madar Farms (the world's first commercial-scale indoor tomato farm using only LED lights), RNZ (research and development to quantify production output measured against environmental inputs), and Responsive Drip Irrigation (innovative irrigation system) – benefited from funding through this programme.²⁹ In addition, the Federal Government created the Ag-Tech Government Accelerators Programme, which focuses on adopting modern technologies in agriculture to reduce costs, strengthening the sector, and fostering research. Ten initiatives were introduced by the Government in this context to promote the adoption of Ag-Tech, including a sustainable agriculture label, reduced agricultural licence fees, loan guarantees, a food security data platform, and new standards for aquaculture.³⁰

4.25. The impact of the COVID-19 pandemic on global supply chains and the fear of disrupted food trade further enhanced the importance of producing locally and ensuring reliable foreign supply. In

[the-uae/strategies-initiatives-and-awards/federal-governments-strategies-and-plans/national-food-security-strategy-2051](https://www.usuaebusiness.org/wp-content/uploads/2021/02/Technology-Series-AgTech-Report-Draft-4.pdf).

²⁶ Information provided by the authorities.

²⁷ Information provided by the authorities.

²⁸ Consulate General for Switzerland and Switzerland Global Enterprise (2020), *Food Security in the UAE: AgTech Opportunities*. Viewed at: <https://www.s-qe.com/sites/default/files/publication/free/s-qe-20204-c7-uae-food-security-agtech.pdf>.

²⁹ Consulate General for Switzerland and Switzerland Global Enterprise (2020), *Food Security in the UAE: AgTech Opportunities*. The authorities did not indicate how many companies had benefited from this programme and what were the requirements to be included.

³⁰ Ministry of Food and Water Security (2021), *The Future of Food: Towards Future Food Security 2051*; UAE Food & Water Security, Ag-tech Accelerators Program. Viewed at: <https://foodsecurity.gov.ae/en/multiple-initiativeM>; and US-UAE Business Council, *Sector Updates – UAE Agtech Sector*, February 2021, p. 3. Viewed at: <https://www.usuaebusiness.org/wp-content/uploads/2021/02/Technology-Series-AgTech-Report-Draft-4.pdf>. The authorities did not indicate the requirements for companies to apply to these initiatives.

March 2020, the Agri-Tech Sector Development Team was set up to boost food security during and after the pandemic. The Team is divided into working groups composed of public- and private-sector stakeholders, and its purpose is to present innovative agricultural products, often using new technologies, to enhance local food production.³¹ The UAE also approved Federal Law No. 3 of 2020 Regarding the Regulation of the Strategic Stock of Food Commodities, whose objective is to register food suppliers and organize the distribution of food during crises and emergencies, and achieve food sustainability. The provisions of the Law apply to suppliers and registered merchants (the authorities did not indicate to what extent foreign suppliers are subject to the Law). Finally, the Dubai Food Security Dashboard launched in June 2020 should keep track of key food security variables, such as indicators of stock availability and local production, using artificial intelligence and data analytics.³² Projects in partnership with the Food and Agriculture Organization of the United Nations were also implemented in the context of the COVID-19 pandemic in May 2020 to achieve the Sustainable Development Goals (SDGs) of enhanced food security and nutrition, and improved food control measures in the UAE.³³

4.26. In June 2020, the UAE Cabinet approved the national system for sustainable agriculture. Its missions are to improve the efficiency of UAE farms and, in accordance with the authorities' broader food security goal, to strengthen food self-sufficiency. Annual targets are to increase the production of agricultural crops by 5%, average farm income by 10%, and the agricultural workforce by 5%, and to reduce water use for irrigation by 15%. Under the national system, products of local origin will be promoted. The authorities did not provide further information on the implementation of the plan.

4.27. Finally, in 2021, the MOCCAЕ reduced or waived fees for a number of agricultural activities in a bid to increase production and encourage young people becoming agricultural entrepreneurs. Fees for the release of agricultural products and animal consignments, import permits for animal feed and fodder, and the use of the organic logo, *inter alia*, figured on the list.³⁴

4.1.4 Fisheries

4.28. The MOCCAЕ is responsible for developing policies and legislation on fisheries, while each Emirate retains the authority to issue local regulations that can only be stricter than federal regulations and cannot contradict them.³⁵ The first objective of the UAE policy on fisheries is to ensure sustainability of the resources (through fishing seasons, reserve areas, and gear restrictions) and promote aquaculture.³⁶ The main legislation on fisheries is Federal Law No. 23 of 1999 regarding the Exploitation, Protection and Development of Living Aquatic Resources in the UAE and its bylaw, as amended by Federal Law No. 7 of 2016 and Ministerial Decree No. 21 of 2018. The Law lays down the legal basis for catch and prohibits certain fishing practices, such as drift nets, fishing with explosives, and catching sea animals whose capture is banned. Specific fishing practices (e.g. fishing and trade of sharks, catch of pelagic fish, and use of fishing nets) are regulated or prohibited by the relevant Ministerial Decrees.

4.29. The authorities indicate that the fisheries sector employed more than 6,000 people in 2019, and virtually all fisheries follow artisanal methods. The capture is dominated by small boats. Total catch was of 72,117 tonnes in 2019, down from 73,203 tonnes in 2013 and over 100,000 tonnes in the early 2000s. Sharjah and Ras Al Khaimah are the leading Emirates in terms of fish catch, with each catching around 17,000 tonnes in 2019.³⁷

4.30. While foreigners can be employed as fishers, only UAE nationals can obtain a professional fishing licence. A fishing boat cannot sail without its UAE owner or a UAE citizen acting on their

³¹ Ministry of Food and Water Security (2021), *The Future of Food: Towards Future Food Security 2051*, p. 103. Zawya, "AgriTech Sector Development Team Discusses Post-Covid-19 Plans to Advance Agricultural Technology in the UAE", 1 June 2020. Viewed at: <https://bit.ly/3zqzEP9>.

³² UAE Government Portal, *Food Security*. Viewed at: <https://u.ae/en/information-and-services/environment-and-energy/food-security#aq-tech-accelerators>.

³³ Ministry of Food and Water Security (2021), *The Future of Food: Towards Future Food Security 2051*, p. 109.

³⁴ *Emirates News Agency* (2021), "Ministry of Climate Change and Environment to Reduce Fees for 44 Services, Waive Fees for Another Six from May 1", 28 April 2021.

³⁵ Information provided by the authorities.

³⁶ Information provided by the authorities.

³⁷ Federal Competitiveness and Statistics Centre, based on data from the MOCCAЕ.

behalf as vice-captain.³⁸ Fishing licences are delivered by the emirate authorities, while registration of fishing boats goes through the MOCCA. Recreational fishing licences are also available for residents and tourists.³⁹

4.1.4.1 Trade

4.31. According to the 2019 National Framework Statement for Sustainable Fisheries (2019-2030), the UAE fishing sector represents 0.12% of the GDP. The UAE imported 72% of its seafood, with the rest being supplied by local fisheries (27%) and aquaculture (1%).⁴⁰

4.32. The UAE's imports and exports of fish and crustaceans, molluscs, and other aquatic invertebrates (HS Code 03) both increased from 2016 to 2019, before dropping sharply in 2020 (Table 4.4). The simple average of applied tariffs on fish and fishery products (3.5%) is lower than the UAE total simple tariff average of 5% (Section 3.1.3).

Table 4.4 Trade of fish products and major partners, 2016-20

(USD million)

HS code	Product description	2016	2017	2018	2019	2020	2016-20 avg	Top three major partners in 2015-20 (% of total)
Imports								
03	Fish and crustaceans, molluscs and other aquatic invertebrates	566	618	649	648	453	587	India (29.5%); Norway (10.3%); Viet Nam (7.8%)
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	248	251	224	222	180	225	Thailand (31.8%); EU-27 (12.2%); United States (9.9%)
Exports and re-exports								
03	Fish and crustaceans, molluscs and other aquatic invertebrates	126	76	213	190	107	142	Kingdom of Saudi Arabia (35.1%); Viet Nam (11.6%); Egypt (10.3%)
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	159	218	347	424	356	301	Kingdom of Saudi Arabia (29.7%); Egypt (18.1%); State of Kuwait (13.3%)
Domestic exports								
03	Fish and crustaceans, molluscs and other aquatic invertebrates	99	55	168	128	71	104	Kingdom of Saudi Arabia (39.8%); Egypt (13.3%); State of Kuwait (9.9%)
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	105	169	278	363	318	247	Kingdom of Saudi Arabia (35.6%); Egypt (27.2%); State of Kuwait (15.3%)

Source: WTO Secretariat calculations based on trade statistics provided by the authorities.

4.1.4.2 Recent policies

4.33. The National Framework Statement for Sustainable Fisheries (2019-2030) provides guidance on achieving sustainable fisheries within the next decade through pursuing management best

³⁸ Information provided by the authorities.

³⁹ UAE Government Portal, *Regulating Fishing Practices*. Viewed at: <https://u.ae/en/information-and-services/environment-and-energy/regulating-fishing-practices>.

⁴⁰ Most recent data (2019). Environment Agency Abu Dhabi and MOCCA, *The UAE National Framework Statement for Sustainable Fisheries (2019-2030)*, p. 9. Viewed at: <https://bit.ly/2WsiFvu>.

practices at both the national and emirate levels. A GCC regional survey conducted in 2011 found that demersal stocks had declined by around 90% from late-1970s levels. A later survey from 2016-17 demonstrated that in more recent years fish stocks remained mostly stable if not improving.⁴¹ The National Framework aims at rebuilding the fish stock through three main strategic objectives: reduce pressure on fisheries (seasonal closures, caps, etc.); develop aquaculture research and programmes to support fish stock improvement; and enhance fish stocks through the rehabilitation of habitats and the installation of artificial reefs.⁴² Both the MOCCA and the local authorities are in charge of the programme's implementation.

4.34. Despite the small share of aquaculture in total supply, the Minister for Food and Water Security (now merged with the MOCCA) wants to see this sector grow substantially in the next decades. To this effect, the UAE Aquaculture Pulse 2020 Guide details the different hatcheries, main UAE fish farms, and fish species deemed as good candidates for aquaculture in the UAE.⁴³ The development of the aquaculture sector is among the two focus areas listed by the UAE Future of Food 2021 Report, which emphasizes standardizing the requirements of aquaculture activities in the UAE, developing work areas dedicated to aquaculture and defining environmental requirements, and establishing a system of strategic interventions to develop the infrastructure of fish farming and key facilities that provide fish feed.⁴⁴ As of mid-2020, the UAE had invested USD 54 million in the development of fish farms and hatcheries.⁴⁵

4.35. The UAE is a member of the International Maritime Organization for the 2020-21 biennium as a Category B member (representing States that have the largest interest in international seaborne trade).⁴⁶ The country is also a member of the Regional Commission for Fisheries, whose goals are to promote: (i) the development, conservation, rational management, and best utilization of living marine resources; and (ii) the sustainable development of aquaculture.⁴⁷ The Government indicates that it aims to reduce illegal, unreported, and unregulated fishing and destructive fishing practices. Laws such as the 1999 Law on the Exploitation and Protection of Living Aquatic Resources in the UAE (as amended) and various prohibitions of specific catches contribute to this goal. However, the UAE has not joined the Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing, and it is a signatory but not a party to the United Nations Convention on the Law of the Sea. It has not signed or ratified the UN Fish Stock Agreement or the FAO Compliance Agreement.⁴⁸

4.2 Mining and Energy

4.2.1 General

4.36. IEA statistics⁴⁹ indicate that between 2015 and 2019 energy production in the UAE remained constant⁵⁰, total primary energy supply declined⁵¹, electricity final consumption increased⁵², and total CO₂ emissions declined slightly.⁵³ Natural gas accounts for more than 60% of the energy supply, followed by oil with around 25%.⁵⁴ Primary energy consumption is dominated by natural gas (60%) and oil (nearly 40%).⁵⁵

⁴¹ Information provided by the authorities.

⁴² Environment Agency Abu Dhabi and MOCCA, *The UAE National Framework Statement for Sustainable Fisheries (2019-2030)*, p. 9. Viewed at: <https://bit.ly/2WsiFvu>.

⁴³ UAE Government, UAE Aquaculture Pulse 2020.

⁴⁴ Ministry of Food and Water Security (2021), *The Future of Food: Towards Future Food Security 2051*, p. 53.

⁴⁵ Consulate General of Switzerland and Switzerland Global Enterprise (2020), *Food Security in the UAE: AgTech Opportunities*.

⁴⁶ IMO, *Structure of IMO*. Viewed at: <https://www.imo.org/en/About/Pages/Structure.aspx#2>.

⁴⁷ FAO, *FAO Regional Office for Near East and North Africa*. Viewed at: <http://www.fao.org/neareast/recofi/en/>.

⁴⁸ Information provided by the authorities.

⁴⁹ IEA, *Key Energy Statistics – United Arab Emirates*. Viewed at: <https://www.iea.org/countries/United-Arab-Emirates>.

⁵⁰ Energy production was 9,913.5 TJ in 2015 and 9,945.3 TJ in 2019.

⁵¹ Primary energy supply declined from 80.3 Mtoe in 2015 to 52.6 Mtoe in 2019.

⁵² Electricity final consumption in 2019 was 131.4 Twh compared with 119.5 Twh in 2015.

⁵³ Emissions decreased from 186.2 Mt of CO₂ in 2015 to 178 Mt of CO₂ in 2019.

⁵⁴ IEA, *Key Energy Statistics – United Arab Emirates*.

⁵⁵ Based on data for 2020. BP (2021), *Statistical Review of World Energy 2021*, p. 11.

4.37. The UAE Energy Strategy 2050, launched in 2017, and which constitutes the first unified UAE energy strategy⁵⁶, aims to diversify the energy mix while mitigating climate change by reducing greenhouse gas (GHG) emissions. The Strategy envisages that by 2050 clean energy sources will contribute 50% of the total installed power capacity mix (44% from renewable energy and 6% from nuclear energy), while natural gas and clean coal will account for, respectively, 38% and 12% of the energy mix. The Strategy also aims to reduce GHG emissions from power generation by 70% and to increase energy consumption efficiency by 40%. The Government aims to invest AED 600 billion by 2050 to meet the growing energy demand and ensure stable economic growth.⁵⁷ In March 2021, the Government launched the National Integrated Energy Model, which sets out a roadmap for the development of the country's energy sector over the next 50 years.⁵⁸ In April 2021, the UAE National Demand Side Management Program 2050 was approved. This programme sets the detailed roadmap to achieve the demand reduction target of 40% by 2050, setting initiatives for the main energy-consuming sectors in the UAE, namely industry, construction, and transport.

4.38. Energy diversification and conservation strategies, such as the Dubai Integrated Energy Strategy 2030 and the Dubai Clean Energy Strategy 2050, have also been adopted by individual Emirates.⁵⁹

4.39. In September 2016, the UAE submitted a Nationally Determined Contribution (NDC) within the framework of the Paris Agreement⁶⁰, which was revised in December 2020 to reflect a higher level of ambition. According to the updated NDC, the UAE intends to reduce GHG emissions for the year 2030 by 23.5% relative to the business-as-usual scenario.⁶¹ In October 2021, the UAE declared its intent to achieve a target of zero GHG emissions by 2050⁶², and, in November 2021, it announced the Hydrogen Leadership Roadmap, a comprehensive national blueprint to support domestic low-carbon industries, contribute to the country's net-zero ambition, and establish the country as a competitive exporter of hydrogen. The authorities note that the UAE is well on its way to meet its ambition to be a global leader in low-carbon hydrogen with more than seven projects already under way that will target 25% market share in the key export markets, including Japan, the Republic of Korea, Germany, and India, initially along with additional high-potential markets in Europe and East Asia. The UAE will host the 28th session of the Conference of the Parties (COP28) to the UNFCCC in November 2023.

4.40. Several changes made to the organization of the Federal Government during the review period pertain to the energy sector. In 2016, the Ministry of Environment and Water was transformed into the Ministry of Climate Change and Environment (MOCCAE)⁶³ and a UAE Council on Climate Change and Environment was formed as an inter-ministerial and inter-Emirati governance body.⁶⁴ In 2020, the Ministry of Energy and Industry and the Ministry of Infrastructure were merged to create a new Ministry of Energy and Infrastructure. The new Ministry's strategy includes, *inter alia*, regulating and

⁵⁶ Economist Intelligence Unit (2021), "United Arab Emirates: Energy", 27 July 2021. Viewed at: <http://country.eiu.com/articleindustry.aspx?articleid=131302396&Country=United%20Arab%20Emirates&topic=Industry&subtopic=Energy>.

⁵⁷ UAE Energy Strategy 2050. Viewed at: <https://u.ae/en/about-the-uae/strategies-initiatives-and-awards/federal-governments-strategies-and-plans/uae-energy-strategy-2050>. The UAE also adopted a National Climate Change Plan 2017-2050. Viewed at: <https://u.ae/en/about-the-uae/strategies-initiatives-and-awards/federal-governments-strategies-and-plans/national-climate-change-plan-of-the-uae>.

⁵⁸ *Emirates News Agency* (2021), "Ministry of Energy and Infrastructure Launches National Integrated Energy Model", 2 March 2021. Viewed at: <https://wam.ae/en/details/1395302914826>.

⁵⁹ Dubai's aim for 2030 is to generate 25% of the energy mix from solar power, 7% from nuclear power, 7% from clean coal, and 61% from natural gas. It aims to provide 75% of the total power output from clean energy sources by 2050. Dubai Clean Energy Strategy. Viewed at: <https://u.ae/en/about-the-uae/strategies-initiatives-and-awards/local-governments-strategies-and-plans/dubai-clean-energy-strategy>.

⁶⁰ UNFCCC (2015), *Intended Nationally Determined Contribution of the United Arab Emirates*. Viewed at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/United%20Arab%20Emirates%20First/UAE%20INDC%20-%202022%20October.pdf>.

⁶¹ UNFCCC (2020), *Second Nationally Determined Contribution of the United Arab Emirates*. Viewed at: <https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/United%20Arab%20Emirates%20Second/UAE%20Second%20NDC%20-%20UNFCCC%20Submission%20-%20English%20-%20FINAL.pdf>.

⁶² Economist Intelligence Unit (2021), "UAE Sets New Net Zero Target", 13 October 2021. Viewed at: <http://country.eiu.com/ArticleIndustry.aspx?articleid=1261500109&Country=United+Arab+Emirates&topic=Industry&subtopic=Energy>.

⁶³ MOCCAE. Viewed at: <https://www.moccae.gov.ae/en/home.aspx>.

⁶⁴ UAE Cabinet, "UAE Forms Council for Climate Change and Environment". Viewed at: <https://www.uaecabinet.ae/en/details/news/uae-forms-council-for-climate-change-and-environment>.

developing the infrastructure, transport, energy, water, oil and gas, and mining sectors to ensure their security and sustainability".⁶⁵

4.2.2 Oil and gas

4.2.2.1 Overview

4.41. The oil and gas sector accounts for around 30% of the UAE's GDP⁶⁶, 41% of public revenues and 26% of merchandise exports, excluding re-exports (Section 1). However, the economic importance of hydrocarbons differs significantly between the individual emirates (Section 1).

4.42. The UAE is a member of the Organization of Petroleum Exporting Countries (OPEC) and among the world's 10 largest crude oil producers, with a share of around 4% of global crude oil production.⁶⁷ The level of proven crude oil reserves increased from 97.8 billion barrels in 2015⁶⁸ to 105.0 billion barrels in 2019 and 107.0 billion barrels in 2020.⁶⁹ More than 90% of the UAE crude oil reserves are located in Abu Dhabi, followed by Dubai (4%), Sharjah (1.5%), and Ras Al Khaimah (0.5%).⁷⁰ Abu Dhabi's Supreme Petroleum Council announced the discovery of major stocks of new conventional and unconventional crude oil in November 2019 and November 2020.⁷¹

4.43. The volume of crude oil production in 2015-19 fluctuated around 3 million barrels per day (b/d)⁷², and declined to 2.8 million b/d in 2020.⁷³ Oil consumption grew from 778,000 b/d in 2015 to 899,000 b/d in 2019 and declined to 828,000 b/d in 2020.⁷⁴

4.44. Most of the UAE's production of crude oil (and gas) is accounted for by the state-owned Abu Dhabi National Oil Company (ADNOC), particularly ADNOC's largest operating companies, ADNOC Onshore and ADNOC Offshore.⁷⁵ Other companies in the ADNOC Group involved in crude oil exploration and production are ADNOC Drilling, Al Yasat Petroleum, and Al Dhafra Petroleum.⁷⁶ In the other Emirates, oil production is carried out by the Dubai Petroleum Establishment, the Sharjah National Oil Corporation, and RAK Gas, which are all state-owned.

4.45. UAE exports of crude oil declined slightly from 2.5 million b/d in 2015 to 2.4 million b/d in 2019⁷⁷ and 2020. Most crude oil exports are destined for OECD countries in the Asia Pacific region, mainly Japan, followed by China and India. The volume of crude oil exported to Europe and the United States is very small.⁷⁸

4.46. The output of refined oil products fluctuated around 1 million b/d during 2015-19 and declined to 925,000 b/d in 2020.⁷⁹ Exports of refined products increased substantially, from 414,800 b/d in

⁶⁵ Ministry of Energy and Infrastructure, *Our Strategy*. Viewed at: <https://www.moei.gov.ae/en/about-ministry/our-strategy.aspx>.

⁶⁶ As noted in Section 1, the share of mining and quarrying including crude oil and natural gas declined from 30.6% in 2016 to 29.8% in 2019 and 29.1% in 2020. Based on 2019 data, OPEC estimates that around 30% of the UAE's GDP "is directly based on output of the oil and gas sector". OPEC, *UAE Facts and Figures*. Viewed at: https://www.opec.org/opec_web/en/about_us/170.htm.

⁶⁷ BP (2021), *Statistical Review of World Energy 2021*, p. 19.

⁶⁸ UAE Stat, *Crude Oil Reserves, Production and Exports*.

⁶⁹ OPEC (2021), *Annual Statistical Bulletin 2021*, World Proven Crude Oil Reserves by Country.

⁷⁰ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 33.

⁷¹ *The Arab Weekly* (2019), "UAE Announces Major New Oil, Gas Discoveries", 5 November 2019.

Viewed at: <https://theArabweekly.com/uae-announces-major-new-oil-gas-discoveries>; and *Gulf Business* (2020), "Abu Dhabi Confirms Massive Oil Discovery, Set to Add Dhs 160bn to the UAE's Economy", 23 November 2020. Viewed at: <https://gulfbusiness.com/abu-dhabi-confirms-massive-oil-discovery-governing-body-approves-adnocs-capex-worth-122bn/>.

⁷² UAE Stat, *Crude Oil Reserves, Production and Exports*.

⁷³ OPEC (2021), *Annual Statistical Bulletin 2021*, Daily and Cumulative Crude Oil Production in OPEC Members.

⁷⁴ OPEC (2021), *Annual Statistical Bulletin 2021*, World Oil Demand by Country.

⁷⁵ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 33.

⁷⁶ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 34. The ADNOC Group also includes companies involved in process and refining, and marketing and distribution.

⁷⁷ UAE Stat, *Crude Oil Reserves, Production and Exports*.

⁷⁸ OPEC (2021), *Annual Statistical Bulletin 2021*, OPEC Members' Crude Oil Exports by Destination.

⁷⁹ OPEC (2021), *Annual Statistical Bulletin 2021*, Output of Petroleum Products in OPEC Members.

2015 to 916,000 b/d in 2018, but declined to 881,800 b/d in 2019 and 839,600 b/d in 2020.⁸⁰ In 2019, ADNOC Refining accounted for more than 80% of the UAE's total refining capacity of 1.12 million b/d.⁸¹ Demand for refined oil products declined in recent years, especially in 2020 due to the impact of the COVID-19 pandemic.⁸²

4.47. The UAE's oil policy changed significantly during the review period, especially since 2016, in response to certain fundamental shifts in international energy markets, including the prospect of peak oil demand, the growth of demand for petrochemicals, a shift in energy demand from the OECD area to Asia, and an expected increase in the use of natural gas.⁸³ Faced with these challenges, the UAE adopted "a strategy of increasing crude oil production capacity and maximizing the life of its reservoirs, especially by deploying enhanced oil recovery (EOR) techniques. The country has also built up its domestic transformation capacity by upgrading existing refining facilities and adding a world class petroleum plant capacity".⁸⁴ As reflected in ADNOC's 2030 Integrated Strategy, adopted in 2016⁸⁵, this has included the adoption of ambitious growth targets for ADNOC's upstream, midstream, and downstream operations; high levels of investment; and the partial privatization of ADNOC's assets in distribution, refining, drilling, and pipelines.⁸⁶ In 2018, ADNOC announced plans to increase crude oil production capacity to 4 million b/d by the end of 2020 and 5 million b/d by 2030.⁸⁷ ADNOC's downstream investment programme is focused on the Ruwais Industrial Complex, which aims to transform into the world's largest fully integrated refining and petrochemicals complex. It plans to increase its refining capacity by 65% to 1.5 million b/d in 2025 and is also investing in refining capacity abroad.⁸⁸

4.48. The new oil policy adopted in 2016 has entailed more diversity in international partnerships, resulting in a larger presence of Asian companies in Abu Dhabi's oil sector. Following the expiry of the original onshore concession in 2014, and of the original offshore concession in 2018, ADNOC Onshore and ADNOC Offshore were each awarded 60% in the new onshore and offshore concessions, with the remaining 40% of interests awarded to several international companies.⁸⁹ The foreign companies with interests in the onshore concession are Total (France), 10%; BP (United Kingdom), 10%; CNPC (China), 8%; INPEX/JODCO (Japan), 5%; CEFC (China), 4%; and GS Energy (Republic of Korea), 3%.⁹⁰ The foreign companies with interests in the offshore concession are INPEX (Japan), 10%; ONGC Videsh, IOC and Bharat PetroResources (India), 10%; ENI (Italy), 5%; and Total (France), 5%.⁹¹

4.49. The UAE's proven natural gas reserves increased from 6.1 trillion cubic metres in 2015-19 to 7.3 trillion cubic metres in 2020.⁹² This increase reflects two recent discoveries of major gas reserves, including the Ghasha Field.⁹³ The production of natural gas increased from 92.9 billion

⁸⁰ OPEC (2021), *Annual Statistical Bulletin 2021*, World Exports of Petroleum Products by Country.

⁸¹ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 36.

⁸² Information provided by the authorities.

⁸³ ADNOC, *ADNOC 2030 Integrated Strategy*.

⁸⁴ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 33.

⁸⁵ ADNOC (2016), "Supreme Petroleum Council Approves ADNOC's 2030 Strategy and Five-Year Business Plan Focused on Growth and Maximising Value", 2 November 2016. Viewed at: <https://www.adnoc.ae/en/news-and-media/press-releases/2016/spc-approves-adnoc-strategy>. The 2030 Integrated Strategy aims to achieve a more profitable upstream, a more sustainable and economic gas supply, a more valuable downstream, and more proactive and adaptive marketing.

⁸⁶ Cahill, B. (2021), "Everything at Once: Transformation of Abu Dhabi's Oil Policy", The Arab Gulf States Institute in Washington. Viewed at: <https://agsiw.org/everything-at-once-transformation-of-abu-dhabis-oil-policy/>.

⁸⁷ Reuters (2018), "UAE's ADNOC to Boost Oil Output Capacity to 4 Million bpd by 2020", 4 November 2018. Viewed at: <https://www.reuters.com/article/emirates-abudhabi-oil-energy-idINKCN1N90E5>. It appears that ADNOC's long-term expansion objectives have not been affected by the production cuts implemented in 2020 by the OPEC+ countries. Economist Intelligence Unit (2020), "Abu Dhabi National Oil Company Maintains Long-Term Goals", 13 August 2020. Viewed at: <http://country.eiu.com/article.aspx?articleid=909973074>.

⁸⁸ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 36.

⁸⁹ Comyn, J. and Tiller, P. (2021), "The Oil and Gas Law Review: United Arab Emirates – Abu Dhabi", *The Law Reviews*. Viewed at: <https://thelawreviews.co.uk/title/the-oil-and-gas-law-review/ united-arab-emirates-abu-dhabi>.

⁹⁰ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 35.

⁹¹ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 35.

⁹² OPEC (2021), *Annual Statistical Bulletin 2021*, World Proven Natural Gas Reserves by Country.

⁹³ The Ghasha mega-project has been characterized as the world's largest offshore sour gas development. Viewed at: <https://www.adnoc.ae/en/our-projects/hail-ghasha/ghasha-mega-project>.

cubic metres in 2015 to 109.9 billion cubic metres in 2019, while marketed natural gas production decreased from 60.8 cubic metres in 2015 to 55.1 billion cubic metres. Because of the high sulphur content of the UAE's natural gas, much of the gas production is reinjected into oilfields to enhance oil production, processed into petroleum gases, or converted into liquefied natural gas and exported to Japan under a long-term contract.⁹⁴ The main companies involved in production and processing of gas are ADNOC Sour Gas, ADNOC Gas Processing, and ADNOC LNG in Abu Dhabi; the Emirates National Oil Company and Dubai Natural Gas Company Limited in Dubai; the Sharjah National Oil Corporation in Sharjah; and RAK Gas in Ras Al Khaimah.⁹⁵

4.50. Domestic gas consumption exceeds domestic production⁹⁶, and since 2008 the UAE has been a net importer of gas. In 2020, the UAE imported 22.6 billion cubic metres of natural gas, compared with 27.1 billion cubic metres in 2015.⁹⁷ Exports and re-exports of natural gas declined from 13.2 billion cubic metres in 2015 to 9.4 billion cubic metres in 2019 and 8.77 billion cubic metres in 2020.⁹⁸

4.51. As with crude oil, expansion of production capacity is a major objective of the UAE's recent gas policy. While in the case of oil this has been driven by financial considerations, in the case of gas considerations of energy security prevail. An "integrated gas strategy" adopted in 2018 aims to achieve self-sufficiency by 2025 and to sustain LNG exports until 2040.⁹⁹ As stated in the UAE State of Energy Report 2019, "the country is pursuing a strategy to develop indigenous gas, including sour and ultra-sour reserves that are high in sulphuric content and otherwise not economically viable to develop. This will be used to help meet the growing domestic demand and to reduce reliance on imported gas".¹⁰⁰ Recent discoveries of major new natural gas reserves are expected to enable the UAE to achieve its objective of energy self-sufficiency by reducing its imports of natural gas.

4.2.2.2 Regulation

4.52. Article 23 of the Federal Constitution provides that "[t]he natural resources and wealth in each Emirate shall be considered to be the public property of that Emirate. Society shall be responsible for the protection and proper exploitation of such natural resources and wealth for the benefit of the national economy". Thus the oil and gas sector is mainly regulated at the Emirate level.

4.53. In Abu Dhabi, the Supreme Petroleum Council (SPC), established in 1988, was the entity responsible for supervision of the oil and gas sector during most of the period under review. In December 2020, the functions of the SPC were merged with those of the newly created Supreme Council for Financial and Economic Affairs.¹⁰¹ In relation to the oil and gas sector, the relevant functions of the Supreme Council include: (i) Developing and approving public policies and strategies for the regulation of Abu Dhabi's petroleum and natural resources affairs; (ii) reviewing and approving the annual plans of ADNOC; and (iii) setting the fiscal framework for the oil and gas industry and for overseeing royalty and tax assessment and collection.¹⁰² Similar institutions for the regulation of the hydrocarbons sector exist in other Emirates.¹⁰³

4.54. There were no major changes during the review period to the legislative framework for the oil and gas sector. The main legislation governing petroleum exploration and production operations

⁹⁴ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 37.

⁹⁵ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 37.

⁹⁶ According to OPEC statistics, domestic demand for natural gas declined during the review period, from 72.7 million cubic metres in 2015 to 68.2 million cubic metres in 2019, and increased to 70.7 million cubic metres in 2020. OPEC (2021), *Annual Statistical Bulletin 2021*, World Natural Gas Demand by Country.

⁹⁷ OPEC (2021), *Annual Statistical Bulletin 2021*, World Natural Gas Imports by Country.

⁹⁸ UAE Stat, *Natural Gas Reserves, Production, Imports, Exports and Re-Exports*.

⁹⁹ Hydrocarbon Engineering (2018), "ADNOC Integrated Gas Strategy Approved by the Abu Dhabi Supreme Petroleum Council", 5 November 2018. Viewed at: <https://www.hydrocarbonengineering.com/gas-processing/05112018/adnoc-integrated-gas-strategy-approved-by-abu-dhabi-supreme-petroleum-council/>.

¹⁰⁰ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 33.

¹⁰¹ Law No. 24 of 2020 Concerning the Supreme Council for Financial and Economic Affairs.

¹⁰² Comyn, J. and Tiller, P. (2021), "The Oil and Gas Law Review: United Arab Emirates – Abu Dhabi", *The Law Reviews*. The Supreme Council is chaired by the ruler of Abu Dhabi, and its other members include members of the ruling family, senior Abu Dhabi government officials, the chief executive office of ADNOC, and the chief executive officer of Mubadala Investment Company.

¹⁰³ Dubai Supreme Energy Council, Sharjah Petroleum Council, and Ras Al Khaimah Petroleum Authority.

in Abu Dhabi is Law No. 8 of 1978 Regarding the Conservation of Petroleum Resources, which covers all aspects of upstream petroleum operations. The Law contains requirements regarding the conduct of petroleum operations by an operator, which include conformity with the most efficient scientific techniques and compliance with international safety standards, identifies activities subject to prior consent, and sets forth various reporting obligations.¹⁰⁴ Rights to produce oil and natural gas are granted through concession agreements. In Abu Dhabi and the UAE more generally such concessions are typically granted to state-owned or controlled companies, and foreign ownership is typically limited to minority interests.¹⁰⁵ By virtue of the Abu Dhabi Gas Ownership Law, ownership of gas located in Abu Dhabi is vested in the Emirate of Abu Dhabi, while ADNOC enjoys the right to exploit and use such gas, alone or in partnership with others, on the condition that it maintains a share of at least 51%.¹⁰⁶ Pursuant to the Abu Dhabi Income Tax Decree of 1965, as amended, the Government of Abu Dhabi can subject chargeable persons to income tax on chargeable activities, including revenue from oil operations in the Emirate of Abu Dhabi. The Government of Abu Dhabi details the applicable rates of income tax and royalty on oil due in fiscal letters issued to the relevant chargeable person.¹⁰⁷

4.55. Under the FDI Law enacted in 2018, oil and gas exploration and production appeared on a negative list of sectors in which foreign ownership was restricted (Section 2.4). Since the FDI Law was revoked in September 2020 by amendments to the Commercial Companies Law, it appears that this negative list is no longer in force. The oil and gas sector is not among the sectors listed in the Cabinet Decision No. 55/2021 on the Determination of the List of Strategic Impact Activities (Section 2.4).¹⁰⁸ Based on Federal Decree No. 26 of 2020 (Section 2.4), Abu Dhabi adopted a resolution specifying 1,105 registered commercial and industrial activities in which 100% foreign ownership is permitted, including several activities in the oil and gas sector.¹⁰⁹

4.56. In June 2017, a federal law was passed regarding trading in petroleum products.¹¹⁰ Its aim is to organize the trade of petroleum products, determine the conditions and procedures of trade of petroleum products, and combat practices intended to harm the national economy, the security, and the environmental safety related to the present law. The Law was designed to address the illegal trading of petroleum products that do not meet UAE standard specifications and to reduce smuggling of petroleum products from neighbouring countries. The provisions of this law and the decisions issued thereunder, apply to all areas in the country, including the free zones, private development zones, and investment zones. The Law provides that natural or legal persons may trade petroleum products in the territory of the UAE only if licensed to do based on a Trading Authorization to be issued by the Competent Authority¹¹¹, which shall be valid for one year and renewable for similar periods.¹¹² To trade petroleum products in the territory of the UAE without a licence issued by the Competent Authority is considered illicit trading.¹¹³ The trading activities for which a Trading Authorization is required include importing petroleum products from outside the UAE, and distributing, transporting, selling and purchasing, manufacturing, marketing, and storing of petroleum products as well as any other activity determined by the Competent Authority.¹¹⁴ The Law provides that each Emirate is free to specify the petroleum products that a licensee may trade. It requires the establishment in each Emirate of a Committee for the Organization of Trading Petroleum Products, the mandate of which is to review, and make appropriate recommendations on,

¹⁰⁴ Comyn, J. and Tiller, P. (2021), "The Oil and Gas Law Review: United Arab Emirates – Abu Dhabi", *The Law Reviews*.

¹⁰⁵ Garcia, M.M. and Hawes, S. (2021), "Oil & Gas Regulation 2021 – United Arab Emirates", ICLG. Viewed at: <https://iclg.com/practice-areas/oil-and-gas-laws-and-regulations/united-arab-emirates>.

¹⁰⁶ Comyn, J. and Tiller, P. (2021), "The Oil and Gas Law Review: United Arab Emirates – Abu Dhabi", *The Law Reviews*.

¹⁰⁷ Garcia, M.M. and Hawes, S. (2021), "Oil & Gas Regulation 2021 – United Arab Emirates", ICLG.

¹⁰⁸ The authorities observe in this regard that the oil and gas sector was not included in the List of Strategic Impact Activities because it was considered a prerogative of the local authorities and subject to requirements and conditions laid down by the local authorities.

¹⁰⁹ Abu Dhabi Department of Economic Development, *Foreign Ownership Activities*. Viewed at: https://www.adbc.gov.ae/CitizenAccess/Report/ShowReport.aspx?module=Licenses&reportID=2129&reportType=LINK_REPORT_LIST.

¹¹⁰ Federal Law No. 14 of 2017 on Trading in Petroleum Products.

¹¹¹ The Competent Authority is defined in Article 1 of the Law as the local authority that has the competence to issue the Trading Authorization.

¹¹² Federal Law No. 14 of 2017, Articles 4, 7, and 10.

¹¹³ Federal Law No. 14 of 2017, Article 12.

¹¹⁴ Federal Law No. 14 of 2017, Article 10.

applications for Trading Authorizations referred to it by the Competent Authority.¹¹⁵ The Minister of Energy and Infrastructure, in coordination with the Competent Authority, is required to issue rules on common conditions and procedures for the issuance of the Trading Authorization, for the issuance of a permit of transportation among Emirates and for registration in the Register, on the requirements and conditions of trading for each petroleum material, and on requirements and conditions related to the places of reservation, storage, and manufacture of the petroleum products and their means of transportation as well as safety and security criteria.¹¹⁶ Pursuant to the Law on Trading Petroleum Products, the Ministry of Energy and Infrastructure adopted a resolution in October 2020 on unified regulations related to trading petroleum products. The resolution, *inter alia*, established the required standards for obtaining a trading licence and the procedures for being registered in the Ministry's trading registry.¹¹⁷ Unlike electricity and water tariffs, fuel prices are regulated at the federal level. Since 2015, domestic prices of gasoline and diesel have been indexed to international oil prices and are subject to monthly review by the Fuel Price Committee.

4.2.3 Electricity and water

4.57. Electricity generation in the UAE traditionally has relied almost entirely on natural gas¹¹⁸, and the country is currently in the process of switching from nearly all the electricity being produced from natural gas to a basket of sources. In 2019, installed capacity was 33 GW, total energy generation was 138,454 GWH, electricity consumption was 131,442.70 GWH, and peak load was 24,961 MW.¹¹⁹ Electricity demand continues to increase in line with economic and population growth but at a slower pace compared with the increases in 2014 and 2015.¹²⁰

4.58. The authorities indicate that the Federal Constitution gives the Federal Government exclusive legislative and executive jurisdiction over electricity services in the UAE.¹²¹ At the level of the individual Emirates, the main regulatory authorities in the water and electricity sectors are the Abu Dhabi Department of Energy¹²²; the Dubai Supreme Council of Energy and the Dubai Regulation and Supervision Bureau; the Sharjah Electricity and Water and Gas Authority (SEWGA); and the Etihad Water and Electricity¹²³ (EWE) in the Northern Emirates of Ajman, Ras Al Khaimah, Fujairah, and Umm Al Quwain.¹²⁴

4.59. Electricity transmission and distribution in the UAE are controlled by government authorities and state-owned companies. The electricity market in each Emirate is based on a single buyer model, whereby electricity generated by power producers is sold on an exclusive basis to state-owned companies responsible for power transmission and distribution. Thus, for example, in Abu Dhabi, the state-owned Emirates Water and Electricity Company (EWEC), is the sole procurer of water and electricity with a mandate to ensure the security of supply to consumers.¹²⁵ To fulfil its mandate,

¹¹⁵ Federal Law No. 14 of 2017, Article 9.

¹¹⁶ Federal Law No. 14 of 2017, Article 5.

¹¹⁷ *Emirates News Agency* (2020), "Ministry of Energy and Infrastructure Issues Resolution on Unified Regulations Related to Trading Petroleum Products", 8 October 2020. Viewed at: <https://wam.ae/en/details/1395302875818>.

¹¹⁸ IEA, *Key Energy Statistics – United Arab Emirates*.

¹¹⁹ Emirates Water and Electricity Company (EWEC) was created in 2018 as a replacement for the Abu Dhabi Water and Electricity Company (ADWEC). While the scope of ADWEC's activities was limited to Abu Dhabi, EWEC has a wider mandate and covers the Northern Emirates in addition to Abu Dhabi.

¹²⁰ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 38.

¹²¹ Some commentators observe that in practice the electricity sector is essentially regulated by the individual Emirates. See, for example, Afridi, M. and Alope, A. (2021), "The Energy Regulation and Markets Review: United Arab Emirates", *The Law Reviews*; and DWF (2021), "Meeting the Growing Demand for Water and Electricity in the UAE", 4 May 2021. Viewed at: <https://dwfgroup.com/en/news-and-insights/insights/2021/5/meeting-the-growing-demand-for-water-and-electricity-in-the-uae>.

¹²² The Abu Dhabi Department of Energy was created in 2018 as the single regulatory authority to replace the Abu Dhabi Water and Electricity Authority. Al Tamimi & Company, "Electric Change: Implementation of UAE Power and Water Sector Shake Up", December 2019-January 2020. Viewed at: <https://www.tamimi.com/law-update-articles/electric-change-implementation-of-uae-power-and-water-sector-shake-up/>.

¹²³ The Etihad Water and Electricity Company was established in 2020 to replace the Federal Electricity and Water Authority.

¹²⁴ Afridi, M. and Alope, A. (2021), "The Energy Regulation and Markets Review: United Arab Emirates", *The Law Reviews*, p. 2.

¹²⁵ Viewed at: <https://www.ewec.ae/#>. EWEC is part of ADQ, one of the largest holding companies in the region. For a detailed description of Abu Dhabi's electricity market see Hasan, S., et al. (2019), *Abu Dhabi Electricity Sector: Features, Challenges and Opportunities for Market Integration*. Viewed at:

EWEC enters into long-term purchase agreements with water and power producers, bulk supply tariff agreements with distribution companies, and fuel supply agreements with fuel suppliers. Contracts for water desalination and power generation are awarded to independent water and power producers through a competitive bidding process managed by EWEC.¹²⁶ EWEC provides water and electricity to the Abu Dhabi Transmission and Despatch Company (TRANSCO), which transmits the water and electricity to two distribution companies, Abu Dhabi Distribution Company (ADDC) and Al Ain Distribution Company (AADC), and the Northern Emirates. EWEC procures electricity from 16 plants across the UAE, including 12 existing plants and 4 in the near future.¹²⁷ In the other Emirates, SEWGA and EWE play a role similar to that of EWEC as single buyers of water and electricity.

4.60. The National Water and Energy Demand Management Programme, approved by the federal cabinet in August 2021, aims to achieve a 40% reduction in energy demand by 2050 in the three most energy-consuming sectors in the UAE (transport, industry, and construction) and a 50% reduction in water demand.¹²⁸ Demand-side management programmes have also been initiated at the emirate level. The aim of the Abu Dhabi Demand Side Management and Energy Rationalisation Strategy is to reduce electricity consumption by 22% and water consumption by 32% by 2030.¹²⁹ The Dubai Demand Side Management Strategy 2030 aims to reduce the demand for electricity and water by 30% by 2030.¹³⁰ Measures taken by the Emirates to reduce electricity consumption have involved building regulations and retrofits, price reform, demand response management, awareness and education, and grid efficiency and smart technology.¹³¹

4.61. The authorities indicate that total clean energy (renewable and nuclear) installed capacity increased from 1,875 MW in 2019 to 4,500 MW in 2020 and is expected to reach 6,000 MW by the end of 2021. Renewable energy capacity increased very substantially during the period under review. According to one source, the UAE's capacity to generate electricity from renewable energy sources has increased more than sevenfold since 2017 and reached 2,540 MW in 2020.¹³² Almost all renewables capacity involves solar power. The key solar projects that were developed or are being developed are the Masdar 10 MW Photovoltaic Plant¹³³; the 2 GW Al Dhafra Photovoltaic Plant in Abu Dhabi; and the Noor Abu Dhabi solar plant and the Mohammed Bin Rashid Al Maktoum Solar Park in Dubai, which involves both photovoltaic and concentrated solar power technologies, with a capacity of 2 GW today and an expected capacity of 5 GW in 2030.¹³⁴ Another innovative project is the installed pilot of a floating solar power plant that is set to have a capacity of 80 kilowatts in Abu Dhabi. Waste-to-energy facilities are being developed in Dubai, Abu Dhabi, and Sharjah. Another innovative project is the first hydroelectric power station in the GCC being built in Hatta (Dubai) with the capacity of 250 MW.

4.62. The development of peaceful nuclear energy is a core component of the UAE's energy diversification strategy.¹³⁵ In 2008, a Nuclear Energy Policy was released, and the Federal Authority for Nuclear Energy was created. The Emirates Nuclear Energy Corporation, established in 2009, oversees the construction of the UAE's first nuclear power station, the 5.6 GW Barakah Nuclear

<https://www.kapsarc.org/research/publications/abu-dhabi-electricity-sector-features-challenges-and-opportunities-for-market-integration/>.

¹²⁶ Hasan, S., et al. (2019), *Abu Dhabi Electricity Sector: Features, Challenges and Opportunities for Market Integration*, p. 14.

¹²⁷ EWEC, *Plants – Existing*. Viewed at: <https://www.ewec.ae/en/power-plants/existing>.

¹²⁸ *Emirates News Agency* (2021), "UAE Launches National Water and Energy Demand Management Programme", 4 August 2021. Viewed at: <https://www.wam.ae/en/details/1395302957699>; and information provided by the authorities.

¹²⁹ Amlôt, M. (2019), "Abu Dhabi Unveils Energy Strategy to Reduce Electricity and Water Consumption", *Al Arabiya News*, 10 September 2019. Viewed at: <https://english.alarabiya.net/business/energy/2019/09/10/Abu-Dhabi-unveils-energy-strategy-to-reduce-electricity-and-water-consumption>.

¹³⁰ DSM Strategy Overview. Viewed at: <https://dubaisce.gov.ae/en/taqati/>.

¹³¹ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, pp. 56-59.

¹³² International Renewable Energy Agency, *United Arab Emirates – Electricity Capacity and Generation*. Viewed at: https://www.irena.org/IRENADocuments/Statistical_Profiles/Middle%20East/United%20Arab%20Emirates_Middle%20East_RE_SP.pdf.

¹³³ The first UAE solar project was launched in 2009, Masdar 10 MW Photovoltaic Plant.

¹³⁴ This park also contains the first industrial-scale green hydrogen plant in the MENA region.

¹³⁵ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, pp. 44-47.

Energy Plant in Abu Dhabi, which is expected to deliver up to a quarter of the country's energy needs when its four units are fully operational.¹³⁶

4.63. The electricity grids of the four main power authorities have been interconnected to form the Emirates National Grid (ENG). The ENG is connected to the GCC Interconnection Authority Transmission. However, the extent of electricity traded via this link remains limited. It has been reported that this interconnection "has a utilization rate below 10% owing to it being used for emergency and reserve sharing through bilateral contracts" and that differences in regulations and different levels of energy subsidies limit the commercial viability of intra-GCC electricity trade.¹³⁷

4.64. Electricity prices differ between Emirates and between nationals and expatriates.¹³⁸ In addition, in Dubai different rates apply to different consumption slabs, while in Abu Dhabi electricity rates also differ between apartments and villas. Consumption of electricity (and water) in the UAE historically has been subsidized in that tariff rates have not covered actual production costs¹³⁹, but price reforms implemented during the last decade, including in the context of recent demand-side management initiatives, have reduced the extent of subsidization.¹⁴⁰ Thus, in Abu Dhabi, for example, electricity tariffs for UAE nationals remain heavily subsidized¹⁴¹ but residential electricity tariffs for expatriates, which increased significantly in recent years, are now close to the cost of supply.¹⁴² The UAE was one of the first GCC countries to reform its energy subsidies.¹⁴³ According to IMF staff research published in 2017, "among oil exporters, the UAE stands out for its low level of subsidies".¹⁴⁴

4.65. The UAE Water Security Strategy 2036, launched in 2018, aims to ensure sustainability and continuous access to water during normal and extreme emergency conditions. The Strategy was developed from a comprehensive national perspective to cover all elements of the water supply chain in the country with the participation of all entities and authorities concerned with water resources in the country. The Strategy defines the following specific targets: (i) reduce demand for water resources by 21% and average consumption per capita by 50%¹⁴⁵; (ii) increase the water productivity index to USD 110 per cubic metre; (iii) reduce the water scarcity index by three degrees, from 6.58 in 2017; (iv) increase the reuse of treated water to 95%; (v) increase the national water storage capacity to two days; and (vi) establish six connecting networks between water and electricity entities across the UAE with capacity to provide 91 litres of water per person per day in cases of emergency, or 30 litres per person per day in cases of extreme emergencies.¹⁴⁶

4.66. The UAE has limited natural water resources and relies on seawater desalination as a primary source of potable water. The overall installed capacity of seawater desalination plants in 2019 was around 1,641 million imperial gallons per day and the total produced desalinated water in the same year was estimated at 442,319 million imperial gallons per year. The UAE is committed to further advancing industrial-scale, sustainable desalination technologies capable of meeting the country's

¹³⁶ Afridi, M. and Alope, A. (2021), "The Energy Regulation and Markets Review: United Arab Emirates", *The Law Reviews*, p. 8.

¹³⁷ Hasan, S., et al. (2019), *Abu Dhabi Electricity Sector: Features, Challenges and Opportunities for Market Integration*, pp. 13, 19-20; and APICOPRP (2021), *MENA Energy Investment Outlook 2021-2025*, pp. 44-45.

¹³⁸ Unlike fuel prices, which are regulated at the federal level, electricity prices are set independently by the water and power authorities in each Emirate.

¹³⁹ See e.g. Gallaher, M., Alam, T., and Rouchdy, N. (2017), "The Impact of Electricity and Water Subsidies in the United Arab Emirates", RTAI Press Policy Brief, May.

¹⁴⁰ Dubai introduced electricity tariff reforms in 2008 and 2011, followed by Sharjah and the Northern Emirates in 2014 and 2015, respectively, and by Abu Dhabi in 2015 and 2017. Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 58.

¹⁴¹ Subsidies are paid by the Government to the distribution companies to cover the gap between revenue targets set by the Government for those companies and the tariffs paid by customers. Abu Dhabi Department of Energy, *Legislation and Compliance*. Viewed at: <https://www.doe.gov.ae/Legislation-and-Compliance/Economic-Regulations>; and Afridi, M. and Alope, A. (2021), "The Energy Regulation and Markets Review: United Arab Emirates", *The Law Reviews*, p. 4.

¹⁴² Hasan, S., et al. (2019), *Abu Dhabi Electricity Sector: Features, Challenges and Opportunities for Market Integration*, p. 15.

¹⁴³ Boersma, T. and Griffiths, S. (2017), "Reforming Electricity, Water, and Fuel Subsidies in the United Arab Emirates", *Oxford Energy Forum*, March, Issue 108, pp. 21-25.

¹⁴⁴ IMF (2017), *If Not Now, When? Energy Price Reform in Arab Countries*, p. 19.

¹⁴⁵ The authorities indicate, in this regard, that Abu Dhabi introduced a new water slab tariffs system to encourage sustainable consumption.

¹⁴⁶ Ministry of Energy and Industry, *UAE State of Energy Report 2019*, p. 60.

future demand for fresh water. At present, the country is working on establishing three new water desalination plants using reverse osmosis membrane technology in the Emirates of Abu Dhabi, Dubai, and Um Al Quwain. The three plants are expected to produce additional 470 million imperial gallons of desalinated water per day by 2023.¹⁴⁷

4.67. The UAE operates modern wastewater treatment facilities with tertiary and advanced treatment capabilities. Treated water is used mainly for landscaping irrigation purposes, such as irrigating public gardens and highway landscaping. The total installed capacity of wastewater treatment plants in 2019 was about 899 million cubic metres per year, and the total produced treated wastewater in the same year was estimated at 736 million cubic metres per year.¹⁴⁸

4.3 Services

4.3.1 Financial services

4.68. The Central Bank of the United Arab Emirates (UAE) regulates the banking and insurance (since January 2021¹⁴⁹) sectors, including for Islamic finance,¹⁵⁰ with the three existing capital markets regulated by the Emirates Securities and Commodities Authority (SCA) and the Dubai Financial Services Authority (DFSA). Financial services undertaken in the two financial free zones are regulated by two special authorities: DFSA in the Dubai International Financial Centre (DIFC) and the Financial Services Regulatory Authority (FSRA) in the Abu Dhabi Global Market (ADGM), which was set up in 2015.¹⁵¹ Over the review period, the authorities revised the Central Bank law, improved the prudential regulation of the banking sector, and undertook reforms affecting transparency, conduct, and innovation in the insurance sector.

4.69. Financial services accounted for 8.2% of GDP in 2020, and the sector employed nearly 48,000 workers in 2018 or 2.5% of total employment in 2019. However, financial services play a significantly different role in various Emirates, accounting in 2019 for 7.7% of GDP in Abu Dhabi¹⁵² and 6.9% in Dubai¹⁵³, but only 3.5% in Fujairah.¹⁵⁴

4.70. Under its GATS commitments, the UAE made commitments on banking and other financial services (excluding insurance), with the exception of settlement and clearing services for financial assets, but did not include commitments in the area of market access regarding the issuance of additional licences or the expansion of existing companies' activities.¹⁵⁵

4.3.1.1 Banking

Structure

4.71. The financial system is dominated by the banking sector, accounting for 99% of financial sector assets at the end of 2020, an increase from the 98.5% they represented in 2016.¹⁵⁶ Financial sector assets overall represented 242% of GDP in 2020, up from 199% in 2016, while bank deposits grew by 20.6% between end-2016 and end-2020. Over the reporting period, the number of banks remained broadly stable and stood at 59 (as of September 2021), consisting of 21 national banks,

¹⁴⁷ Information provided by the authorities.

¹⁴⁸ Information provided by the authorities.

¹⁴⁹ Central Bank of the UAE. Viewed at: <https://ia.gov.ae/en/>.

¹⁵⁰ For an overview of Islamic Banking principles, see Box 4.1 of WTO document WT/TPR/S/338/Rev.1, 4 October 2016.

¹⁵¹ Special DIFC courts administer justice for resolving all civil and commercial laws in the DIFC, while similar special courts also exist for the ADGM. DIFC, *Laws & Regulations*. Viewed at: <https://www.difc.ae/business/laws-regulations/>. For additional information, also view Section 4.3.1.3.2 of WTO document WT/TPR/S/338/Rev.1, 4 October 2016.

¹⁵² Abu Dhabi Statistics Centre, *Economic Statistics: National Accounts*. Viewed at: <https://www.scad.gov.ae/en/pages/statistics.aspx?topicid=37>.

¹⁵³ Government of Dubai, *National Accounts, Output by Economic Activity 2019*. Viewed at: <https://www.dsc.gov.ae/en-us/Themes/Pages/National-Accounts.aspx?Theme=24>.

¹⁵⁴ Fujairah Statistics Centre, *National Accounts*. Viewed at: <https://www.fscfuj.gov.ae/WebsiteFiles/Reports/632/Table13-12.pdf>.

¹⁵⁵ WTO document GATS/SC/121 of 2 April 1996.

¹⁵⁶ Information provided by the authorities.

27 foreign banks, 10 wholesale banks¹⁵⁷, and 1 investment bank.¹⁵⁸ Over the same time, the number of branches in the UAE declined from 846 in 2016 to 541 at the end of 2020¹⁵⁹, as digitization processes were increasingly adopted and nearly half of the population older than 15 years accessed an account via mobile phone or the Internet.¹⁶⁰

4.72. A well-established Islamic finance sector comprises both national and foreign fully fledged Islamic banks, Islamic windows at conventional banks, and Islamic finance companies, accounting for assets of AED 782 billion (or around 25% of total sector assets) at the end of 2020.¹⁶¹

4.73. The largest three commercial banks continue to dominate the banking sector, accounting for 54% of assets and more than 50% of deposits in 2019 (Table 4.5). While the largest bank has a major state ownership, the other two have majority state ownership.¹⁶² The banking sector remains explicitly excluded from the application of the Competition Law (Section 3.3.4.1).

Table 4.5 Banking sector 2016-20

	2016	2017	2018	2019	2020
Structure					
Number of licensed banks	60	61	60	59	58
Share of total assets for:					
3 largest banks	39.3	47.5	48.9	53.7	54.1
10 largest banks	62.7	72.3	73.8	78.5	80.8
Total assets (% of GDP)	199.3	190.2	185.0	201.2	241.9
Total loans (% of GDP)	120.1	111.6	106.8	114.8	135.0
Credit to private sector (% of GDP)	83.5	78.0	74.2	75.1	85.4
Total deposits, excluding interbank (% of GDP)	119.2	114.9	113.2	122.1	143
Capital adequacy					
Regulatory capital to risk-weighted assets	18.9	18.1	17.5	17.7	18.1
Asset quality					
Net loans to total assets	56	54.4	53.4	52.7	50.9
Gross NPLs to net loans	5.1	5.3	5.6	6.5	8.2
Total provisions to gross NPLs	112.7	109.5	106.1	93.0	86.1
Net NPLs to total capital	5.1	6.1	7.2	10.2	14.0
Total provisions for loan losses (% of total loans)					
Contingent and off-balance-sheet accounts to total assets	118	117.9	125.1	137.5	144.5
Profitability					
Profits (% change)	-5.8	8.4	8.6	9.4	-54.9
Average pre-tax return on assets	1.5	1.5	1.6	1.6	0.7
Return on equity	10.7	10.8	11.0	11.2	4.8
Non-interest expenses to total income	38.0	39.1	35.9	33.8	37.0
Average lending spread					

Source: Information provided by the authorities.

¹⁵⁷ Wholesale banks are licensed like regular banks, but natural persons cannot open accounts with or accept deposits from wholesale banks.

¹⁵⁸ Central Bank of the UAE, *Financial Institutions*. Viewed at: <https://www.centralbank.ae/en/financial-institutions>.

¹⁵⁹ Central Bank of the UAE (2018), *2017 Annual Report*. Viewed at: https://centralbank.ae/sites/default/files/2018-10/CBUAEAnnualReport-2017_En.pdf; and Central Bank of the UAE (2021), *2020 Annual Report*. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-04/CBUAE%20-%20Annual%20Report%202020.pdf>.

¹⁶⁰ Global Findex Database 2017.

¹⁶¹ For additional information, see "Box: Islamic Finance Sector" in Central Bank of the UAE (2021), *Financial Stability Report 2020*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-06/EN%20CBUAE%20FSR%20Report%202020_1.pdf.

¹⁶² These are First Abu Dhabi Bank, owned 33% by the Abu Dhabi Investment Council (an Abu Dhabi SWF), Emirates National Bank Dubai, owned 55.8% by the Government of Dubai via the Investment Corporation of Dubai, and Abu Dhabi Commercial Bank, owned 60.2% by the Abu Dhabi Investment Council. Viewed at: <https://www.statista.com/statistics/715828/uae-total-assets-by-major-commercial-banks/>.

4.74. Return on assets (equity) improved during most of the reporting period before dropping significantly during the pandemic to reach 0.7% (4.8%) at the end of 2020.¹⁶³ During 2020, total profits of banks fell by 55.1% compared to 2019, driven by lower incomes and higher impairment charges, partially compensated by lower operating expenses.¹⁶⁴ During the second quarter of 2021, return on equity started to recover and reached 7.2%, while return on assets recovered to 1.0%.¹⁶⁵ While the cost-to-income ratio of national banks increased slightly to 33.8% at the end of 2020 (35.4% for Islamic banks, and 37.0% for all banks of the banking system), it remains among the lowest globally.¹⁶⁶ According to some market observers, profitability is expected to remain subdued in the coming years as the economic impacts of the pandemic continue to show and banks continue to operate in a low interest rate environment.¹⁶⁷

4.75. Over the reporting period, the structure of bank credit at UAE banks shifted slightly towards government and government-related entities (GREs), accounting for 23.1% of total gross lending in 2016 but 26.5% at the end of 2020, while lending to the private sector declined from 68.6% to 62.3% over the same period.¹⁶⁸ Lending to the Government increased in 2019, while lending to GREs increased in both 2019 and 2020, contributing to lower risk-weighted assets and an improved Capital Adequacy Ratio (see below). The composition of lending to the private sector remained broadly unchanged (Table 4.6). Bank lending to micro, small, and medium-sized enterprises (MSMEs) stood at AED 84.7 billion (10.4% of total credit to the private sector) at the end of 2019, lower than in 2017.¹⁶⁹

Table 4.6 Bank credit by economic activity, 2016, 2018, and 2020

(AED million)

	2016		2018		2020	
	Amount	Share	Amount	Share	Amount	Share
Lending to government (central and local)	172,366	11.85	191,498	12.69	251,923	15.78
Lending to GREs	187,416	12.89	167,921	11.12	219,950	13.77
Lending to private sector	1,094,632	75.26	1,150,018	76.19	1,124,913	70.45
Agriculture and fishing	1,374	0.09	1,984	0.13	2,173	0.14
Manufacturing and production	69,300	4.76	76,982	5.10	73,506	4.60
Mining and quarrying	13,550	0.93	14,734	0.98	14,940	0.94
Water, electricity, gas and health services	18,455	1.27	16,998	1.13	27,310	1.71
Building and construction	264,762	18.20	315,490	20.90	327,533	20.51
Commerce	155,821	10.71	154,033	10.20	138,675	8.68
Transport and communications	63,507	4.37	51,496	3.41	84,818	5.31
Finance	145,561	10.01	130,107	8.62	110,357	6.91
Services	125,324	8.62	148,781	9.86	146,165	9.15
Other miscellaneous services	236,978	16.29	239,413	15.86	199,436	12.49
Total	1,454,414		1,509,437		1,596,786	

Source: Information provided by the authorities.

¹⁶³ Return on assets increased from 1.5% at the end of 2016 to 1.8% during the first quarter of 2019, before receding marginally during the remainder of 2019. Following the same pattern, return on equity first increased from 10.7% to 12.9% during the first quarter of 2019 before starting to recede. Central Bank of the UAE (2021), *Core Financial Soundness Indicators Q2 2021*. Viewed at: https://centralbank.ae/sites/default/files/2021-08/Core%20Financial%20Soundness%20Indicators%20-%20Q2%20%28June%29%202021_090821.pdf.

¹⁶⁴ Central Bank of the UAE (2021), *Financial Stability Report 2020*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-06/EN%20CBUAE%20FSR%20Report%202020_1.pdf.

¹⁶⁵ Central Bank of the UAE (2021), *Core Financial Soundness Indicators Q2 2021*.

¹⁶⁶ Central Bank of the UAE (2021), *Financial Stability Report 2020*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-06/EN%20CBUAE%20FSR%20Report%202020_1.pdf.

¹⁶⁷ Standard and Poor's Global (2021), *UAE Banking Sector 2021 Outlook – A Long Recovery Road Ahead*. Viewed at: <https://www.spglobal.com/assets/documents/ratings/research/100048588.pdf>.

¹⁶⁸ Central Bank of the UAE (2021), *2020 Annual Report*; and Central Bank of the UAE (2019), *2018 Annual Report*.

¹⁶⁹ Central Bank of the UAE (2020), *Annual Report 2019*.

4.76. While access to banking services has improved further and has become nearly universal, differences in access remain. Overall, 88% of the population above the age of 15 had an account in 2017, but the share was lower for young adults, female citizens, and those less educated, relatively poorer, living in rural areas, or out of the labour market.¹⁷⁰

4.77. According to the annual reports of the Central Bank, the share of bank deposits by GREs (Government and GREs) in total bank deposits increased from 10.7% (22.7%) at the end of 2016 to 13.5% (28.8%) at the end of 2020 at the expense of private sector deposits (falling from 62.7% to 58.4%). The share of total deposits held at Islamic banks declined from 23.6% in 2017 to 21.8% in 2020, while the share of deposits with foreign banks decreased from 12.7% to 12.3%.¹⁷¹

Regulatory environment

4.78. A new Central Bank law was approved in 2018,¹⁷² replacing the 1980 Central Bank law and the 1985 Law Regarding Islamic Banks, Financial Institutions and Investment Companies. While the new law keeps the overall framework broadly unchanged, it provides for regulation by type of banking activity rather than by type of financial institution. The new law also introduces additional elements that include governance and consumer protection. While the 2018 law provides for the possibility of establishing a deposit guarantee scheme (Article 122), an actual scheme has not yet been set up. In addition, the Central Bank undertook significant regulatory changes relating to prudential regulations, financial stability, Shariah-compliance, and consumer protection during the review period.

4.79. The Central Bank continues to license banks and other financial activities, and licensed financial institutions are entered in a publicly available register before they can start to undertake licensed activities. National (domestic) banks have to be set up as public joint stock companies of which UAE nationals must hold at least 60% of shares. Foreign banks in the onshore economy must establish a branch or representative office but cannot set up a subsidiary. Foreign banks must first obtain a licence for their main office (branch) before being able to request additional licences for additional branches. The authorities indicate that there are no formal restrictions in place regarding the number of banking licences that can be issued, and that there are no formal limits to the number of branches each foreign bank can open. However, the Central Bank website still refers to the objective of limiting the issuance of licences to any new bank and to limit the number of branches per foreign bank to a maximum of eight.¹⁷³ The general regulatory framework does not directly apply to the Financial Free Zones in Dubai and Abu Dhabi, which are separately regulated and where it is possible for foreign banks to directly establish a branch or subsidiary. Such banks, however, are not eligible to take deposits from the UAE onshore economy without obtaining a licence from the Central Bank and cannot deal in AED.

4.80. Reforms in 2017 introduced the Basel III framework for capital adequacy ratios, setting the minimum capital ratio at 10.5% (down from 12% using the Basel II framework), the minimum Tier 1 capital ratio at 8.5%, and a capital conservation buffer at 1.25% (increasing to 2.5% by 2019). At the same time, the Central Bank introduced an additional buffer for domestic systemically important

¹⁷⁰ Global Findex Database 2017.

¹⁷¹ See 2017 and 2020 Annual Reports by the Central Bank of the UAE.

¹⁷² Decretal Federal Law No. 14 of 2018 Regarding the Central Bank of the UAE & Organization of Financial Institutions and Activities. Viewed at: <https://www.mof.gov.ae/en/lawsAndPolitics/qovLaws/Documents/Decretal%20Federal%20Law%20No.%20%2814%29%20of%202018%20Regarding%20the%20Central%20Bank.pdf>. Amended by Decretal Federal Law No. 25 of 2020. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-06/EN%20-%20Decretal%20Federal%20Law%20No.%20%2825%29%20of%202020%20Regarding%20the%20amendme nt%20of%20some%20provisions%20of%20the%20Decretal%20Federal%20Law%20No.%20%2814%29.pdf>.

¹⁷³ Central Bank of the UAE, *Commercial Banks*. Viewed at: <https://www.centralbank.ae/en/financial-institutions/Commercial%20Banks>.

banks¹⁷⁴, as well as a countercyclical buffer.¹⁷⁵ As part of the TESS (Section 1.2), banks were allowed to tap into the capital conservation buffer from March 2020 without regulatory consequences, effectively setting it at 1% (while formally keeping it at 2.5%), a policy that continued until the end of 2021. Likewise, domestic systemically important banks were allowed to fully use their additional buffer without regulatory consequences until the end of 2021. Circular No. 12/2021 of 14 February 2021 determined new minimum capital requirements for banks, ranging from AED 2 billion of fully paid-in capital for incorporated banks and AED 300 million for Specialized Banks (see below) to AED 100 million per branch and eligible capital of at least AED 2 billion at the entity level.¹⁷⁶ These rules, which do not apply to banks in the financial free zones, will come fully into force in 2023 and could lead to new mergers as a number of banks have paid-in capital below this threshold.¹⁷⁷ A Basel III-type leverage ratio of 3% (3.5% for domestic systemically important banks) is being introduced by Q4 2021.

4.81. In 2021, the Central Bank introduced a licensing and supervision framework for "Specialized Banks with Low Risk". Such banks are limited in the activities they can undertake. They have lower minimum capital requirements, can accept deposits only from UAE nationals and only up to AED 500,000 (or the insured amount under the deposit guarantee scheme once established) per client, face limits on ownership concentration as well as the concentration of taking and placing deposits, and their assets cannot exceed AED 25 billion. UAE national ownership of a Specialized Bank must comprise at least 60% of total paid-up capital.¹⁷⁸ These banks otherwise have to follow regular banking regulations and standards.

4.82. Over the reporting period, the Central Bank continued to improve the prudential regulatory framework by introducing regulations and standards on risk management in 2018, requiring banks to establish risk governance frameworks, a risk management "function" headed independently from operational departments, and a mechanism to monitor risks, requiring disclosure of the system's key components as well as actual risk exposure.¹⁷⁹ It also issued a Country and Transfer Risk Regulation (Circular No. 154/2018 of 27 May 2018), Operational Risk Regulation (Circular No. 163/2018 of 29 August 2018), Market Risk Regulation (Circular No. 164/2018 of 29 August 2018, addressing on- and off-balance sheet risks related to the movement of market prices), and Interest Rate and Rate of Return Risk in the Banking Book Regulation (Circular No. 165/2018 of 29 August 2018). In 2019, the Central Bank also issued prudential Corporate Governance Standards for Banks.¹⁸⁰ These include responsibilities of their boards and prescribe that each bank establishes a written code of conduct and a whistle-blower policy, and a conflict-of-interest policy. The standards also prescribe broad requirements for board members (20% of proposed board members must be female), and regulate transactions with related parties, compensation, as well as disclosure and transparency.

¹⁷⁴ During 2020, the Central Bank of the UAE revised the methodology for determining domestic systemically important banks, with the additional buffer varying depending on importance. The list of banks considered systemically important did not change and remains: First Abu Dhabi Bank (FAB), Emirates NBD (ENBD), Abu Dhabi Commercial Bank (ADCB), and Dubai Islamic Bank (DIB). See Central Bank of the UAE (2021), *Financial Stability Report 2020*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-06/EN%20CBUAE%20FSR%20Report%202020_1.pdf.

¹⁷⁵ For additional information, see Central Bank of the UAE Circular No. 52/2017 of 23 February 2017. Viewed at: <https://centralbank.ae/sites/default/files/2020-02/2017%20Capital%20Adequacy%20Regulation.pdf>.

¹⁷⁶ Prior to this reform, the minimum capital requirement for regular banks was AED 40 million.

¹⁷⁷ Overdahl, S. (2021), "UAE's New Capital Rule Could Trigger Further Bank M&A in 'Overbanked' Market", *S&P Global Market Intelligence*, 17 June 2021. Viewed at: <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/uae-s-new-capital-rule-could-trigger-further-bank-m-a-in-overbanked-market-64986070>.

¹⁷⁸ Central Bank of the UAE (2021), *Specialized Banks with Low Risk Regulation*, Central Bank of the UAE Circular No. 13/2021 of 14 February 2021. Viewed at: <https://centralbank.ae/sites/default/files/2021-04/Specialized%20Banks%20with%20Low%20Risk%20Regulation.pdf>.

¹⁷⁹ Central Bank of the UAE (2018), *Risk Management Regulation and Standards*, Circular No. 153/2018 of 27 May 2018. Viewed at: <https://centralbank.ae/sites/default/files/2020-02/C%20153-2018%20Risk%20Management%20Regulation.pdf>.

¹⁸⁰ Central Bank of the UAE (2019), *Corporate Governance Standards for Banks*, Circular No. 83/2019 of 18 July 2019. Viewed at: https://centralbank.ae/sites/default/files/2021-03/2019%20Corporate%20Gov%20Standards_0.pdf.

4.83. In 2020, the Central Bank issued standards for Shariah governance for Islamic financial institutions and regulatory requirements for financial institutions housing an Islamic window.¹⁸¹ According to the Central Bank, the standards address issues related to the governance of the Islamic window within the licensed financial institutions, the Shariah-compliant management of assets and liabilities, IT systems, and reporting of the Islamic window's activities, with a bank's Board of Directors ultimately responsible for compliance with Shariah principles. For licensed banks that conduct all or part of their activities in accordance with the provisions of Islamic Shariah, additional standards on "Risk Management Requirements for Islamic Banks" were issued on 10 February 2021 and have been applied since early August 2021. The Central Bank's Higher Shariah Authority for Islamic Banking and Financial Activities (HSA), established under the new Central Bank law, also issues resolutions regarding Shariah aspects that Islamic financial institutions have to follow, reviews and approves product applications by banks, and approves banks' internal Shariah Supervision Committee reports. It also issues high-level guidance, for example, regarding the Shariah-compliant replacement of London interbank offered rates (LIBOR) in lending instruments with floating interest rates following their phase-out at the end of 2021. As of September 2018, the Central Bank also adopted the Accounting and Auditing Organization for Islamic Financial Institutions' (AAOIFI) Shariah standards.¹⁸²

4.84. Since 2020, strengthened consumer protection regulations (Circular No. 8/2020 of 25 November 2020) have set standards for licensed banks' business and market conduct, strengthened oversight over financial products offered, aimed to protect consumers from becoming overly indebted, strengthened disclosure requirements for banks and access to information by clients, facilitated redress for consumer complaints, and supported competition. To facilitate access to finance by SMEs, the Central Bank issued a "Small to Medium Sized Enterprises (SME) Market Conduct Regulation"¹⁸³, setting disclosure and communication requirements for financial institutions dealing with SMEs, including an obligation for responsible ethical and financial conduct and establishing a complaint mechanism.

4.85. Authorities in each Emirate levy a profit tax of 20% on foreign bank branches (a tax not levied on domestic banks). Foreign banks were not required to have a national agent to establish themselves prior to the recent reform of the Companies Law, so the revisions do not affect foreign banks. There are no specific limits for domestic banks or individuals to borrow abroad or make deposits abroad, other than general limits for credit concentrations that also for local exposures.

Financial stability

4.86. Despite the challenging environment resulting from the COVID-19 pandemic, the overall financial situation of the banking sector in the UAE remains sound. According to the Central Bank's 2020 Financial Stability Report, the Capital Adequacy Ratio (CAR) stood at 18.1% at the end of 2020, up from 17.6% in 2019 and well above the regulatory minimum, although it varies across banks. The CAR for fully fledged Islamic banks stood at 19.9% at the end of 2020.¹⁸⁴ In 2020, the average CAR for all banks increased primarily due to a reduction in risk-weighted assets as banks increased lending to GREs and increases in available capital mainly attributable to retained earnings.¹⁸⁵ The CAR is calculated in line with Basel III guidelines as of December 2017 in line with Central Bank Circular 52/2017 (see above).¹⁸⁶ According to the Central Bank, commercial banks also held ample liquidity at the end of 2020. The Liquidity Coverage Ratio (LCR) stood at 149.4% at the end of 2020¹⁸⁷, while the Eligible Liquid Assets Ratio (ELAR) stood at 18.4%, well above the

¹⁸¹ Central Bank of the UAE, *Standard Re. Shari'ah Governance for Islamic Financial Institutions*, 21 April 2020 and *Standard Re. Regulatory Requirements for Financial Institutions Housing an Islamic Window*, 18 October 2020. Viewed at: <https://centralbank.ae/en/laws-and-regulations/regulations/banking>.

¹⁸² AAOIFI, *AAOIFI Welcomes UAE's Adoption of Its Standards*. Viewed at: <http://aaoifi.com/announcement/aaoifi-welcomes-uaes-adoption-of-its-standards/?lang=en>.

¹⁸³ Central Bank of the UAE Circular 1/2021 of 16 January 2021.

¹⁸⁴ Central Bank of the UAE (2021), *Financial Stability Report 2020*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-06/EN%20CBAE%20FSR%20Report%202020_1.pdf.

¹⁸⁵ Central Bank of the UAE (2021), *Financial Stability Report 2020*, p. 30.

¹⁸⁶ Central Bank of the UAE (2021), *Core Financial Soundness Indicators Q1 2021*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-05/Core%20Financial%20Soundness%20Indicators%20-%20Q1%20%28March%29%202021_270521.pdf.

¹⁸⁷ Five of the UAE banks have been approved to use the Basel III LCR and Net Stable Funding Ratio.

regulatory minimum of 10% (and temporarily relaxed to 7% until end-2021 as part of the TESS).¹⁸⁸ The Net Stable Funding Ratio for approved banks stood at 110.6% at the end of 2020, while the Advances to Stable Resources Ratio was 77.8%, well below the threshold of 100% (adjusted to 110% until end-2021 as part of the TESS).

4.87. The share of non-performing loans (NPLs) to total loans, however, is relatively high as it increased from 5.1% at the end of 2016 to 8.2% at the end of 2020, despite adjustments in methodology to allow for more accurate comparison with other jurisdictions (historically, the methodology used in the UAE slightly inflated the ratio compared to international best practices). Over the same time, the ratio of NPLs net of provisions to capital increased from 5.1% to 14.0% (Table 4.5).¹⁸⁹ The net NPL ratio, introduced in 2019 to improve comparability with other jurisdictions¹⁹⁰, stood at 3.5% on average at the end of 2020¹⁹¹, up from 1.5% in 2016. At the same time, the NPL ratio for Islamic banks stood at 3.4%.¹⁹²

FinTech

4.88. The Central Bank set up a dedicated FinTech office during the second half of 2020 with the aim of developing a mature FinTech ecosystem in the UAE and establishing the country as a global FinTech hub.¹⁹³ The office aims to develop a comprehensive regulatory environment as well as digital infrastructure. According to the authorities, the Central Bank is developing an instant payment platform and infrastructure for digital payments clearing and settlement services among banks, exchange houses, e-wallet schemes, and other transactions in line with the National Payments System Strategy announced in 2018, as well as additional digital platforms, such as an e-KYC model, an SME funding solution, or a distributed technology ledger trade finance platform. To develop the regulatory framework, the Central Bank updated in 2020 the 2016 "Regulatory Framework for Stored Value and Electronic Payment System". Regarding electronic payments, it issued a specific regulatory framework for "Stored Value Facilities" (SVFs) (Circular No. 6/2020 of 30 September 2020), which will be fully applicable by September 2021.¹⁹⁴ As per the regulations, all SVFs will now require a prior licence, unless they are single purpose facilities (where the stored value can only be used for products and services provided by the issuer of the SVF), or the provider receives an explicit exemption from the Central Bank. As of November 2021, three SVF service providers were licensed in the UAE.¹⁹⁵ Two additional payment regulations regulate Large Value Payments (Circular No. 9/2020 of 10 January 2021) and Retail Payment Systems (Circular No. 10/2020 of 10 January 2021), requiring operators of such systems to be licensed by the Central Bank. Both will be implemented following a one-year transition period.¹⁹⁶

4.89. Regulations in the two financial free zones have been supportive of FinTech development and both financial zones had established special initiatives to support the development of the industry earlier: a FinTech Hive in the DIFC was established in 2017 and the DFSA launched a regulatory sandbox, called the Innovation Testing Licence, while ADGM set up a regulatory sandbox, the RegLab, in 2016. The FinTech Hive has supported over 120 FinTech start-ups, and it provides funding

¹⁸⁸ Central Bank of the UAE (2021), *Financial Stability Report 2020*. For a definition of the ELAR, which is calculated for all banks operating in the UAE, see Central Bank of the UAE Circular No. 33/2015, "Regulation re Liquidity at Banks" of 27 May 2015. Viewed at: <https://centralbank.ae/sites/default/files/2018-12/Liquidity%20regulation.pdf>.

¹⁸⁹ Central Bank of the UAE (2021), *Core Financial Soundness Indicators Q1 2021*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-05/Core%20Financial%20Soundness%20Indicators%20-%20Q1%20%28March%29%202021_270521.pdf.

¹⁹⁰ Central Bank of the UAE (2019), *Central Bank of the UAE Enhances its Reporting of Non-performing Loans*. Viewed at: https://www.centralbank.ae/sites/default/files/2019-06/PR_EnhancedNPLMethodology_En_27062019.pdf.

¹⁹¹ The net NPL ratio varied significantly across sectors, reaching for example 9.2% for the construction sector.

¹⁹² Central Bank of the UAE (2021), *Financial Stability Report 2020*. Viewed at: https://www.centralbank.ae/sites/default/files/2021-06/EN%20CBUAE%20FSR%20Report%202020_1.pdf.

¹⁹³ Central Bank of the UAE, *FinTech Office*. Viewed at: <https://www.centralbank.ae/en/fintech-office>.

¹⁹⁴ This regulation repealed the "Regulatory Framework for Stored Value and Electronic Payment System" of 13 December 2016.

¹⁹⁵ Central Bank of the UAE, *CB Register as of November 2021*. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-12/CB%20Register%20%28D9%90November-2021.%29.pdf>.

¹⁹⁶ These regulations can be viewed at: <https://www.centralbank.ae/en/laws-and-regulations/regulations/other-licensed-institutions>.

and access to accelerator programs, mentoring from leading companies, a co-working space, and opportunities to obtain funding. In May 2021, it was incorporated into the DIFC Innovation Hub, the largest agglomeration of FinTech companies in the Gulf Cooperation Council (GCC) according to the authorities. The regulatory sandbox has accepted almost 70 firms into the programme, of which 3 have graduated to a full licence and 5 are live testing, according to the authorities. By September 2019, the ADGM had admitted 32 firms to participate¹⁹⁷ and participants that had not yet graduated migrated to the newly launched ADGM Digital Lab in late 2019.¹⁹⁸ To date, over 90 FinTechs, financial institutions, investors, technology firms, academic institutions, and government entities have participated in the Digital Lab, according to the authorities.

4.3.1.2 Insurance

Structure

4.90. Following the merger of the Insurance Authority and the Central Bank of the UAE, the Central Bank has regulated and supervised the insurance sector since 1 January 2021 with a view to develop and enhance the role of the insurance industry.¹⁹⁹ The Central Bank has the same regulatory role as the Insurance Authority did in the past. Companies operating in the DIFC are regulated by the DFSA, and those operating in the ADGM by the FSRA.

4.91. During the review period, 62 insurance companies operated in the UAE, 26 of which were foreign, 24 national, and 12 national Takaful companies.²⁰⁰ Gross written premiums (GWPs) increased from AED 40 billion in 2016 to AED 42.5 billion in 2020. According to the authorities, 10.2% of these were underwritten by the Takaful sector. The share of national insurance companies in total GWPs increased from 62.2% to 68.4% between 2016 and 2020, with the rest being underwritten by branches of foreign insurance companies. This limited growth in GWPs between 2016 and 2020 occurred while total assets increased by 28.9% to AED 115.9 billion and investments increased by 38.7% to AED 72.8 billion.²⁰¹ In 2020, the share of UAE nationals among those employed within the insurance sector reached 12.7%.²⁰²

4.92. Among the 30 insurance companies listed on the stock exchanges, the three largest accounted for nearly 50% of market share. Growth in insurance was broad-based across various types of insurance except for motor vehicle and insurance of persons and fund accumulation (life insurance), which declined. Since 2017, health insurance has been mandatory for all residents in the Emirate of Dubai, contributing to an increase in the share of health insurance in GWP from 43% in 2016 to 46% in 2020. According to the authorities, the largest share of GWP in 2020 was accounted for by insurance brokers (45.8%), banks (8.2%), and agents (5%), with a large share of the remainder being accounted for by direct insurance. The use of reinsurance by insurance companies increased over the reporting period with the retention ratio across all insurance classes falling from 63.4% in 2016 to 56.9% in 2020.

Regulatory environment

4.93. The Federal Insurance Law (No. 6 of 2007) continues to govern the insurance sector.²⁰³ Over the review period, regulators undertook reforms primarily aimed at increasing transparency for customers, improving conduct, regulating reinsurance, and establishing a regulatory sandbox.

¹⁹⁷ ADGM (2019), *ADGM Admits 4th RegLab Cohort and Announces Successful RegLab Graduates Deploying Solutions into Live Markets*, 25 August 2019. Viewed at:

<https://www.adgm.com/media/announcements/adgm-admits-4th-reglab-cohort>.

¹⁹⁸ Emirates NDB (2021), *Fintech: The UAE Ecosystem*. Viewed at:

http://www.emiratesnbdresearch.com/plugins/Research/files/Fintech_Final.pdf.

¹⁹⁹ Federal Law No. 25 of 27 September 2020 Regarding the Amendment of Some Provisions of the Decretal Federal Law No. 14 of 2018 Regarding the Central Bank of the UAE & Organization of Financial Institutions and Activities. Viewed at: <https://www.centralbank.ae/sites/default/files/2021-06/EN%20-%20Decretal%20Federal%20Law%20No.%20%2825%29%20of%202020%20Regarding%20the%20amendme nt%20of%20some%20provisions%20of%20the%20Decretal%20Federal%20Law%20No.%20%2814%29.pdf>.

²⁰⁰ Central Bank of the UAE (2021), *Financial Stability Report 2020*.

²⁰¹ Information provided by the authorities.

²⁰² Central Bank of the UAE (2021), *2020 Annual Report*, p. 42.

²⁰³ According to the authorities, it was amended by Federal Law No. 24 of 2020.

4.94. The Central Bank issues licences for insurance companies that have to be set up as public stock companies, while foreign insurance companies are allowed to open a branch (for which they have to appoint an authorized manager) or representative office.²⁰⁴ Insurance companies require a minimum capital of AED 100 million (this also applies to branches of foreign companies) and must be owned at least 51% by UAE or GCC nationals (or firms). Foreign insurance companies can also operate via licensed insurance agents in the UAE.²⁰⁵ According to Article 25 of the Insurance Law, a company is not allowed to carry out life and non-life insurance at the same time unless it was licensed to transact both life and non-life business before the issuance of Federal Law No. 6 of 2007, in which case rights to transact both types of insurance were grandfathered. Traditional insurance companies are also not permitted to offer Takaful insurance.

4.95. Insurance and reinsurance brokers, agents, appraisal surveyors and loss adjusters, insurance consultants, actuaries, or insurance policies price comparison websites are required to register with the Central Bank and obtain a licence (subject to approval) prior to undertaking their functions. In 2018, the regulator issued instructions²⁰⁶ to regulate bancassurance activities, which represented 29.1% of the GWPs in the life insurance sector in 2020.²⁰⁷ According to the new regulation, banks require prior approval by the regulator before marketing certain insurance policies, and they may not issue policies, settle claims, or pay compensations. In 2020, the regulator introduced a licensing requirement for insurance producers (persons who market insurance policies).²⁰⁸ The regulator also issued specific regulations on licensing and registration of individual and corporate actuaries in 2017, defining qualification requirements, minimum capital, and insurance requirements, and also limiting the amount of work each actuary can undertake.

4.96. All new insurance products require prior approval from the regulator before they can be marketed. Tariffs are only regulated in the case of motor insurance.²⁰⁹ However, companies have to share with the regulator the specimens of all insurance policies, as well as their terms and conditions, premiums, and for life insurance policies also the rules regarding the future value.

4.97. In 2019, the regulator issued specific regulations on reinsurance, also covering re-Takaful to encourage the development of the reinsurance sector in the UAE.²¹⁰ The regulations outline minimum capital requirements for reinsurance companies and confirm minimum ownership of 51% by UAE or GCC nationals (or firms), while setting a minimum credit rating for foreign companies aiming to set up a reinsurance branch in the UAE. Licensed insurance (and Takaful) companies are also permitted to undertake reinsurance (re-Takaful) business in the UAE in the same types and classes of insurance they are licensed to practice, after obtaining specific approval by the regulator to do so. Such underwritten reinsurance business by insurance companies is limited to 49% of their total GWP unless the regulator grants a special exception. The minimum capital requirement for re-insurance companies is AED 250 million (AED 350 million for firms undertaking both insurance and re-insurance activities).

4.98. To increase transparency and support consumers, the regulator issued Instructions for Life Insurance and Family Takaful Insurance in 2019.²¹¹ These instructions introduce limits on commissions payable to insurance brokers or intermediaries, disclosure rules on fees and charges,

²⁰⁴ Federal Law No. 25 of 27 September 2020 Regarding the Amendment of Some Provisions of the Decretal Federal Law No. 14 of 2018 Regarding the Central Bank of the UAE & Organization of Financial Institutions and Activities.

²⁰⁵ Such insurance agents can only work for one company.

²⁰⁶ Insurance Authority's Board of Directors Decision No. 13 of 23 May 2018 Concerning Instructions of Marketing Insurance Policies Through Banks, Viewed at: <https://ia.gov.ae/en/RulesRegulations/decisionsregulationsinstructionsDocs/Insurance%20Authority%20Board%20of%20Directors%20Decision%20No.pdf>.

²⁰⁷ Data provided by the authorities.

²⁰⁸ Insurance Authority Board of Directors' Resolution No. 27 of 18 November 2020 Concerning the Instructions for Licensing Insurance Producers.

²⁰⁹ Board of Directors' Resolution No. 30 of 15 December 2016 Concerning Issuing Regulation for Motor Vehicle Insurance Tariffs (last amended by Insurance Authority Board of Directors' Resolution No. 17 of 22 April 2020).

²¹⁰ Insurance Authority's Board of Directors Decision No. 23 Concerning Instructions Organizing Reinsurance Operations of 14 May 2019. Viewed at: [https://ia.gov.ae/en/RulesRegulations/decisionsregulationsinstructionsDocs/Insurance%20Authority%E2%80%99s%20Board%20of%20Directors%20Decision%20%20No.\(%2023\)%20%20of%202019.pdf](https://ia.gov.ae/en/RulesRegulations/decisionsregulationsinstructionsDocs/Insurance%20Authority%E2%80%99s%20Board%20of%20Directors%20Decision%20%20No.(%2023)%20%20of%202019.pdf).

²¹¹ Insurance Authority Board of Directors' Decision No. 49 Concerning Instructions for Life Insurance and Family Takaful Insurance of 9 October 2019.

a 30-day cost-free cancellation right to the client, requiring insurance product approval by the regulator, and a requirement to provide explicit information on expected returns and their uncertain nature for savings products to customers. Amendments to the instructions for licensing health insurance third-party administrators included the requirement to file quarterly reports by such providers to facilitate supervision.

4.99. In 2020, the regulator issued the Electronic Insurance Regulation relating to e-insurance and "smart insurance", complementing the more general regulations spelled out under the Federal Law concerning Federal Law No. 1 of 30 January 2006 on Electronic Commerce and Transactions. Under the regulations, firms may sell generic life and personal insurance policies, as well as certain types of liability and property insurance, online. The regulations further protect consumer rights by prohibiting anti-competitive behaviour between price comparison websites for insurance products (which have to be licensed annually by the regulator), insurance brokers, and insurance companies.

4.100. In 2019, the regulator established a regulatory sandbox for the insurance sector to encourage innovation and the development of InsurTech applications. The provisions define the categories of potential applicants and eligibility criteria during the pilot period, but no information was available regarding the uptake of the sandbox by companies to date.

4.101. A number of additional changes include the continued efforts to introduce International Financial Reporting Standard regarding accounting for insurance contracts (IFRS-17) by 2023, which included, for example, a requirement for each insurance company to undertake a gap assessment and to establish a road map for IFRS-17 transition.²¹² The establishment of a Digital Insurance Supervision Platform is meant to automatically use financial and non-financial data on companies' operations, their financial statements, and other information to improve sector supervision using artificial intelligence and machine learning. To enhance the role of Shariah Controllers in Takaful insurance companies, the regulator also issued qualification requirements for and defined the duties and functions of such controller in Decision No. 50 of 17 April 2019.

4.102. In 2019, the regulator removed the need for insurance policies for marine hull, aviation, satellites, balloons, spaceships, and oil to be written in Arabic.²¹³ In 2019, the regulator further established committees for the settlement and resolution of insurance disputes. Two committees in Abu Dhabi and Dubai have started operating.

4.3.1.3 Capital markets

4.103. Capital markets in the UAE are well developed and are open to the listing of foreign companies, including dual listing in the UAE and abroad. Financial markets in the onshore economy are regulated by the Emirates SCA. The two onshore financial markets, the Dubai Financial Market (DFM)²¹⁴ and the Abu Dhabi Securities Exchange (ADX)²¹⁵, list companies, bonds, sukuk²¹⁶, and other financial instruments, and make up the Emirates Securities Market. In addition, the Dubai Gold and Commodities Exchange (DGCX) operates in the Dubai Multi Commodities Centre (DMCC) free zone under SCA supervision. While the SCA approves the commodities contracts in the DGCX, the DFM and the ADX approve the listing of companies and other financial instruments. The SCA also licenses investment funds as well as brokers. Both can be domestically incorporated or branches of foreign companies as long as they conduct the same activity and are supervised by a regulatory

²¹² Insurance Authority Circular No. 50 "On the requirements for implementation of IFRS-17".

²¹³ Insurance Authority Administrative Decision No. 140 of 14 October 2019 Concerning the Exclusion of Some Insurance Policies from the Requirement of Being Written in the Arabic Language.

²¹⁴ Set up in 2000, the DFM lists equity and debt instruments as well as other financial instruments. Twenty per cent of its shares are publicly listed.

²¹⁵ Set up in 2000, the ADX lists share of UAE companies, debt instruments issued by the Government and GREs, ETFs, and other financial instruments. It has trading locations in Abu Dhabi, Al Ain, Fujairah, Sharjah, and Ras Al Khaimah. The ADX is owned by one of the sovereign wealth funds in Abu Dhabi (ADQ – See also Section 3.3.5).

²¹⁶ Sukuk is an Islamic financial certificate. A major difference between conventional bonds and sukuk is that the structure of sukuk removes interest-based elements, which are replaced by an asset-based income structure.

authority in the country of origin. The regulations for brokers also specify certain capital requirements and prohibit certain conflicts of interest.²¹⁷

4.104. In addition, NASDAQ Dubai, a third stock exchange, is located in the DIFC and regulated by the DFSA (Section 4.4.1). It lists a small number of companies (some of which are dual listings of foreign companies), two real estate investment trusts, a Bitcoin fund (a dual listing), and large numbers of sukuks and conventional bonds. NASDAQ Dubai is majority owned by majority state-owned Borse Dubai (directly and indirectly via DFM). With outstanding sukuk listings valued at USD 49 billion at the end of 2020, NASDAQ Dubai remains a major location for sukuk listing in the global USD 572 billion market.²¹⁸

4.105. Between 2016 and March 2021, market capitalization of domestic listed companies increased from USD 213 billion to USD 333 billion, and the number of companies listed increased by 20 over the reporting period. Among all joint stock companies, which have to register with the SCA, roughly one third were not listed on the DFM or the ADX as of 2019. These were predominantly government-owned private joint stock companies, accounting for about the same amount of capital as those listed on the onshore stock exchanges in the UAE.²¹⁹ The sectoral concentration of the firms listed remains high in the UAE, with banks accounting for nearly a third of the total capital listed, and firms in real estate accounting for another quarter. The separate market for the listing of smaller companies, established by the ADX in 2014, saw the number of companies listed fluctuate and stand at seven in 2021. The number of companies listed on the NASDAQ Dubai stood at five by July 2021, after Dubai World delisted from the exchange in 2020.

4.106. In the onshore financial markets, restrictions regarding foreign ownership of shares of publicly listed companies are in place and vary by listed company (from 0% to 100% but 49% for the majority of companies).²²⁰ By company, such ownership limits are defined for UAE nationals, GCC nationals, and other nationalities, with daily data on the ownership structure provided by the stock exchanges. The share of free float is limited to 70% of all stocks and for most companies only a minority portion of shares is traded as of today. In 2020, foreign investors accounted for 48% and 36% of the trading volume in the DFM and ADX, respectively. Short selling is permitted for selected companies. There are no foreign ownership restrictions regarding companies listed on the NASDAQ Dubai.

4.107. Prior to their marketing in the UAE, domestic investment instruments are approved by either the SCA, the DFSA, or the FSRA, depending on where the instruments will be marketed. Foreign investment funds also require an approval from the SCA before they can be marketed in the mainland. Foreign financial institutions can market investment funds to so-called "professional investors"²²¹ or retail investors in the UAE through a local promoter without establishing a local branch but after registering them with the SCA.²²² In 2019, the three financial regulators in the territory of the UAE also agreed to a common regulatory framework allowing fund managers to register their public or private investment funds domiciled in any of the three regulatory jurisdictions as "passport" funds. Fund marketers can promote these passported funds to investors in any of the three jurisdictions.²²³ The value of exchange traded funds (ETFs) traded in the DFM reached

²¹⁷ The SCA Board of Directors' Chairman Decision No. 9/R.M of 2016 Concerning the Regulations as to Investment Funds; and the Authority's Board of Directors Decision No. 27 of 2014 Concerning Brokerage in Securities. Viewed at: www.sca.gov.ae.

²¹⁸ NASDAQ Dubai webpage; and Malaysia Islamic Finance Marketplace, *Factsheet on 2020 Global Sukuk Market*. Viewed at: <http://www.mifc.com/repository/0348Factsheet%20on%202020%20sukuk%20global%20market.pdf>.

²¹⁹ Securities and Commodities Authority (2020), *2019 Annual Report*.

²²⁰ Dubai Financial Markets, *Foreign Ownership*. Viewed at: <https://www.dfm.ae/issuers/listed-securities/foreign-ownership>.

²²¹ The concept of "professional investor" replaced and broadened the concept of "qualified investor" in 2021 through the Chairman of the Authority's Board of Directors Decision No. 13/Chairman of 9 May 2021 on the Regulations Manual of the Financial Activities and Status Regularization Mechanisms. The concept of "qualified investor" had already earlier been broadened in 2019 as well. These cover certain institutional investors as well as large corporations and high-net-value individuals. Viewed at: <https://www.sca.gov.ae/en/regulations/regulations-listing.aspx>.

²²² Foreign financial institutions can market investment products other than funds without registering them with the SCA.

²²³ Marketers can promote *private* funds only by way of private placement to "Qualified Investors". For additional details, see the passporting rules issued by the SCA. Viewed at: <https://www.sca.gov.ae/en/regulations/circulars-and-procedures.aspx>.

AED 27.8 million between 2016 and September 2021, and AED 135.8 million at the ADX. There are no limits to foreign trading regarding debt instruments listed at the DFM, ADX, or NASDAQ Dubai.

4.108. Over the reporting period, the SCA introduced regulatory changes aimed at improving, *inter alia*, transparency and financial reporting, the protection of investors, the development of financial markets, and procedures for the listing of companies. For example, it introduced (in 2016) and amended (in 2019) governance standards for public joint stock companies and introduced the requirement to use extensible business reporting language (XBRL) for financial reporting. It also introduced regulations regarding suspending the trading of "troubled joint stock companies" and their return to trading. The SCA also regulated fees for investment funds and set up a mechanism for complaints relating to financial market transactions in 2016. The SCA also amended regulations for issuing shares of public joint stock companies, of foreign companies, and joint listings.²²⁴ In 2018, the SCA also approved the FinTech Regulatory Framework and Sandbox Guidelines for financial services that fall under its regulatory purview. According to the authorities, other regulatory changes related to the issuing of Islamic Securities (2018), regulating derivatives contracts (2018), anti-money laundering and counter-terrorism and illegal organizations financing (2018-20), and regulations on crypto assets activities (2020).

4.3.2 Construction services

4.109. Construction as a share of non-oil GDP remained broadly constant over the review period and stood at 11.6% in 2019 before dropping to 11.2% in 2020 (Section 1.1). While the construction sector was exempted from some of the measures to slow the spread of COVID-19²²⁵, the sector was nevertheless among those most impacted, together with travel, accommodation and food, and retail services. Major real estate projects continue to be implemented, and the total volume of active mega construction projects in the UAE is estimated by some market observers to exceed USD 300 billion.²²⁶ Real estate prices in Dubai continued to decline over the review period to around 60% of the values during the 2014 price peak, before starting to stabilize and increase in early 2021. Similar trends have been observed in other Emirates.

4.110. Active mega construction projects, sometimes (further) delayed due to the pandemic, include commercial projects (such as Mohammed bin Rashid City or the Royal Atlantis Resort & Residences), infrastructure projects (such as the Al Maktoum international airport or Phase 2 of the railway (Section 4.3.4.1)), museums (such as the Museum of the Future), and residential properties (such as Jubail Island in Abu Dhabi or Aljada in Sharjah). In December 2020, Emaar Properties also announced that it would halt construction work in Dubai due to a built-up oversupply.²²⁷ A large share of megaprojects are funded by the Government.

4.111. Major construction companies operating in the UAE include domestic commercial companies, domestic state-owned companies, and foreign companies that are incorporated locally.²²⁸ Commercial presence continues to be required for a contractor to carry out construction work in the UAE, either through incorporation or a branch office. As part of the reform of the Commercial Companies Law in 2020, foreign ownership limits to certain construction activities were eliminated, with full foreign ownership permitted.²²⁹

²²⁴ See SCA Board Chairman's Decision No. 27 of 2017 Amending Board Chairman's Decision No. 7/R of 2002 concerning the Regulation for Listing of the Shares of Foreign Companies; and Decision of the Chairman of the SCA Board of Directors No. 04R.M of 2018 Amending the Decision of the Chairman of the SCA Board of Directors No. 43R of 2008 Concerning Joint Listing.

²²⁵ In Dubai, the construction sector was designated as "vital" and could continue to operate with special permits and following certain health protocols, even when other offices had to close. However, the movement of workers across Emirates was temporarily restricted.

²²⁶ ABIQ, *Top 5 Projects in the UAE*. Viewed at: <https://www.abiq.io/2021/05/02/top-5-projects-in-the-uae>.

²²⁷ *Reuters* (2020), "Dubai's Biggest Developer Emaar Halts New Construction Work, Chairman Says", 7 December 2020.

²²⁸ Major material providers, such as Emirates Steel, are also at times government-owned (Emirates Steel is owned by Senaat, which in turn is fully owned by the sovereign wealth fund ADQ). *FitchRatings*, "Fitch Ratings Affirms Senaat at "A"; Outlook Stable", 1 July 2021. Viewed at: <https://www.fitchratings.com/research/corporate-finance/fitch-ratings-affirms-senaat-at-a-outlook-stable-01-07-2021>.

²²⁹ Formerly, foreign ownership in all companies established in the UAE (other than in free zones) was limited to 49% (see Section 2 on these reforms and which sectors no longer face these limits).

4.112. Firms and employees require specific licences to provide certain construction-related activities, and these are regulated at the emirate level. For example, Dubai Municipality accredits engineering staff (including architects) while the Dubai Real Estate Regulatory Agency licenses real estate agents or regulates rental agreements. Special licensing procedures exist in free zones, for example for interior design consultants in Dubai.²³⁰ Companies and individuals licensed in one Emirate cannot operate in other Emirates unless they have been licensed in those Emirates as well. A large number of foreign professionals related to construction services are licensed in the UAE. To be registered as an individual professional service provider in the UAE, residency is required.

4.113. As a result of the pandemic, major construction companies experienced significant declines in profits, or fell into loss in 2020. As the pandemic compounded the effects of the construction downturn after the financial crisis and again since 2014, Arabtec Holding, a major construction company valued at AED 30 billion in 2014, filed for liquidation in December 2020²³¹, and at least one other large construction company is also being restructured. Limitless, another major construction company, offered bond-holders a debt restructuring, the third since the financial crisis, in April 2021.²³² In late 2020, creditors of the Al Jaber Group, another major company, started to enforce claims of a large (USD 1.6 billion) debt restructuring agreed in 2018 that has not yet been implemented.²³³ The margin required by banks to issue bank guarantees is also said to have increased to nearly 30% in 2021²³⁴, potentially indicating an increasing risk perception of construction projects among banks.

4.114. The Government in late 2020 started to consolidate the operations of various state-owned construction companies.

4.115. In 2019, Dubai established a Higher Committee of Real Estate tasked to find a sustainable balance between the supply and demand of the Dubai property sector and ensuring semi-governmental real estate companies do not compete with the private sector.²³⁵ According to the authorities, a strategic comprehensive plan for all mega projects in Dubai is currently being developed.

4.116. Each Emirate remains responsible for applicable building codes. Abu Dhabi applies its building code to all projects since 2014²³⁶, while Dubai approved a new building code in 2020, replacing the Code of Construction and Safety Practice, aiming to streamline construction-related rules and approval procedures.

4.117. Under the GATS, the UAE has made commitments for some relevant business services (architectural, engineering, and urban planning and landscape architectural services), as well as construction and related engineering services. The horizontal limit on market access, requiring commercial presence through "either a representative office or an incorporation as a company with maximum foreign equity participation of 49% subject to UAE law", applies to these services as do horizontal limits on the movement of natural persons.²³⁷ Likewise, the UAE retained limits to the

²³⁰ Dubai Creative Clusters Authority License Guidelines LG 10.2.9 on Interior Design Consultancy, Version 2 of 14 June 2015.

²³¹ *Arabian Business* (2020), "End of an Era as Dubai's Arabtec Files for Liquidation", 17 December 2020. Viewed at: <https://www.arabianbusiness.com/construction/456122-end-of-an-era-as-dubais-arabtec-files-for-liquidation>.

²³² Parasie, N. (2021), "Dubai Crisis Aftershocks Felt in Developer's Third Restructuring", *Bloomberg*, 26 April 2021. Viewed at: <https://www.bloomberg.com/news/articles/2021-04-26/dubai-crisis-aftershocks-felt-in-developer-s-third-restructuring>.

²³³ Barbuscia, D. (2020), "Creditors Take Action Against UAE's Al Jaber in Decade-Long Saga", *NASDAQ*, 22 September 2020. Viewed at: <https://www.nasdaq.com/articles/creditors-take-action-against-uaes-al-jaber-in-decade-long-saga-2020-09-22>.

²³⁴ Nair, M. (2021), "UAE Construction Industry Wants Banks Not to Add to Their Cash Problems", *Gulf News*, 13 September 2021. Viewed at: <https://gulfnews.com/business/property/uae-construction-industry-wants-banks-not-to-add-to-their-cash-problems-1.1631507010243>.

²³⁵ Burke, M. (2019), "Can the Higher Committee of Real Estate Control Dubai's Housing Supply?", *Gulf Business*, 7 December 2019.

²³⁶ WTO document WT/TPR/S/338/Rev.1, 4 October 2016.

²³⁷ As a result of the amendments to the Companies Law, full foreign ownership is permitted in construction-related activities.

national treatment regarding acquisition of land and real estate, taxation, and the provision of government subsidized services.²³⁸

4.3.3 Telecommunications services

4.3.3.1 Structure

4.118. The telecommunications sector is dominated by two majority state-owned companies sharing the market among them in varying proportions depending on the service provided (Table 4.7).²³⁹ The share of information and communication in nominal GDP remained broadly constant around 3% between 2016 and 2019 before increasing to 3.4% in 2020. Overall revenues generated by the two UAE telecom companies (including from operations overseas) decreased slightly from AED 95 billion in 2016 to AED 93 billion in 2020, according to information provided by the authorities.

4.119. As of September 2021, the UAE had around 16.6 million active mobile subscriptions, the majority pre-paid, representing a mobile penetration rate of around 182%. The number of active subscriptions is now below the nearly 20 million at the end of 2016 and has been declining since reaching a high of 20.4 million in April 2018. In 2017, the operator "du" (EITC) introduced Virgin Mobile as a separate brand.

Table 4.7 Telecommunications indicators, 2015-20

	2015	2016	2017	2018	2019	2020
Subscriptions (including pre-paid) per 100 inhabitants						
Fixed-line telephony	24.38	24.42	24.46	24.31	24.18	24.07
Mobile telephony	193.7	212.6	209.0	208.5	200.6	185.8
Internet (Fixed only)	13.3	13.9	29.1	31.4	31.2	32.8
Broadband (Fixed + Mobile)	148.7	177.1	270.3	281.4	271.1	257.1
Number of active providers						
Fixed-line	2	2	2	2	2	2
Mobile	2	2	2	2	2	2
Internet	2	2	2	2	2	2
Market share of top provider	59%	57%	59%	59%	63%	65%
Fixed-line	86%	85%	84%	84%	84%	83%
Mobile	54%	52%	54%	55%	59%	62%
Internet	85%	84%	82%	83%	83%	82%

Source: Information provided by the authorities.

4.120. According to the International Telecommunication Union (ITU), prices for telecommunications services were very competitive in 2020 (Tables 4.8 and 4.9). The UAE ranked particularly high regarding the cost as a share of gross national income (GNI) for the low consumption bundle (data and voice), as well as the mobile voice basket. Access to fixed-broadband services was also very competitive, according to the ITU methodology comparing the price of fixed-broadband packages of at least 5 GB at a minimum speed of 256 kbit/s. According to commercially available data from Speedtest²⁴⁰, the speed of fixed-broadband Internet access in the UAE increased to nearly 180 Mbps in June 2021, ranking among the 20 fastest available speeds globally.

4.121. The Government considers the development of an efficient and advanced telecommunications sector important for economic development, and telecom services play an important role in the national digital transformation agenda.²⁴¹ An efficient telecommunications

²³⁸ WTO document GATS/SC/121, 2 April 1996.

²³⁹ The Emirates Telecommunications Corporation (trading as Etisalat) is the former incumbent and 60% state-owned and 40% owned by public shareholders. Emirates Integrated Technology Company (trading as "du") is nearly 80% owned directly and indirectly by three UAE Sovereign Wealth Funds with the rest owned by public shareholders.

²⁴⁰ Speedtest (2021), *Speedtest Global Index*. Viewed at: <https://www.speedtest.net/global-index>.

²⁴¹ Reflected in the UAE Digital Government Strategy 2025 and the UAE Strategy for Government Services 2025. UAE Government Portal, *National Digital Transformation Committee*. Viewed at: <https://u.ae/en/about-the-uae/digital-uae/national-digital-transformation-committee>.

services sector is also closely linked to the Strategy for Artificial Intelligence and the Fourth Industrial Revolution (4IR) Strategy and its role in digital technologies and the Internet of Things (IoT).

Table 4.8 Pricing data for mobile telephony, 2020

Type of basket	Rank	As % of GNI p.c.	USD	PPP\$	Monthly voice call allowance (in minutes)	Monthly SMS allowance	Monthly data allowance (in GB)	Tax rate included
High consumption mobile data	36	0.93	33.74	45.10	140	70	1.5	5.0
Low consumption mobile data	9	0.36	13.14	17.56	70	20	0.5	5.0
Mobile voice basket	5	0.1	3.70	4.95	70	20	n.a.	5.0
Mobile data basket	53	0.79	28.59	38.22	n.a.	n.a.	1.5	5.0

n.a. Not applicable.

Source: ITU (2020), *Measuring Digital Development: ICT Price Trends 2020*.

Table 4.9 Pricing data for fixed broadband, 2020

Rank	as % of GNI p.c.	USD	PPP\$	Speed, in Mbit/s	Cap per month, in GB	Tax rate included (%)
5	0.55	19.73	26.37	0.3	Unlimited	5.0

Source: ITU (2020), *Measuring Digital Development: ICT Price Trends 2020*.

4.3.3.2 Regulatory framework and changes

4.122. The name of the sector regulator was changed in late 2020 from the Telecommunications Regulatory Authority (TRA) to the Telecommunications and Digital Government Regulatory Authority (TDRA) to reflect its increased scope of covering digital government functions.²⁴² The TDRA operates under the guidance of the UAE Cabinet, which continues to set overall policies for the sector, aiming to make quality telecommunications services available to consumers, and explicitly promoting the interest of subscribers. The TDRA regulates the sector via the licensing of service providers and equipment (type certification), the registration of dealers, number and spectrum management, interconnection regulations, consumer protection regulations and the control of quality-of-service standards, competition safeguards, and price controls. IoT service providers also need to obtain a certification. In addition, the TDRA aims to promote the development of the telecom and IT sectors and manages an ICT fund providing scholarships to higher education institutions and seed capital funding for industry-related ventures with UAE participation or ownership. A universal access policy for telecommunications services is in place, aiming to ensure maximum coverage to all areas with a defined settlement in the UAE, according to the authorities.²⁴³ The policy foresees the TDRA designating one or more licensee as having an obligation to provide universal services in the UAE.

4.123. Service providers have to obtain licences prior to providing any of the regulated activities.²⁴⁴ The TDRA has wide discretion regarding the number of licences it issues and can issue any such

²⁴² The Telecommunications Law (Decree No. 3 of 2003) establishes the TDRA as regulator and spells out key objectives. While Article 13 of the Law was not amended, according to the TDRA website, its responsibilities also include activities related to the development and implementation of digital government services. TDRA, *About TDRA*. Viewed at: <https://tdra.gov.ae/en/About>.

²⁴³ TDRA Regulatory Policy, Promoting the Universal Provision of Telecommunications Services in the UAE, Version 1.0, Issued 12 December 2017.

²⁴⁴ These include operating a public telecommunications network, the provision of telecommunications and services to subscribers, and other types of activities specified by the Board. According to the 2021 TDRA Telecommunications Licensing Framework Guide, such services include, *inter alia*, real-time Voice Services (including chargeable Voice over Internet Protocol (VoIP) calls), SMS services such as Bulk SMS, various broadcasting services, broadband services, the sale of SIM or re-charge cards, machine-to-machine

licences using a competition, auction, or other method in line with the licensing framework, subject to applications being reviewed based on clear criteria (Resolutions 6 and 7).²⁴⁵ The Authority has issued two full-scale individual licences for telecommunications service providers, with no limitation on licensed services, for a 20-year validity. It also issued six individual Satellite Licenses, one individual broadcasting uplink licence, and one for public access mobile radio services. These licences are issued for a validity of 10 years, and are renewable. As activity with a "strategic impact", the telecommunications sector remains exempted from the changes in foreign ownership limits resulting from the amendments to the Commercial Companies Law in 2020.²⁴⁶ As a result, the minimum of 51% UAE ownership for all UAE licensees continues to apply.²⁴⁷ According to the authorities, UAE licensees are not subject government tax; however, the two fixed/wireless network operators are subject to royalty payments to the Federal Government based on a percentage of revenues and net profits arising from the provision of regulated activities.

4.124. Voice over Internet Protocol (VoIP) service provision is a regulated activity in the UAE and operators planning to offer such services must obtain a licence.²⁴⁸ According to the authorities, selected chat and video call applications, such as BOTIM, HiU messenger, and Etisalat cloud, were already available in the UAE prior to the COVID-19 pandemic. As part of its efforts to support distance learning and working from home, remotely, or away from an office environment as part of the precautionary measures taken against the spread of COVID-19, the TDRA allowed a number of VoIP and communication applications for individuals, businesses, healthcare, education services, and other fields to operate as of 2021 on all networks (fixed and mobile).²⁴⁹ According to the authorities, these applications remain exceptionally available until further notice.

4.125. Over the review period, the TDRA updated the regulatory framework for the allocation of spectrum and manages it in line with national frequency plans and the Spectrum Allocation and Assignment Regulations.²⁵⁰ The TDRA allocates and re-allocates spectrum for both exclusive use (individual authorization) and non-exclusive use (class authorization). Individual frequency spectrum allocations cannot be transferred in their entirety.

4.126. Since 2013, customers' identification documents are required for registering mobile SIM cards, and such documents have to be reregistered when renewed. While mobile number portability has been in place since 2013, portability for fixed numbers across the UAE was launched in 2021. According to the authorities, the use of mobile number portability increased during the reporting period.

4.127. To safeguard competition, network operators dominant in specific service areas are subject to certain obligations, including providing non-discriminatory network access, the issuance of Reference Offers or agreements (for interconnection and network access), and price transparency.²⁵¹ Regulations ensuring access to active and passive infrastructure and interconnection of services have been in place for more than 10 years, and the two telecom operators signed an agreement allowing for bitstream access in 2015 for residential customers. The TDRA is expecting the implementation of bitstream access for business customers to take place in early 2022. In 2018, the TDRA updated its interconnection dispute resolution mechanism. Under the auspices of the TDRA, the two telecom operators also entered into agreements to share passive infrastructure in 2016.

connectivity services, and IoT connectivity services. Viewed at: <https://tdra.gov.ae/-/media/About/LICENSING/AR/Telecom-Licensing-Framework-Guide-2021.ashx>.

²⁴⁵ Telecommunications Regulatory Authority Resolution No. 6 of 23 July 2008 Regarding the Licensing Framework; and Resolution No. 7 of 23 July 2008 Regarding the Licensing Regulations.

²⁴⁶ Strategic sectors are exempted from the amended requirements of foreign ownership shares in the Commercial Companies Law.

²⁴⁷ In 2021, Article 7 of the Federal Law No. 1 of 24 March 1991 Concerning the Emirates Telecommunications Corporation was amended to allow for up to 49% foreign ownership in Etisalat.

²⁴⁸ Voice over Internet Protocol Regulatory Policy – Version 2.0, 30 December 2009.

²⁴⁹ According to the authorities, these applications include Microsoft Teams, Zoom, Blackboard, Cisco Webex, Avaya Spaces, BlueJeans, Slack, Matrx, and Google Hangout to support distance learning and remote working, as well as a number of applications to support hospitals and clinics and enable them to provide remote healthcare services.

²⁵⁰ Issued by the TRDA on 19 September 2019.

²⁵¹ TRA Determination No. 4 of 28 November 2013 on Remedies for Ex Ante Regulation of the UAE Telecommunications Sector.

4.128. During the review period, the TRDA updated and consolidated regulations aiming to protect consumers of telecommunications services, issuing new consumer protection regulations.²⁵² Applicable to all telecommunications licensees, they prescribe, *inter alia*, transparency for prices and price changes, other fees, and billing. They also prescribe transparency regarding the usage of services by consumers (and associated costs) and prohibit misleading advertising. Further, they provide for the monitoring of performance standards, requirements for restoration of service, a mechanism for consumer complaints, and rights for the privacy of user information.

4.129. In 2017, the TDRA also updated its price control regulation.²⁵³ Telecommunications operators are still required to submit Price Control Requests covering new prices they want to offer, including promotions, for review and approval by the TDRA. Operators also need to communicate the implementation of approved prices to the regulator. The regulations specify that the TDRA retains the authority to reject such requests when they could be considered anti-competitive, negatively affect the development of the telecommunications sector, or be harmful to consumer welfare. The TDRA regulates roaming charges within the GCC, reflecting a GCC Decision taken in 2015. In line with the TDRA's Directive No. 4 of 2015, such price caps were introduced, and maximum prices were reduced in 2016.²⁵⁴

4.3.3.3 Introduction of 5G technology

4.130. 5G services in the UAE were launched in 2018, following the initial frequency allocation to the two telecom operators in the 3.3 GHz-3.8 GHz range. The TDRA issued a Strategy for 5G and Beyond (2020-25), focusing on 5G deployment and coverage, as well as the development of interconnected services, including encouraging the collaboration between telecom service providers with downstream and upstream economic sectors that can benefit from 5G services. According to the authorities, complete 5G coverage of the territory is envisaged by 2025.

4.131. In late 2020, the TDRA decided to allocate additional bands in the 24.25 GHz-27.5 GHz range to the development of 5G networks.²⁵⁵ To encourage a faster transition to the use of 5G networks, the TDRA announced the shutdown of 2G networks by the end of 2022²⁵⁶, allowing operators to reallocate resources to the development of 5G networks.

4.3.3.4 Other policies affecting telecommunications and postal services

4.132. The UAE's Cybersecurity Strategy (updated in 2019) aims to achieve a safe and resilient cyber infrastructure through designing and implementing regulations, developing capabilities of stakeholders, identifying and managing risks, and being able to respond to incidents. In this context, UAE entities identified as critical²⁵⁷ have to implement the Information Assurance Regulations issued in 2020 by the TDRA, while they are voluntary for other entities.

4.133. The Regulation on Internet Access Management regulates how prohibited content on the Internet is blocked by Internet service providers in a manner that minimizes non-prohibited content from being affected.²⁵⁸ The TDRA publishes Prohibited Content Categories on its website. Federal

²⁵² Version 1.4 was issued on 20 March 2019 and version 1.5 on 4 October 2020.

²⁵³ TRDA Regulatory Policy and Procedure of 28 June 2017 on "Price Control – Version 1.0".

²⁵⁴ TDRA, "UAE TRA Directs Mobile Operators in the UAE to Reduce GCC Roaming Rates by an Average of 42%", 3 April 2016. Viewed at: <https://tdra.gov.ae/en/media/press-release/2016/uae-tra-directs-mobile-operators-in-the-uae-to-reduces-gcc-roaming-rates-by-an-a>.

²⁵⁵ TDRA, "TRA Allocates New Frequencies for 5G Networks", 14 September 2020. Viewed at: <https://tdra.gov.ae/en/media/press-release/2020/tra-allocates-new-frequencies-for-5g-networks>.

²⁵⁶ TDRA, "TRA Announces Shutdown of 2G Network (GSM) in the UAE by the End of 2022", 28 June 2020. Viewed at: <https://tdra.gov.ae/en/media/press-release/2020/tra-announces-shutdown-of-2g-network-gsm-in-the-uae-by-the-end-of-2022>.

²⁵⁷ Such entities will be identified in line with the UAE's Critical Information Infrastructure Protection (CIIP) Policy.

²⁵⁸ TRA Regulatory Policy on Internet Access Management [v1.0] of 19 April 2017. Its Annex spells out the 19 Prohibited Content Categories that include technologies to access blocked content, content supporting criminal and illegal activities or terrorism, insult or defamation, offences against the UAE and public order, infringements of IP rights, discrimination, racism and contempt of religion, illegal communication activities, or content that is blocked by order from the judicial authority (local or federal) or public prosecution in the UAE.

Law No. 5 of 2012 on Combatting Cybercrimes (as amended) also foresees penalties for publishing or disseminating certain information electronically.

4.134. IoT service providers, which require certification, have to store individuals' data primarily in the UAE but can also store them abroad, provided that user protection policies there exceed those followed in the UAE.²⁵⁹

4.135. Emirates Post Company, a state-owned company, is the postal service provider in the UAE. Federal Law No. 21 of 4 September 2019 on Emirates Post Group Company converted Emirates Post to a public joint stock company fully owned by the Emirates Investment Authority, and abrogated Federal Law No. 03 of 3 April 2013 on the Establishment of the Emirates Post Group. It foresees the establishment of a Post Sector Regulatory Committee, but according to the website of Emirates Post, the company continues to license other courier services to provide services for the transport of documents, letters, and packages of all types according to Emirates Post Group Board Resolution No. 5 on Granting Licenses for Transfer of Documents and Sending Post of Messages and Packages.²⁶⁰

4.3.3.5 E-commerce

4.136. E-commerce in the UAE increased from USD 7.5 billion in 2016 to a projected USD 19.8 billion in 2020.²⁶¹

4.137. E-commerce is regulated by Federal Law No. 1 of 30 January 2006 on Electronic Commerce and Transactions, with Federal Law No. 15 of 10 November 2020 on Consumer Protection as well as other laws and regulations covering other issues important for the functioning of electronic commerce.²⁶² Federal Law No. 1 of 2006 allows for the conclusion of contracts by electronic means and regulates for the use of electronic signatures, giving them equivalence with regular signatures for most contracts (including for email order confirmations).²⁶³ An electronic signature can be issued using a device coupled with a digital certificate to identify the holder, while basic electronic signature does not require any devices or digital certificates.²⁶⁴

4.138. The Consumer Protection Law outlines consumer rights and requires sellers to provide accurate product information to buyers, including an invoice detailing product specifics and prices. Sellers have to guarantee that products conform to relevant standards and would be liable for damage resulting from using or consuming the good. Consumers have the right to return or replace goods when discovering a defect within a certain time. The Law also prohibits sellers from publishing misleading prices or charging more than advertised. The revision of the Law in 2020 extended, *inter alia*, consumer protection provisions to electronic commerce for suppliers registered in the UAE.

4.139. The Penal Code prohibits the use or disclosure of "secret" information without the consent of the person to whom the secret relates, while the Cyber Security Law regulates data security (with personal information considered "secret"). Federal Law No. 45 of September 2021 on Personal Data Protection regulates data privacy and use, but executive regulations (secondary legislation) still have to be drafted before the Law is expected to be applied towards the end of 2022.²⁶⁵ However, some

²⁵⁹ IoT Regulatory Policy [version 1] of 22 March 2018.

²⁶⁰ Resolution No. 5 of 2017 indicates that licence applicants shall be citizens of the State. Viewed at: https://www.epg.ae/cdn_epg/resources/docs/Resolution_No5_Of_2017_EN.pdf. This responsibility for Emirates Post was outlined in Federal Law No. 3. See also Emirates Post Group, *Issue Courier License*. Viewed at: <https://epg.ae/portal/en/service.xhtml?service=service115>.

²⁶¹ Fitch Solutions data presented in Dubai Economy and Visa (2020), *The United Arab Emirates (UAE) eCommerce Landscape 2020*, p. 12. Viewed at: https://ae.visamiddleeast.com/dam/VCOM/regional/cemea/unitedarabemirates/media-kits/documents/visa_uae_ecommerce_landscape_2020_ppinion_paper_vf.pdf.

²⁶² Federal Law No. 15 on Consumer Protection replaced Federal Law No. 24 of 2006 on Consumer Protection.

²⁶³ Electronic signatures cannot be used for administrative acts involving personal affairs and public documents requiring notarization.

²⁶⁴ Abu Dhabi Judicial Department, *E-signatures and Digital Certificates*. Viewed at: <https://www.adjd.gov.ae/en/pages/legal%20guidance/tec-esignature.aspx>.

²⁶⁵ The law will be published in early 2022.

of the Free Zones already have specific legislation governing data protection in place, and Federal Law No. 2 of 2019 on Health Data contains some provisions regarding health data.

4.140. Package delivery within the UAE remained relatively costly (three times the global best practice for similar delivery times) in the UAE as of 2019, while return rates of shipments were five times higher than the global average, according to industry observers.²⁶⁶ Nearly half of e-commerce orders were still paid using cash-on-delivery in 2018²⁶⁷, limiting last-mile-delivery options as large international service providers frequently do not offer cash-on-delivery services. However, the use of electronic (pre-)payments increased during the pandemic.²⁶⁸ The *de minimis* threshold for small cross-border shipments to enter duty-free stands at AED 1,000 (USD 272), but according to the authorities is expected to change to AED 300 in the near future following the approval of amendments to the GCC Unified Customs Law. To support the development of e-commerce in line with Dubai's e-Commerce Strategy, Dubai Customs issued Customs Notice No. 13/2021 on 5 August 2021, exempting the trade among companies of goods via e-commerce channels that are valued under AED 30,000 from customs service charges.²⁶⁹

4.141. The UAE participates in the Joint Statement Initiative on e-commerce.

4.3.4 Transport

4.142. During the review period, the share of the transportation and storage sector in the UAE GDP first increased marginally from 5.3% in 2016 to 5.8% in 2019, before it contracted to 5.1% in 2020 as the sector was particularly affected by the COVID-19 pandemic.²⁷⁰ In 2019, total compensation of transportation and storage workers represented 8.9% of the total wages volume²⁷¹, while the number of workers amounted to 5.3% of the total workforce.²⁷²

4.143. The transportation sector is a key component of the Government's strategy to make the UAE a major trading hub. The National Agenda of the Vision 2021, published in 2014, aimed for the UAE to be among the top countries in the world for the quality of its airports, ports, and road infrastructure. In 2021, the Industrial Strategy (Operation 300bn) listed transportation as one of the priority industrial sectors that will be supported by the Emirates Development Bank.²⁷³ At the emirate level, the Dubai Silk Road Development announced in 2019 is meant to boost trade and enhance logistics connections within the UAE and between the UAE and the rest of the world²⁷⁴ using domestic companies and global transport key players DP World and Emirates Airlines.²⁷⁵ Transportation is especially important in Dubai, where the economy is highly reliant on services (75% of GDP in 2020), and where air transport exports represented 54% of the value of commercial services exports in 2018.²⁷⁶

4.144. The maritime and land transportation sector is regulated by the Ministry of Energy and Infrastructure (MOEI). Under the MOEI, the Undersecretary for Infrastructure and Transportation Affairs is divided among Assistant Undersecretaries: one each for Regulation of Infrastructure and Transport, Federal Infrastructure Projects, and Federal Infrastructure Assets.²⁷⁷ The Federal

²⁶⁶ Bain and Company (2019), *E-commerce in MENA: Opportunity Beyond the Hype*.

²⁶⁷ Bain and Company (2019), *E-commerce in MENA: Opportunity Beyond the Hype*.

²⁶⁸ Dubai Economy and Visa (2020), *The United Arab Emirates (UAE) eCommerce Landscape 2020*.

²⁶⁹ Prior registration is required.

²⁷⁰ See Chart 1.1 for the distribution of the GDP per sectors.

²⁷¹ UAE Ministry of Economy, *The Annual Economic Report 2020*, p. 79. Viewed at:

<https://www.moec.gov.ae/documents/20121/302471/English+Version+MOE+Annual+Report.pdf/e89802b5-b321-126f-ccae-62c2103cac5b?t=1629712516757>.

²⁷² Federal Competitiveness and Statistics Centre, *Statistics by Subject: Labor Force*. Viewed at: <https://bit.ly/3CxN6zX>.

²⁷³ UAE Government Portal, *Operation 300bn, the UAE's Industrial Strategy*. Viewed at: <https://u.ae/en/about-the-uae/strategies-initiatives-and-awards/federal-governments-strategies-and-plans/the-uae-industrial-strategy>.

²⁷⁴ Oxford Business Group, *Dubai Silk Road Strategy to Capitalise on Logistics Infrastructure and Global Connections*.

²⁷⁵ *Emirates News Agency* (2020), "Dubai Customs launches transit trade guide to keep up with progress of Dubai Silk Road Strategy", 16 July 2020.

²⁷⁶ Government of Dubai, *Economic Bulletin*, June 2020, p. 6. Viewed at: https://ded.ae/DubaiEconomicBulletin/june_2020/documents/Economic_bulletin_2020_03_en.pdf.

²⁷⁷ MOEI, *Organizational Chart*. Viewed at: <https://www.moei.gov.ae/en/about-ministry/organizational-chart.aspx>.

Transport Authority was merged into the MOEI in 2020. The Ministry coordinates Emirates' policies and regulates transportation between the Emirates and from/to the rest of the world. In parallel, each Emirate has an independent infrastructure and a transport services authority that governs transportation within its own borders.²⁷⁸ The federal General Civil Aviation Authority and the local emirate authorities regulate aviation. In Abu Dhabi, the Department of Municipalities and Transport was established by Law No. 30 of 2019 and is responsible for the management of urban planning and transportation networks in land, air, and sea in the Emirate, to fulfil the vision of the Government.²⁷⁹ In Dubai, land and maritime services and air services are under the supervision of different authorities. The Dubai Roads and Transport Authority and the Port, Customs and Free Zone Corporation regulate land and maritime transport, while the Dubai Civil Aviation Authority (DCAA) and Dubai Airports regulate air transport in the Emirate.

4.145. The UAE has not included any transport sector in its 1994 Schedule of GATS Commitments, notified in 1996.²⁸⁰

4.3.4.1 Air transport

4.146. As during the last Review, all activities related to civil aviation at the federal level in the UAE are managed by the General Civil Aviation Authority (GCAA), which is an autonomous body.²⁸¹ The General Civil Aviation Authority Law (Federal Cabinet Decree Law No. 4 of 1996) was issued on 1 January 1996. Under the Law, the GCAA was established and mandated as the authority for the execution of the Civil Aviation Law of 1991 in the UAE. The GCAA is responsible for ensuring safety and security of the aviation sector through the development and enforcement of regulations, and for providing navigation services, registration, and licensing services for the UAE air transport industry. Additionally, the GCAA proposes general air transport policy guidelines and relevant legislation to the Council of Ministers, negotiates and administers bilateral and multilateral air services agreements (ASAs), and enforces international agreements and conventions. Carriers wishing to conduct commercial air transport in the UAE must obtain an Air Operator Certificate from the GCAA.

4.147. At the emirate level, civil aviation authorities (CAAs) are involved in the ASA process, representing the interests of their stakeholders in each Emirate through participation in preparatory meetings, work committees, and exchanges of views with the GCAA, and securing traffic rights for all UAE national airlines. These CAAs are also directly responsible for operational matters at their respective airports. At the emirate level, authorities apply the policies and directions of the GCAA. In Dubai, the DCAA is responsible for, *inter alia*, defining the general policy for civil aviation in the Emirate in line with federal legislation, carrying out activities related to the management of civil aviation operations in line with federal legislation, following up the implementation of bilateral and multilateral agreements regulating air transport services in the Emirate, and applying environmental protection policies in line with federal and local environmental policies.²⁸²

4.148. The UAE has concluded 183 bilateral ASAs²⁸³, compared with 158 at the time of its last Review. They include 115 open skies agreements, compared to 88 during the last Review, which are totally unrestricted with all traffic rights fully available to designated airlines (3rd, 4th, and 5th freedoms) and 67 other ASAs (70% are restricted and mostly open 3rd and 4th freedoms²⁸⁴) (Table A4.1). Based on the traffic rights specified in the respective ASAs, airlines decide their own capacity (frequency and aircraft type), subject to approval by the authorities. Provisions on landing rights are negotiated by the Federal Government and contained in the relevant ASA. Based on the ASA provisions, the local emirate authorities will distribute the slots available to airlines in collaboration with the airports. The slots are attributed on a yearly basis.²⁸⁵

²⁷⁸ Information provided by the authorities.

²⁷⁹ Department of Municipalities and Transport, *Who We Are*. Viewed at: <https://www.dmt.gov.ae/About-Us/About-DMT>.

²⁸⁰ WTO document GATS/SC/121, 2 April 1996.

²⁸¹ Information provided by the authorities.

²⁸² Dubai Civil Aviation Authority, *Our Roles & Responsibilities*. Viewed at: <https://www.dcaa.gov.ae/about/our-roles-responsibilities>.

²⁸³ According to the authorities, more than 150 among them have already come into force as of 2021.

²⁸⁴ Definitions of the different air freedom can be viewed on the International Civil Aviation Organization's (ICAO) website: <https://www.icao.int/pages/freedomsair.aspx>.

²⁸⁵ Information provided by the authorities.

4.149. As during the previous Review, cabotage operations of cargo and passengers are restricted to national airlines. Foreign companies may provide certain services, including freighter and charter passenger services; maintenance, repair, and overhaul (MRO); aircraft leasing; and parts manufacturing.

4.150. Six airlines are established in the UAE. To establish an airline, companies must obtain an approval from the Cabinet and from the relevant emirate authority. Emirates Airlines and Etihad Airways are both among the top 25 airlines worldwide in numbers of passengers carried internationally in 2020 (4th and 21st worldwide, respectively) and top 25 for the tonnes of freight carried internationally (3rd and 25th).²⁸⁶ Emirates Airlines is thus a major international player in air transportation. It was established by Law No. 2 of 1985 of the Emirate of Dubai and is a wholly owned subsidiary of the Government of Dubai through the Investment Corporation of Dubai. While observers of the aviation sector have considered the efficiency of a merger between the two airlines to avoid competition, in 2020 Emirates denied claims that such a merger would occur. In addition to these large airlines, the UAE has several low-cost airlines: Air Arabia (based in Sharjah) and flydubai. During the period under review, two other low-cost airlines were inaugurated in late 2019 and 2020: Wizz Air Abu Dhabi (joint venture between Emirati SWF ADQ and Hungarian Wizz Air Holdings) and Air Arabia Abu Dhabi (joint venture between Air Arabia and Etihad Airways). The authorities indicate that the four low-cost airlines were not competing against each other. Four UAE airlines (flydubai, Emirates, Air Arabia, and Etihad Airways) are members of the International Air Transport Association (IATA).²⁸⁷

4.151. The air transportation sector was heavily affected by the COVID-19 pandemic. Emirates Airlines reported a loss of USD 5.5 billion during FY March 2020-March 2021, compared with a profit of AED 288 million the previous year.²⁸⁸ Emirates benefited from a capital injection of USD 3.1 billion by the Government of Dubai to maintain its operations despite the COVID-19 pandemic. The authorities indicate that none of the airlines benefited from loan guarantees from the Government to mitigate the COVID-19 crisis. Etihad Airways, which is wholly owned by the Government of Abu Dhabi, indicated in its mid-2021 statement that it witnessed a progressive recovery across its businesses despite a slower than expected return to global air travel. It still recorded a loss of USD 0.4 billion in the first half of 2021; however, it was half of the loss of the same period in 2020.²⁸⁹ Prior to the pandemic, the company had already been facing some difficulties with four consecutive years of losses. Finally, Air Arabia generated USD 12 million in profits during the first six months of 2021, compared to a loss of USD 46 million during the same period in 2020²⁹⁰, and flydubai recorded a loss of USD 194 million in 2020.²⁹¹

4.152. In June 2015, Emirates Airlines published a detailed document responding to claims that it benefited from undue subsidies, non-market fuel price, and government support distorting competition.²⁹² In 2018, the United States and the UAE resolved a dispute over aviation subsidies and Emirates and Etihad agreed to use internationally recognized accounting standards and to open their books to outside examination.²⁹³

4.153. The two main UAE airlines use travel services from US-based technology company Sabre. The company has long been Etihad Airways' provider of travel services (reservations, planning, departure control services, etc.). The original deal signed in 2011 was agreed at USD 1 billion. Under the renewed agreement in 2021, Sabre services will focus on a fare optimizer, network planning,

²⁸⁶ IATA, *World Air Transport Statistics 2021*, pp. 23 and 25.

²⁸⁷ IATA, *Current Airline Members*. Viewed at: <https://www.iata.org/en/about/members/airline-list/?search=united%20arab&ordering=Alphabetical>.

²⁸⁸ Emirates, *Emirates Group Announces 2020-21 Results*. Viewed at: <https://www.emirates.com/media-centre/emirates-group-announces-2020-21-results/>.

²⁸⁹ Etihad, "Etihad Airways on Path to Recovery as Operations Grow", 10 August 2021. Viewed at: <https://www.etihad.com/en/news/etihad-airways-on-path-to-recovery-as-operations-grow>.

²⁹⁰ Air Arabia (2021), *Condensed Consolidated Interim Financial Information for the Period Ended 30 June 2021*, p. 3. Viewed at: <https://www.airarabia.com/sites/airarabia/files/gallery/AIR-ARABIA-JUNE-2021.pdf>.

²⁹¹ Flydubai, "Flydubai Announces Annual Results Amid One of the Toughest Years in Aviation History", 2 May 2021. Viewed at: <https://news.flydubai.com/flydubai-announces-annual-results-amid-one-of-the-toughest-years-in-aviation-history>.

²⁹² The document can be found at: <https://c.ekstatic.net/ecl/documents/financial-transparency/subsidy-myth/emirates-us-subsidy-rebuttal-ddocument.pdf>.

²⁹³ United States Congressional Research Service, Report RS21852, 28 October 2021.

and the in-flight guest experience.²⁹⁴ In October 2021, Sabre reached an agreement with Emirates to renew the airline's distribution agreement with Sabre's linked travel agencies.²⁹⁵ Sabre has also been EmQuest's (travel technology provider division of the Emirates Group) partner for various travel services, such as automated ticket refund and exchange, or analysis of customers' travel data.²⁹⁶

4.154. Dnata, which belongs to the Emirates Group and is wholly state-owned, is one of the largest suppliers of combined air services in the world, offering aircraft ground handling, cargo, travel, and flight catering services across six continents. Established in 1959 in Dubai, the company operates in airports around the globe including two UAE airports (Dubai International Airport and Dubai Al Maktoum International Airport).²⁹⁷ Dnata's total revenues decreased by 62% between March 2020 and March 2021.²⁹⁸ Etihad Engineering, from the Etihad Group, was in 2019 the largest commercial aircraft MRO services provider in the Middle East, servicing more than 350 aircrafts.²⁹⁹

4.155. The Air Navigation Service Provider (ANSP) based in Abu Dhabi is responsible for the airspace traffic management and the provision of safe and efficient air navigation services to UAE airspace users.³⁰⁰ Air navigation services are provided in Dubai's Jebel Ali airport, as well as in other UAE airports, by Dubai Navigation Services, which offers air traffic management services, air traffic engineering services (e.g. preventive and corrective maintenance of critical communication, navigation, and surveillance systems), and a coordination unit for civil and military users.³⁰¹ In August 2021, UAE private company Global Air Navigation Services (GANS) signed a partnership with Abu Dhabi Airports to provide air navigation services, including take-off, landing, taxiing of aircrafts, and aerodrome control services in the Emirate's five airports.³⁰² At the time of writing, air navigation services were not opened to foreign ownership.³⁰³

4.156. The UAE launched the Air Traffic Management (ATM) Strategic Plan for 2015-2030 with the aim of articulating air navigation strategies that are aligned with the ICAO Middle East Region priorities. The plan should ensure that the country maintains an ATM system that is safe, can accommodate demand, is globally interoperable, is environmentally sustainable, and satisfies national interests. To this end, the National Airspace Advisory Committee will recommend initiatives to provide a high-quality service to airspace users and air navigation service providers.³⁰⁴

4.157. Scheduled international passenger services are operated out of four Emirates – Abu Dhabi, Dubai, Sharjah, and Ras Al Khaimah – each of which has local government authorities regulating applicable civil aviation matters. Airports in Abu Dhabi, Dubai, and Sharjah are all run by their own local emirate-owned airport authority companies, while Ras Al Khaimah International Airport is run by the Department of Civil Aviation under the Government of Ras Al Khaimah.³⁰⁵

²⁹⁴ Sabre, "Etihad Airways Signs Revolutionary Billion Dollar Technology Deal with Sabre Airline Solutions". Viewed at: <https://www.sabre.com/insights/releases/etihad-airways-signs-revolutionary-billion-dollar-technology-deal-with-sabre-airline-solutions/>; and "Etihad and Sabre Announce Long-Term Partnership with Key Technology Renewals", 16 September 2021. Viewed at: <https://www.sabre.com/insights/releases/etihad-and-sabre-announce-long-term-partnership-with-key-technology-renewals/>.

²⁹⁵ Emirates, "Emirates and Sabre Reach New Distribution Agreement", 5 October 2021. Viewed at: <https://www.emirates.com/media-centre/emirates-and-sabre-reach-new-distribution-agreement/>.

²⁹⁶ EmQuest, *Sabre Solutions*. Viewed at: <https://www.emquest.ae/solutions/sabre-solutions/>.

²⁹⁷ Dnata, *Ground Handling in the UAE*. Viewed at: <https://www.dnata.com/en/global-network/ united-arab-emirates>.

²⁹⁸ Emirates, *Emirates Group Announces 2020-21*.

²⁹⁹ Etihad, "Etihad Engineering Records Robust Growth as It Welcomes 2020", 23 February 2020. Viewed at: <https://www.etihadengineering.com/media/news/2020/etihad-engineering-aviation-MRO-growth-2019-2020.html>.

³⁰⁰ GCAA, *Air Navigation Services*. Viewed at: <https://www.gcaa.gov.ae/en/departments/ans/pages/airnavigation-services.aspx>.

³⁰¹ Dans, *What We Do*. Viewed at: <http://dans.gov.ae/What-We-Do/Why-Choose-Dans>.

³⁰² Emirates News Agency (2021), "Abu Dhabi Airports Partners with GANS to Provide Air Navigation Services", 9 August 2021.

³⁰³ Information provided by the authorities.

³⁰⁴ ICAO document AN-Conf/13-WP/261, 27 September 2018.

³⁰⁵ Information provided by the authorities.

4.158. Nine civil airports are located in the UAE, five of which are in the Emirate of Abu Dhabi.³⁰⁶ All airports are government-owned and not open to foreign ownership.³⁰⁷ In 2019, Dubai International Airport (DXB) was the 4th busiest airport in the world in terms of total passenger traffic, and it was the only UAE airport in the top 20. It topped the ranking for international passenger traffic, and ranked 7th in total air cargo traffic.³⁰⁸ The impact of the pandemic drastically remodelled the rankings, and while DXB maintained its 1st position for international traffic in 2020, it exited the top 10 for total passengers and cargo traffic.³⁰⁹ The Dubai Al Maktoum International Airport (DWC) opened in 2010 and its construction phase is still underway, with the authorities' ultimate goal being to build the world's largest airport. The airport should be five times the size of Dubai International Airport.³¹⁰ It is, however, still largely behind Dubai International Airport in terms of passenger movements (1.5 million in 2019 and 0.43 million in 2020 at DWC compared to 86 million in 2019 and 25.8 million in 2020 for DXB).³¹¹

4.159. Abu Dhabi International Airport, established in 1982, is the second-largest airport in the UAE, with 28% passenger growth between 2013 and 2019. Prior to the pandemic, top country destinations for its flights were India, the Kingdom of Saudi Arabia, and the United Kingdom (August 2018-July 2019).³¹² The new Midfield Terminal Complex, which was launched in 2021, is designed to handle more than 8,500 passengers per hour and tens of millions a year.³¹³

4.160. The Sharjah International Airport, the UAE's oldest airport, handled 13.6 million passengers in 2019 (up 13% from 2018) and has a cargo handling capacity of 500,000 tonnes annually.³¹⁴ Despite the pandemic, the Sharjah Airport Authority increased its workforce, emphasizing the recruitment of locals in the context of the Government's Emiratisation strategy.³¹⁵ In 2020, the airport became the first airport in the GCC to obtain the global accreditation certificate in the management of carbon emissions for airports by the Airports Council International.³¹⁶

4.161. The 2019 agenda of the Emirate of Dubai included the Plan for Reducing the Environmental Impacts of the Aviation Sector agreed upon by all relevant stakeholders such as Dubai airports, air carriers, aviation infrastructure developers, ground handlers, and navigation services providers. The Plan developed a smart platform to collect data on aviation environmental impact, such as carbon emissions, noise, and air quality.³¹⁷ Since 2016, the UAE has been a member of the ICAO's Committee on Aviation Environmental Protection, which assists the ICAO Council in formulating policies and adopting standards and recommended practices related to aviation's environmental impact.³¹⁸

³⁰⁶ UAE Government Portal, *Civil Airports*. Viewed at: <https://u.ae/en/information-and-services/infrastructure/civic-facilities/civil-airports>.

³⁰⁷ Information provided by the authorities.

³⁰⁸ Airports Council International, "ACI Reveals Top 20 Airports for Passenger Traffic, Cargo, and Aircraft Movements", 19 May 2020. Viewed at: <https://aci.aero/news/2020/05/19/aci-reveals-top-20-airports-for-passenger-traffic-cargo-and-aircraft-movements/>.

³⁰⁹ Airports Council International, "ACI World Data Reveals COVID-19's Impact on World's Busiest Airports", 22 April 2021. Viewed at: <https://aci.aero/news/2021/04/22/aci-world-data-reveals-covid-19s-impact-on-worlds-busiest-airports/>.

³¹⁰ Government of Dubai, *Al Maktoum International (DWC)*. Viewed at: <https://daep.gov.ae/our-airports/al-maktoum-international-dwc/>.

³¹¹ Government of Dubai, *Passengers' Movements at Dubai Airports (2020-18)*. Viewed at: https://www.dsc.gov.ae/Report/DSC_SYB_2020_11%20%2003.pdf.

³¹² JCDcaux, *Abu Dhabi International Airport*. Viewed at: <https://www.jcdecauxme.com/abu-dhabi/abu-dhabi-international-airport>.

³¹³ *Emirates News Agency* (2019), "Full-Scale Operational Trials Conducted at Midfield Terminal Complex", 21 July 2019.

³¹⁴ U.S. International Trade Administration, *United Arab Emirates – Country Commercial Guide: Aviation*, 9 December 2020. Viewed at: <https://www.trade.gov/country-commercial-guides/ united-arab-emirates-aviation>.

³¹⁵ *Emirates News Agency* (2021), "Sharjah Airport Authority Reviews 2020 Achievements, Future Plans", 8 March 2021.

³¹⁶ Sharjah Airport, "During the Annual Management Meeting Sharjah Airport Authority Reviews the Achievements of 2020 and Its Future Plans", 8 March 2021. Viewed at: <https://bit.ly/2Y5YSmA>.

³¹⁷ Dubai Civil Aviation Authority, *Services*. Viewed at: <https://www.dcaa.gov.ae/>.

³¹⁸ ICAO, *Committee on Aviation Environmental Protection (CAEP)*. Viewed at: <https://www.icao.int/environmental-protection/pages/caep.aspx>.

4.3.4.2 Maritime transport

4.162. The UAE has more than 1,300 km of coastline, and thus the maritime transport sector is a key component of the country's economy and trade. Maritime transport is governed by Federal Law No. 26 of 1981 as amended in 1988 (UAE Maritime Code). The Code governs and regulates all maritime practices in the UAE. The Maritime Transport Affairs Department, represented by the MOEI, is the regulatory authority. As such, the MOEI is responsible for, *inter alia*, registration, licensing, and regulation of all national and foreign marine units operating in the UAE's waters; crew issues and maritime insurance; safe operation of vessels; pilotage and towage; and marine accidents salvage. The Law is applicable to all of the Emirates and is based on maritime principles set out in international conventions. The MOEI also manages the ship registry and seafarers licensing, issues navigational licences, monitors compliance with international standards, and levies fees. Furthermore, the MOEI is in charge of all security, seaworthiness, and communications aspects of marine navigation. Additionally, several relevant ministerial decrees or local laws regulate crewing, classification of vessels, restrictions with regards to activities undertaken by foreign flag vessels, and other port activities.

4.163. In addition to the MOEI, each Emirate possesses a port and maritime services regulation authority. The overarching authority for Abu Dhabi is the Department of Transport; in Dubai, the Port, Customs and Free Zone Corporation; in Ajman, the Department of Ports and Customs; and in Sharjah, the Sharjah Free Zone Ecosystem. The Dubai Maritime City Authority, under the Port, Customs and Free Zone Corporation, was established in 2007 to monitor, develop, and promote maritime activities and establish world-class regulations for maritime industry. Its services include, *inter alia*, the issuance and renewing of marine driving licences, marine craft registration and licensing, vessel anchorage permits, and ship-to-ship hydrocarbon cargo permits.³¹⁹ Dubai and Abu Dhabi are to date the sole Emirates to have a special arbitration mechanism to resolve shipping disputes, the Emirates Maritime Arbitration Centre, which started to operate in 2017.³²⁰

4.164. During the review period, the Government launched the National Strategy for Regulating the Maritime Sector. The objective of the Strategy is to increase the cooperation amongst federal and local entities and develop a long-term plan (2021-41) for the growth of the maritime sector. The Strategy will identify organizational and financing gaps, as well as priorities for the development of maritime clusters, in order to improve the maritime sector's competitiveness.³²¹ The Government also launched the National Maritime Navigation System based on geographical information systems and maritime data provided by the UAE and international partners to improve security, environmental, and customs information.³²² At the emirate level, Dubai unveiled in 2014 its Dubai Maritime Vision 2030 to consolidate its potential as a maritime hub, thanks to modern infrastructure and services, and integrate the highest standards of sustainability.

4.165. Following the 2020 amendment of the Commercial Companies Law (Section 2.4), maritime transport services became open to 100% foreign ownership. However, permitted activities may differ depending on the Emirates, which set their own local ownership requirements.³²³ The authorities indicate that registering a vessel in the UAE under a UAE flag still requires that the vessel be at least 51% owned by a UAE national or a company with its management based in the UAE. Foreign flag vessels must have a contract with one of the federal or local governments to operate in UAE waters and may not carry out cabotage on their own account. Crews working on ships servicing the territorial waters must have residency visas. Foreign companies must obtain approval from the MOEI in the form of a licence. The UAE has the world's 21st largest fleet dead-weight tonnage capacity on a total of 970 vessels, among which 88% are foreign flagged.³²⁴ Since 2018, the MOEI has required

³¹⁹ DMCA, *Service Catalog*. Viewed at: <https://eservices.dmca.ae/en/service-list?Page=4&PageSize=6&IsIndividual=False&IsCorporate=False&IsOnline=False&IsOffline=False&sort=1&sortingType=0>.

³²⁰ Information provided by the authorities.

³²¹ Information provided by the authorities.

³²² Ministry of Cabinet Affairs, "UAE Government Launches 5 Initiatives to Develop the Transport Sector", 26 November 2018. Viewed at: <https://www.moca.gov.ae/en/media/news/uae-government-launches-5-initiatives-to-develop-the-transport-sector>.

³²³ The respective lists for Abu Dhabi and Dubai can be downloaded at: <https://u.ae/en/information-and-services/business/full-foreign-ownership-of-commercial-companies>.

³²⁴ UNCTAD (2020), *Review of Maritime Transport 2020*, p. 41.

that all ships operating in UAE waters or under the UAE flag carrying more than 200 gross tonnes have a financial security system to protect seafarers from injury, abandonment, or death.

4.166. The UAE has several commercial trading ports as well as oil ports. Over 60% of cargo destined for the GCC countries arrives in a UAE seaport.³²⁵ In 2019, 7,082 container ships arrived in the UAE, spending a median time of 0.94 day (world median of 0.69). Its maximum cargo-carrying capacity of vessels was of 21,200 TEU³²⁶, close to Belgium's world highest of 23,756 TEU.³²⁷

4.167. According to Q3 2021 UNCTAD's Liner Shipping Connectivity Index (LSCI), which aims to capture countries' levels of integration into the existing liner shipping by measuring liner shipping connectivity, the UAE ranks 16th worldwide (almost unchanged from its ranking in Q1 2016 (14th) at the time of the previous Review). The LSCI is generated from six components: (i) number of scheduled ship calls per week in the country; (ii) deployed annual capacity in TEU offered at the country; (iii) number of regular liner shipping services from and to the country; (iv) number of liner shipping companies that provide services from and to the country; (v) average size in TEU of the ships deployed by the scheduled service with the largest average vessel size; and (vi) number of other countries that are connected to the country through direct liner shipping services.³²⁸

4.168. All UAE ports are owned by local emirate governments or government-owned companies. DP World, wholly government-owned, is responsible for the management and operations of Dubai's ports. Created in 1972 as a local port operator in Port Rashid (Dubai), DP World expanded to operating ports and terminals, maritime services, and other logistics services around the world. In 2020, its revenues totalled USD 8.5 billion (maritime and logistics revenues up by 33%).³²⁹ Abu Dhabi Ports company operates the Khalifa Port in Abu Dhabi. Launched as a port operator in 2006, it is now the owner and operator of 11 ports and terminals both in the UAE and in Guinea.³³⁰ Its portfolio contains ports, industrial zones, and logistics supply chains wholly owned by Abu Dhabi's ADQ; it is expected to be listed on the Abu Dhabi Securities Exchange in 2021, with AQD remaining the majority shareholder. Despite the COVID-19 pandemic, Abu Dhabi Ports' revenues grew by 24% to AED 3.4 billion.³³¹ Several terminals of Sharjah ports are operated by the UAE-based private company Gultainer. Foreign-owned operators can operate ports or terminals in the UAE under a concession agreement.³³²

4.169. The Jebel Ali Port in Dubai, the largest in terms of trade volume in the UAE, is the sole Middle East and North Africa (MENA) country port to reach the top 30 busiest ports. However, its trade volume decreased every year during the review period, from 15.36 million TEU in 2016 to 13.48 million TEU in 2020. It is operated by DP World. More than 80% of Dubai's exports volume exit from the Jebel Ali Port, and it receives 71% of the Emirate's imports volume.³³³ The Port is a key feature of the Emirate's economy, as the maritime trade sector accounts for 7% of Dubai's GDP (AED 27 billion in 2019). Dubai's seaborne trade amounted to AED 421 billion in 2020, down from AED 502 billion pre-pandemic (2019).³³⁴

4.170. The first semi-automated port in the MENA region, the Khalifa Port owed by Abu Dhabi Ports is located in Abu Dhabi and started its commercial activities in 2012. It now offers a direct link to 70 international destinations and is planned to be the first UAE port to be connected to the new

³²⁵ UAE Government Portal, *Seaports*. Viewed at: <https://u.ae/en/information-and-services/infrastructure/civic-facilities/seaports>.

³²⁶ Twenty-foot Equivalent Unit, unit of measurement used to determine the capacity of container ships and terminals.

³²⁷ UNCTAD (2020), *Review of Maritime Transport 2020*, p. 71. Viewed at: https://unctad.org/system/files/official-document/rmt2020_en.pdf.

³²⁸ UNCTAD STAT, *Line Shipping Connectivity Index, Quarterly*. Viewed at: <https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=92>.

³²⁹ DP World, "DP World Announces Resilient Financial Revenues for 2020", 18 March 2021. Viewed at: <https://www.dpworld.com/news/releases/dp-world-announces-resilient-financial-results-for-2020/>.

³³⁰ *Emirates News Agency* (2021), "Fujairah CP Opens AED 1 Bn Fujairah Terminals Transformation", 6 June 2021.

³³¹ *Emirates News Agency* (2021), "ADQ Intends to List Abu Dhabi Ports on Abu Dhabi Securities Exchange", 7 September 2021.

³³² Information provided by the authorities.

³³³ Information provided by the authorities.

³³⁴ Dubai Customs, *Trade Statistics 2019*. Viewed at: <https://www.dubaicustoms.gov.ae/en/TradeStatistics/Pages/TradeStatistics2019.aspx>.

Etiihad Rail network.³³⁵ An expansion plan announced in 2019 was still underway as of late 2021, with the objective of increasing FDI and non-oil growth for the Emirate.³³⁶ Two concessions were awarded to construct and operate new terminals by foreign companies, namely China Ocean Shipping Company (COSCO) and the Mediterranean Shipping Company (MSC). According to UNCTAD's 2020 Review of Maritime Transport, major shipping companies such as COSCO and MSC are moving some of their activities from Jebel Ali towards Khalifa Port.³³⁷ In 2019, Khalifa Port received the first fully-laden Capesize vessel (largest class of bulk ship) to ever call at a GCC port, which was importing bauxite from Guinea. The Port is the first in the Gulf to handle such large and fully loaded ships. These recent expansions to manage some of the largest ships in the world aim to open new trade opportunities.³³⁸

4.171. Fujairah Port is among the top three largest bunkering hubs in the world. Total crude oil and products handled at the Port exceeded 120 million tonnes in 2020, compared to around 110 million tonnes the previous year.³³⁹ Fujairah Terminals, wholly owned by Abu Dhabi Ports, launched an extension programme during the review period to increase its general cargo throughput to 1.3 million tonnes over a total of 110,000 m² of container terminal area. Fujairah Port is a key component of the Fujairah Strategic Plan 2040, which intends to make the Emirate a hub for trade between the GCC and neighbouring regions.³⁴⁰ It is with Sharjah's port Khorfakkan the only major port located on the UAE's eastern coast, which does not require boats to cross the Strait of Hormuz, and is close to the Indian Ocean shipping routes. Traffic at these two eastern ports should benefit from Package D of the UAE national railway construction's second phase, which will connect Fujairah Port and Khorfakkan Port to the rest of the network. The tender for this project was awarded in late 2019 to a joint venture of the UAE firm National Projects and Construction and Chinese Railway Construction Corporation.³⁴¹

4.172. The main ports in Sharjah are Port Khalid, Hamriyah Port, and Khorfakkan Port. Together, they contribute to 20% of the Emirate's GDP, supporting more than 3,000 jobs.³⁴² Port Khalid hosts the Sharjah container terminal, and Khorfakkan Port also has its own container terminal. The latter is by far the most significant of the Emirate of Sharjah with a total capacity of 5 million TEU.³⁴³

4.173. Table 4.10 presents the different handling capacities of selected UAE ports and their plans to increase such capacity.

Table 4.10 Selected UAE ports TEU capacity

Ports	Annual throughput in TEU million	TEU total capacity	Plans to increase TEU capacity
Jebel Ali Port	13.5	22.4	[none]
Khalifa Port	2.8	5	9 by 2025
Khorfakkan Port	2	5	[none]
Fujairah Port	0.52	0.72	1 by 2030

Source: *Emirates News Agency* (2019), "Abu Dhabi Ports Announces AED4 Billion Expansion Projects at Khalifa Port", 11 December 2019; Lloyd's List Intelligence, Throughput 2018 and 2019 for Khalifa Port and Khorfakkan Port. Abu Dhabi Ports, *Fujairah Terminals*. Viewed at: <https://www.adports.ae/core-business/ports-terminals/ports/fujairah-terminals/>; and information (Jebel Ali and Fujairah Ports' capacities) provided by the authorities.

³³⁵ UAE Government Portal, *Seaports*. Viewed at: <https://u.ae/en/information-and-services/infrastructure/civic-facilities/seaports>

³³⁶ *Emirates News Agency* (2020), "Abu Dhabi Ports Announces Expansion of Khalifa Port Is on Track", 12 September 2020.

³³⁷ UNCTAD (2020), *Review of Maritime Transport 2020*, p. 18.

³³⁸ *Emirates News Agency* (2019), "EGA, Abu Dhabi Ports Welcome Largest Bulk Cargo Ship to Ever Call at Khalifa Port", 24 June 2019.

³³⁹ Saadi, D. and Carpenter C. (2021), "Port of Fujairah Expecting Record Throughput for Liquid Bulk", *S&P Global*, 28 September. Viewed at: <https://cutt.ly/JETonU0>.

³⁴⁰ *Emirates News Agency* (2021), "Fujairah CP Opens AED 1 Bn Fujairah Terminals Transformation", 6 June 2021.

³⁴¹ Etiihad Rail, "Etiihad Rail Awards AED 4.6 Billion Contract for Package D Linking Fujairah and Khorfakkan Ports to the National Railway Network", 18 December 2019. Viewed at: <https://www.etihadrail.ae/etihad-rail-awards-aed-4-6-billion-contract-for-package-d-linking-fujairah-and-khorfakkan-ports-to-the-national-railway-network/>.

³⁴² Sharjah Ports, *Who We Are*. Viewed at: <https://sharjahports.gov.ae/who-we-are/>.

³⁴³ GulfTainer, *Khorfakkan Container Terminal*. Viewed at: <https://www.gulftainer.com/terminals/uae/khorfakkan-container-terminal/>.

4.3.4.3 Land transport

4.174. Land transport is regulated at the federal and emirate levels. Federal railways (i.e. railways crossing emirate/international boundaries) are regulated under Federal Law No. 8 of 2020.³⁴⁴ The provisions of the Law apply to entities working on the development and maintenance of federal railways, federal railway operators, and users.

4.175. At the federal level, Federal Law No. 9 of 2011 regulates inter-emirate and international road freight and passenger transport. The MOEI grants licences for operators transporting goods or passengers between Emirates or internationally. Licensing is available only to UAE nationals. Foreigners can operate transport with the country in which they are registered, but cannot provide cabotage operations or pick up loads that will go to a third country unless by virtue of a special permit.³⁴⁵ At the emirate level, operators for goods or passenger transport are licensed at the local level by the emirate authority.³⁴⁶ Local transport authorities in each Emirate may define permissible routes, timing, and other restrictions related to vehicle type or to the nature of the goods. Passenger road transport is subject to set fare regimes for both taxi and transit services regulated at the emirate level.³⁴⁷ Some Emirates have localized heavy goods vehicle (HGV) tolls in place, and the authorities indicate that a unified approach to HGV tolling is being considered by the Federal Government.

4.176. Etihad Rail is for now the sole developer and operator of federal railways within the UAE, as per Federal Law No. 2 of 2009, and the authorities indicate that they did not envision a change. The authorities plan to establish mutual recognition of operators licences among the GCC countries, but this is yet to be approved by the Cabinet.³⁴⁸ Etihad Rail's mission is to provide a safe and efficient network to connect the seven Emirates to the neighbouring GCC countries. The second stage of the Etihad national rail network construction, which is ongoing, should lead to an annual capacity of over 50 million tonnes of goods at completion compared to a capacity of 7 million tonnes after the completion of the first stage.³⁴⁹ It is divided into four projects (A, B, C, and D) that cover different areas of the territory, extending over 1,200 km.³⁵⁰ The projects are estimated to cost a total of USD 11 billion.³⁵¹

4.3.5 Medical services

4.177. One of the National Agenda 2021's six targets is to establish a world-class healthcare system³⁵² and, in their efforts to develop the medical services sector, the authorities encourage innovation in the sector³⁵³ and have undertaken a number of reforms over the review period. These aim in part at attracting foreign investment, establishing the UAE as a medical hub in the region, and supporting medical tourism. While the total amount of federal budget allocated to the healthcare sector increased from AED 3.8 billion in 2016 to AED 4.8 billion in 2020, the allocation declined as a share of the total federal budget.³⁵⁴

4.178. Human health and social work activities accounted for 1.7% of GDP in 2020, nearly tripling its share since 2010. The majority of hospitals and healthcare facilities are private, but there are major public providers, and these operate the largest hospitals. In Abu Dhabi, government-run Abu Dhabi Health Services Company (SEHA) and Mubadala Healthcare (owned by a state-owned

³⁴⁴ An English version of the Federal Law No. 8 of 2020 is available at: https://lexmena.com/law/en_fed~2020-05-28_00008_2020-08-22/.

³⁴⁵ Federal Law No. 9 of 2011, Article 17.

³⁴⁶ Information provided by the authorities.

³⁴⁷ Information provided by the authorities.

³⁴⁸ Information provided by the authorities.

³⁴⁹ Etihad Rail, *Project Update*. Viewed at: <https://www.etihadrail.ae/project-update/>.

³⁵⁰ *Emirates News Agency* (2021), "Etihad Rail Completes Construction Works of 'Package A of Stage Two of UAE National Railway Network'", 29 September 2021.

³⁵¹ Carvalho, S. (2018), "UAE's Rail Project Back on Track with Financing Sealed", *Reuters*, 27 November 2018.

³⁵² UAE Vision 2021, *National Agenda 2021*. Viewed at: <https://www.vision2021.ae/en/national-agenda-2021>.

³⁵³ MOHAP, *Innovation Health Strategy*. Viewed at: <https://mohap.gov.ae/en/about-us/innovation-health-strategy>.

³⁵⁴ UAE Government Portal, *Healthcare Budget*. Viewed at: <https://u.ae/en/information-and-services/health-and-fitness/healthcare-budget>.

investment company) jointly accounted for 53% of hospital beds in 2017³⁵⁵, while in Dubai, healthcare facilities operated by the Dubai Health Authority and the Ministry of Health accounted for 37% of available beds in 2019.³⁵⁶ Many private healthcare service providers are part of international firms and often collaborate with state-owned providers.³⁵⁷

4.179. Both Abu Dhabi and Dubai have established medical tourism online portals.³⁵⁸ Medical tourism proceeds in the UAE were estimated at AED 12.1 billion in 2018, according to a study by the Dubai Chamber of Commerce and Industry.³⁵⁹ According to data provided by the authorities, the number of medical tourists increased from nearly 300,000 in 2015 to around 350,000 in 2019. The UAE has not undertaken any specific GATS commitments in the area of health and social services.

4.180. The Federal Ministry of Health and Prevention (MOHAP) determines policy and regulates the sector jointly with relevant health authorities.³⁶⁰ Where they exist, such emirate-level authorities accredit and license medical professionals in line with emirate-level procedures that broadly follow unified qualification requirements at the federal level.³⁶¹ They also accredit and license medical facilities according to Law No. 4 of 2015 on Private Health Facilities. MOHAP, other health authorities, and private companies owned by SWFs also own and operate public hospitals.

4.181. Free Zones focusing on healthcare services have been established in Dubai and Sharjah, and they fall under federal laws and regulations. In the Dubai Healthcare City, day-to-day regulation was undertaken by the Dubai Healthcare City Authority – Regulatory during most of the review period, but shifted to the Dubai Health Authority in late 2021³⁶², while activity in the Sharjah Healthcare City is regulated by the Sharjah Health Authority.

4.182. Most emirate citizens are covered by health insurance schemes funded by the Federal Government but implemented at the emirate level. While all citizens are covered free of charge in Abu Dhabi, Dubai, and Sharjah (since January 2020), only government employees are covered in Ajman.³⁶³ According to the authorities, a federal law for health insurance is being prepared. Medical insurance for citizens covers a broad range of services accessible in a defined set of healthcare establishments.³⁶⁴ Health insurance is mandatory for expatriates in the Emirates of Abu Dhabi and Dubai, with minimum mandatory coverage under policies for expats somewhat more limited compared to the plans for citizens.

4.183. During the review period, the authorities adopted Cabinet Resolution No. 29 of 15 April 2020 on the Executive Resolution of Federal Law No. 4 of 2015 on Private Health Facilities. The Resolution establishes the terms for operating a private health facility and outlines types of activities, requirements, and validities for licences. Owners of private health facilities in the mainland economy must be UAE nationals except where such facilities are large (more than 50 beds), centres of rare specialization, or where facilities are attached to other foreign establishments such as schools or construction sites (Article 6). Licenses cannot be transferred without explicit approval by the regulator. Existing facilities are required to regularize their status within 12 months. Following the revisions to the Commercial Companies Law, emirate authorities are determining lists of activities where full foreign ownership is permitted, and there are differences, for example, between Abu

³⁵⁵ Abu Dhabi Department of Health (2018), *Abu Dhabi Health Statistics 2017*. Viewed at: <https://www.doh.gov.ae/-/media/Feature/Resources/AbuDhabiHealthStatistics.ashx>.

³⁵⁶ Dubai Health Authority, *Annual Health Statistics Book 2019*. Viewed at: <https://www.dha.gov.ae/DHAOpenData/Annual%20Statistical%20Books/DHADoc404326583-05-11-2020.pdf>.

³⁵⁷ For a more detailed overview, see US-UAE Business Council, *Sector Updates – The UAE Healthcare Sector*, June 2021. Viewed at: <http://usuaebusiness.org/wp-content/uploads/2019/01/2021-U.A.E.-Healthcare-Report.pdf>.

³⁵⁸ See Abu Dhabi Department of Health and Department of Culture and Tourism, *Medical Tourism*. Viewed at: <https://www.health.abudhabi.ae/en/>; and Government of Dubai, *Dubai Health Experience*. Viewed at: <https://dxh.ae/en-US/about>.

³⁵⁹ *Emirates News Agency* (2021), "UAE, A Global Destination for Medical Tourism", 30 January 2021.

³⁶⁰ Abu Dhabi, Dubai (including specific regulatory authority for the Dubai Healthcare City), and Sharjah have established specific health authorities.

³⁶¹ These are spelled out in Ministry of Health (UAE), Department of Health (Abu Dhabi), Dubai Health Authority (2017), *Unified Healthcare Professional Qualification Requirements*, Second Version.

³⁶² Dubai Law No. 14 of 12 July 2021 Amending Law No. 6 of 2018 Concerning the Dubai Health Authority.

³⁶³ UAE Government Portal, *Health Insurance for UAE Nationals*. Viewed at: <https://u.ae/en/information-and-services/health-and-fitness/health-insurance#health-insurance-for-uae-nationals>.

³⁶⁴ Eligible service providers vary for each of the insurance programs available in various Emirates.

Dhabi and Dubai in terms of how healthcare-related activities are classified in these lists. The use of healthcare data is regulated in Federal Law No. 2 of 2019 on Health Data (Section 4.3.3.4).

4.184. The authorities also adopted Federal Law No. 5 of 30 April 2019 on the Regulation of the Practice of the Human Medicine Profession to increase the quality of health services provided and reduce illegal and malpractice. It replaces Federal Law No. 7 of 1975 and requires all health professionals to be licensed but also permits foreign practitioners that are licensed abroad to practice under certain conditions (Article 11). The authorities also adopted Federal Law No. 8 of 19 December 2019 on Medical Products, the Profession of Pharmacy, and Pharmaceutical Facilities, regulating, *inter alia*, the marketing, production, and circulation of medical products, as well as the pharmacy profession and pharmaceutical facilities. It replaced Federal Law No. 4 of 1983 and Federal Law No. 20 of 1995. Federal Law No. 13 of 10 November 2020 on Public Health aims to establish a comprehensive system to ensure public health.

4.185. In response to the COVID-19 pandemic, MOHAP launched an international telemedicine service, allowing patients and doctors to access a second opinion, initially planned to be undertaken via the Visiting Consultants Program. Likewise, authorities in Dubai also extended access to the Doctor for Every Citizen programme, allowing for free consultation via voice and video calls around the clock, to COVID-positive expatriate patients in early 2020, broadening access to expatriates further in 2020 and 2021.³⁶⁵ According to the authorities, laws regarding medical liability also regulate and permit the use of telehealth in the UAE. Telemedicine constituted 10% of the total outpatient consultations of the Abu Dhabi Health Services Company, the largest healthcare network in the UAE during the pandemic.³⁶⁶

³⁶⁵ UAE Government Portal, *Telemedicine*. Viewed at: <https://u.ae/en/information-and-services/health-and-fitness/telemedicine>.

³⁶⁶ *Emirates News Agency* (2021), "SEHA's Virtual Outpatient Consultations Exceed 500,000", 6 September 2021.

5 APPENDIX TABLES

Table A1. 1 Non-oil merchandise exports including re-exports by HS section and major HS chapter and subheading, 2016-20

HS section/chapter/subheading	2016	2017	2018	2019	2020
Total non-oil exports (USD billion)	151.7	158.3	173.6	187.5	168.3
	(% of total exports)				
01 Live animals and products	0.5	0.5	0.9	1.0	0.8
02 Vegetable products	1.4	1.2	1.5	1.5	1.8
03 Fats and oils	0.2	0.2	0.2	0.2	0.4
04 Prepared food, beverages and tobacco	5.0	5.3	4.6	4.4	5.1
HS 24 Tobacco	2.8	3.2	2.6	2.5	2.6
05 Mineral products	3.5	3.8	3.3	6.8	4.7
06 Chemicals and products thereof	4.0	3.6	4.6	4.6	5.2
07 Plastics and rubber	5.0	4.1	4.0	4.1	5.0
08 Raw hides and skins; leather, furskins and articles thereof	0.2	0.2	0.2	0.3	0.2
09 Wood, cork, straw	0.2	0.1	0.2	0.2	0.1
10 Pulp of wood; paper and paperboard	1.2	0.9	1.0	0.9	1.4
11 Textiles and textile articles	3.2	2.9	2.6	2.5	2.2
12 Footwear, headgear, etc.	0.6	0.6	0.6	0.6	0.5
13 Articles of stone, plaster, cement	0.9	0.8	0.9	0.7	0.7
14 Precious stones and metals, pearls	30.6	29.4	26.4	25.5	26.7
HS 71 Natural or cultured pearls, precious or semi-precious stones, precious metals	30.6	29.4	26.4	25.5	26.7
HS 7108 Gold unwrought or in semi-manufactured forms, or in powder form	12.7	10.5	9.1	10.2	..
15 Base metals and articles thereof	7.8	7.9	9.5	8.9	8.3
16 Machinery, electrical equipment	24.1	25.1	25.9	26.2	26.8
HS 85 Electrical machineries and parts thereof	13.4	14.9	15.7	16.3	17.0
HS 84 Machinery and mechanical appliances; parts thereof	10.7	10.2	10.1	9.9	9.8
17 Transport equipment	8.5	10.3	10.4	8.3	7.4
HS 87 Vehicles and parts and accessories thereof	6.8	7.8	7.4	6.5	6.0
HS 88 Aircraft, spacecraft, and parts thereof	1.4	2.0	2.4	1.6	1.1
18 Precision instruments	1.8	1.9	1.8	1.8	1.6
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	1.1	1.0	1.0	0.9	1.0
21 Works of art, collectors' pieces and antiques	0.1	0.1	0.4	0.5	0.1
Other	0.1	0.1	0.0	0.0	0.0

.. Not available.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

Table A1. 2 Non-oil merchandise domestic exports by HS section and major HS chapter and subheading, 2016-20

HS section/chapter/subheading	2016	2017	2018	2019	2020
Total non-oil domestic exports (USD billion)	51.7	49.3	56.1	63.0	69.3
	(% of total exports)				
01 Live animals and products	0.9	0.8	1.6	1.3	1.0
02 Vegetable products	0.8	0.8	1.2	1.2	1.3
03 Fats and oils	0.5	0.4	0.6	0.7	0.9
04 Prepared food, beverages and tobacco	8.4	10.3	9.6	9.4	8.9
HS 24 Tobacco	4.5	5.8	5.6	5.8	4.8
05 Mineral products	4.6	4.5	5.2	9.3	5.1
06 Chemicals and products thereof	3.2	3.1	4.8	4.8	4.2
07 Plastics and rubber	10.4	8.4	7.7	7.5	8.2
08 Raw hides and skins; leather, furskins and articles thereof	0.0	0.0	0.0	0.0	0.0
09 Wood, cork, straw	0.1	0.1	0.1	0.2	0.1
10 Pulp of wood; paper and paperboard	3.0	2.3	2.3	1.9	2.0
11 Textiles and textile articles	1.2	1.1	1.3	1.1	0.9
12 Footwear, headgear, etc.	0.0	0.0	0.0	0.0	0.0
13 Articles of stone, plaster, cement	1.6	1.5	1.8	1.5	1.1
14 Precious stones and metals, pearls	39.3	38.0	31.0	32.9	43.9
HS 71 Natural or cultured pearls, precious or semi-precious stones, precious metals	39.3	38.0	31.0	32.9	43.9
HS 7108 Gold unwrought or in semi-manufactured forms, or in powder form	28.9	28.4	25.7	29.0	..
15 Base metals and articles thereof	17.9	21.1	24.0	21.0	16.6
HS 76 Aluminium and articles thereof	9.8	12.4	11.1	8.6	6.2
HS 73 Articles of iron or steel	2.3	2.7	3.6	3.7	3.3
HS 74 Copper and articles thereof	2.9	3.5	5.3	4.2	2.9
16 Machinery, electrical equipment	5.2	4.3	5.4	5.3	4.2
HS 84 Machinery and mechanical appliances; parts thereof	3.3	2.2	3.0	3.2	2.5
HS 85 Electrical machineries and parts thereof	1.9	2.1	2.4	2.1	1.7
17 Transport equipment	2.0	2.4	2.5	1.1	0.9
18 Precision instruments	0.2	0.2	0.2	0.2	0.2
19 Arms and ammunition	0.0	0.0	0.0	0.0	0.0
20 Miscellaneous manufactured articles	0.4	0.5	0.6	0.5	0.5
21 Works of art, collectors' pieces and antiques	0.0	0.1	0.1	0.0	0.0
Other	0.1	0.2	0.0	0.0	0.0

.. Not available.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

Table A1. 3 Merchandise imports by HS section and major HS chapter and subheading, 2016-20

HS Section/chapter/subheading	2016	2017	2018	2019	2020
Total imports (USD billion)	260.4	257.7	244.7	249.1	213.8
	(% of total)				
01 Live animals and products	1.5	1.7	1.8	1.9	2.0
02 Vegetable products	3.2	2.6	2.5	2.5	3.0
03 Fats and oils	0.2	0.2	0.2	0.2	0.2
04 Prepared food, beverages and tobacco	3.1	3.2	2.8	2.6	2.9
05 Mineral products	4.1	4.1	6.9	7.2	5.6
06 Chemicals and products thereof	5.9	5.6	6.0	6.3	6.3
07 Plastics and rubber	2.5	2.6	2.7	2.6	2.7
08 Raw hides and skins; leather, furskins and articles thereof	0.5	0.5	0.6	0.5	0.4
09 Wood, cork, straw	0.5	0.5	0.5	0.4	0.4
10 Pulp of wood; paper and paperboard	0.7	0.7	0.8	0.8	0.8
11 Textiles and textile articles	3.3	3.1	2.9	2.8	2.8
12 Footwear, headgear, etc.	0.9	0.8	0.8	0.9	0.7
13 Articles of stone, plaster, cement	0.9	0.9	0.8	0.8	0.8
14 Precious stones and metals, pearls	22.1	21.2	22.1	23.5	24.5
HS 71 Natural or cultured pearls, precious or semi-precious stones, precious metals	22.1	21.2	22.1	23.5	24.5
HS 7108 Gold unwrought or in semi-manufactured forms, or in powder form	12.9	12.8	11.3	12.9	..
15 Base metals and articles thereof	6.0	5.8	7.0	6.0	6.1
16 Machinery, electrical equipment	27.3	30.0	25.7	26.0	28.2
HS 85 Electrical machinery and equipment and parts thereof	15.1	17.9	14.0	14.7	15.5
HS 84 Machinery and mechanical appliances, parts thereof	12.2	12.1	11.7	11.3	12.7
17 Transport equipment	13.2	12.1	11.5	9.9	8.2
HS 87 Vehicles and parts and accessories	7.8	8.5	8.4	7.7	7.1
18 Precision instruments	2.2	2.1	2.2	2.4	2.4
19 Arms and ammunition	0.0	0.1	0.0	0.0	0.0
20 Miscellaneous manufactured articles	1.7	1.7	1.6	1.6	1.6
21 Works of art, collectors' pieces and antiques	0.1	0.2	0.5	0.8	0.2
Other	0.0	0.0	0.0	0.0	0.0

.. Not available.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

Table A1. 4 Non-oil merchandise exports (incl. re-exports) by destination, 2016-20

	2016	2017	2018	2019	2020
Total non-oil exports (USD billion)	151.7	158.3	173.6	187.5	168.3
	(% of total)				
Americas	4.0	5.4	4.2	4.1	3.9
United States	3.4	4.7	3.6	3.4	3.2
Other America	0.6	0.7	0.6	0.7	0.7
Europe	17.5	15.3	17.5	16.9	18.6
EU-27	7.5	6.9	7.3	5.9	7.7
Italy	0.9	0.7	0.5	0.6	3.2
Belgium	3.1	2.5	2.6	1.6	1.4
Netherlands	1.1	1.1	1.2	1.0	1.0
EFTA	5.5	2.4	5.4	7.3	5.9
Switzerland	5.5	2.3	5.4	7.3	5.9
Other Europe	4.4	6.0	4.7	3.7	5.0
Turkey	2.3	3.6	2.5	2.0	3.5
United Kingdom	2.0	2.2	2.1	1.4	1.3
CIS^a	1.4	1.6	2.2	1.9	1.8
Africa	10.1	10.3	11.4	11.3	11.7
Egypt	1.8	1.7	2.1	2.0	2.3
Kenya	0.8	1.2	0.9	1.2	0.9
Middle East	38.5	40.1	41.8	39.3	38.2
Saudi Arabia, Kingdom of	8.7	9.3	12.5	12.8	13.0
Iraq	6.1	7.7	6.5	7.3	7.8
Oman	4.1	4.8	5.9	5.8	5.8
Kuwait, State of	3.3	3.2	4.8	4.6	4.2
Iran, Islamic Republic of	8.6	9.6	5.9	3.8	2.7
Bahrain, Kingdom of	1.6	1.5	2.5	1.9	1.8
Jordan	0.9	0.9	1.3	1.3	1.0
Asia	25.4	26.9	22.9	26.6	25.8
China	2.8	3.2	2.9	5.0	4.8
Japan	0.8	1.1	0.6	1.1	0.8
Other Asia	21.8	22.6	19.4	20.5	20.2
India	8.8	9.2	7.4	7.8	6.8
Hong Kong, China	3.3	3.4	3.6	3.0	4.6
Pakistan	1.6	1.6	1.4	1.9	2.1
Singapore	1.9	1.5	1.2	1.4	1.1
Afghanistan	1.4	1.6	1.1	0.9	1.0
Other	3.2	0.3	0.0	0.0	0.1
Memo:					
EU-28	9.5	9.2	9.4	7.3	9.0
GCC	20.8	20.0	25.8	25.0	24.7

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

Table A1. 5 Non-oil domestic merchandise exports by destination, 2016-20

	2016	2017	2018	2019	2020
Total non-oil exports (USD billion)	51.7	49.3	56.1	63.0	69.3
	(% of total)				
Americas	4.1	5.2	4.8	4.0	3.3
United States	3.5	4.4	3.9	3.2	2.5
Other America	0.7	0.8	0.9	0.9	0.9
Europe	22.9	18.3	16.7	18.2	29.7
EU-27	6.0	5.8	6.3	4.2	9.7
Italy	1.3	1.2	0.9	0.7	7.2
EFTA	11.4	2.2	3.9	9.1	11.5
Switzerland	11.3	2.0	3.9	9.0	11.5
Other Europe	5.4	10.3	6.5	4.9	8.5
Turkey	4.5	9.1	5.2	3.8	7.2
United Kingdom	0.9	1.0	1.1	0.9	1.1
CIS^a	0.8	1.1	1.3	1.2	0.7
Africa	9.6	10.2	10.2	10.7	9.9
Egypt	1.7	1.5	1.9	1.6	1.6
Somalia	0.6	0.6	0.8	1.1	1.2
Kenya	0.8	0.9	0.7	1.3	0.9
Libya	0.7	0.7	0.7	0.7	0.9
Middle East	29.5	32.4	41.1	34.6	25.5
Saudi Arabia, Kingdom of	6.4	8.3	15.3	13.4	10.0
Oman	5.6	7.5	8.4	7.0	4.8
Iraq	5.0	4.7	4.4	4.0	3.0
Kuwait, State of	3.0	3.5	5.1	4.3	2.9
Bahrain, Kingdom of	1.7	2.2	3.2	2.2	1.4
Jordan	1.0	1.2	1.3	1.0	0.8
Asia	31.0	32.7	25.9	31.2	30.9
China	3.2	3.1	2.5	3.6	3.8
Japan	1.3	1.6	1.4	1.9	1.3
Other Asia	26.5	28.0	22.0	25.8	25.7
India	9.5	10.6	8.7	10.4	7.8
Hong Kong, China	1.5	1.2	1.0	1.4	6.7
Pakistan	1.9	1.7	1.4	1.5	2.2
Malaysia	0.9	1.0	1.0	1.1	1.5
Singapore	4.0	3.0	1.8	2.3	1.2
Bangladesh	1.0	1.1	1.3	1.4	1.1
Other	2.1	0.1	0.0	0.0	0.0
Memo:					
EU-28	6.9	6.9	7.5	5.1	10.8
GCC	19.8	22.8	32.0	26.8	19.2

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

Table A1. 6 Merchandise imports by origin, 2016-20

	2016	2017	2018	2019	2020
Total imports (USD billion)	260.4	257.7	244.7	249.1	213.8
	(% of total)				
Americas	13.2	12.5	12.4	12.2	12.1
United States	9.7	9	8.6	8	7.7
Other America	3.5	3.5	3.8	4.1	4.4
Brazil	1	1.1	1	1.1	1.1
Europe	23.9	23.9	23.3	21.6	20.3
EU-27	17.1	15.9	16	15.2	14.3
Germany	5.7	4.6	4.5	4	3.4
Italy	2.6	2.6	2.7	2.6	2.6
France	2.5	2.4	2.7	2.7	2.2
Belgium	1.5	1.5	1.3	1.1	1.1
EFTA	2	2.2	2.5	1.8	1.5
Switzerland	1.9	2	2.4	1.7	1.4
Other Europe	4.8	5.8	4.8	4.6	4.4
United Kingdom	2.6	2.6	3.1	2.9	2.7
Turkey	2	3	1.4	1.4	1.4
CIS^a	0.6	0.8	1	1.4	1.2
Russian Federation	0.6	0.7	0.9	1.1	0.9
Africa	8.8	8.9	9.8	11.6	16.9
Guinea	0.4	1.1	0.9	1	3.2
South Africa	0.6	0.9	1.2	1.1	1.7
Egypt	0.8	0.8	0.8	0.9	1.5
Mali	0.6	0.2	0.5	1.3	1.4
Middle East	7.1	6.9	8.9	7.7	6.9
Saudi Arabia, Kingdom of	2.4	2.7	3.1	2.7	3
Bahrain, Kingdom of	0.7	0.9	1.3	1.7	1.2
Asia	44.7	47	44.5	45.5	42.6
China	16.2	18.7	15.5	16.4	18.4
Japan	5.1	5.4	5.6	5.1	4.4
Other Asia	23.4	22.8	23.3	24.1	19.8
India	8.7	7.9	9.4	10.7	7.7
Viet Nam	3.1	3.8	3.1	2.9	2.7
Korea, Republic of	3	3.1	2.3	1.5	1.9
Thailand	1.5	1.5	1.4	1.4	1.4
Malaysia	1.4	0.9	1.2	1.1	1
Other	1.7	0	0	0	0
Memo:					
EU-28	19.7	18.5	19.1	18.1	17
GCC	5.3	5.3	6.3	6.2	5.6

a Commonwealth of Independent States, including certain associate and former member States.

Source: WTO Secretariat calculations, based on trade statistics provided by the authorities; and Federal Competitiveness and Statistics Centre, UAE Stat. Viewed at: <https://uaestat.fcsc.gov.ae/en>.

Table A3. 1 Tariff lines where applied rate exceeds bound tariff rate

HS code	Description	2021 applied tariff ^a	Bound tariff
17049080	White chocolate containing alcohol	50	15
18063110	Chocolate and other preparations containing cocoa, in blocks, slabs or bars in filled, containing alcohol	50	15
18063210	Chocolate and other preparations containing cocoa, in blocks, slabs or bars in not filled, containing alcohol	50	15
20082010	Pineapples, prepared or preserved, containing added alcohol	50	15
20083010	Citrus fruit, prepared or preserved, containing added alcohol	50	15
20084010	Pears, prepared or preserved, containing added alcohol	50	15
20085010	Apricots, prepared or preserved, containing added alcohol	50	15
20086010	Cherries, prepared or preserved, containing added alcohol	50	15
20087010	Peaches, including nectarines, prepared or preserved, containing added alcohol	50	15
20088010	Strawberries, including nectarines, prepared or preserved, containing added alcohol	50	15
20089310	Cranberries "Vaccinium macrocarpon, Vaccinium oxycoccos, Vaccinium vitis-idaea", prepared or preserved, containing added spirit	50	15
20089710	Mixtures, prepared or preserved, containing added spirit	50	15
20089910	Other fruit and other edible parts of plants, prepared or preserved, containing added spirit	50	15
23070010	Wine lees	50	15
	Electronic smoking devices and tools (e.g. cigarettes, "shisha", pipe and the like):		
85437031	Electronic cigarettes	100	15
85437032	Electronic water pipe "shisha"	100	15
85437033	Electrically heated devices for cigarettes	100	15
85437039	Other	100	15
	Parts of electrical machines and apparatus:		
85439091	For electronic cigarettes other than accumulators of heading 85.07	100	15
85439092	For electronic water pipe "shisha" other than accumulators of heading 85.07	100	15
85439093	For electrically heated devices for cigarettes other than accumulators of heading 85.07	100	15
85439098	For other smoking electronic devices	100	15

a "Special goods". Duties are indicated by the authorities.

Source: WTO calculations, based on data provided by the authorities and CTS database.

Table A4. 1 List of open skies and other ASA arrangements

	Open skies agreements	Other agreements
1	Afghanistan	Algeria
2	Albania	Argentina
3	Antigua and Barbuda	Armenia
4	Aruba	Australia
5	Azerbaijan	Austria
6	Bahamas	Bahrain, Kingdom of
7	Barbados	Bangladesh
8	Belize	Belarus
9	Benin	Belgium
10	Bhutan	Brazil
11	Bosnia and Herzegovina	Bulgaria
12	Botswana	Canada
13	Brunei	China
14	Burkina Faso	Colombia
15	Burundi	Congo, Democratic Republic of
16	Cambodia	Cote D'Ivoire
17	Cameroon	Croatia
18	Cape Verde	Cuba
19	Central African Republic	Egypt
20	Chad	France
21	Chile	Hong Kong, China
22	Comoros	Hungary
23	Congo-Rep. of the Congo	India
24	Costa Rica	Indonesia
25	Curacao	Iraq
26	Cyprus	Ireland
27	Czech Republic	Italy
28	Denmark	Japan
29	Djibouti	Jordan
30	Dominican Republic	Kazakhstan
31	Ecuador	Kenya
32	El Salvador	Korea, Republic of
33	Eritrea	Kuwait, State of
34	Estonia	Libya
35	Finland	Macao, China
36	Gabon	Madagascar
37	Ghana	Malta
38	Gambia	Mexico
39	Georgia	Moldova, Republic of
40	Germany	Mongolia
41	Greece	Montenegro
42	Grenada	Morocco
43	Guatemala	Mozambique
44	Guinea-Rep. of Guinea-Bissau	Nepal
45	Guinea-Rep. of Guinea-Conakry	Netherlands
46	Guinea-Equatorial Guinea	Nigeria
47	Guyana	Pakistan
48	Haiti	Philippines
49	Honduras	Poland
50	Iceland	Portugal
51	Jamaica	Qatar
52	Kiribati	Romania
53	Kosovo ^a	Russian Federation
54	Kyrgyz Republic	Saudi Arabia, Kingdom of

	Open skies agreements	Other agreements
55	Lao, People's Democratic Republic	Seychelles
56	Latvia	South Africa
57	Lebanon	Spain
58	Lesotho	Sri Lanka
59	Liberia	Switzerland
60	Lithuania	Syrian Arab Republic
61	Luxembourg	Tanzania
62	Macedonia	Tunisia
63	Micronesia	Turkey
64	Malawi	United Kingdom
65	Malaysia	Ukraine
66	Maldives	Venezuela, Bolivarian Republic of
67	Mali	Viet Nam
68	Mauritania	
69	Marshall Islands	
70	Myanmar	
71	Namibia	
72	New Zealand	
73	Nicaragua	
74	Niger	
75	North Korea	
76	Norway	
77	Oman	
78	Panama	
79	Paraguay	
80	Peru	
81	Rwanda	
82	Saint Lucia	
83	Saint Kitts and Nevis	
84	Saint Vincent and the Grenadines	
85	Samoa	
86	Sao Tome and Principe	
87	Sint Maarten	
88	Senegal	
89	Serbia	
90	Sierra Leone	
91	Singapore	
92	Slovak Republic	
93	Slovenia	
94	Solomon Islands	
95	Somalia	
96	South Sudan	
97	Sudan	
98	Suriname	
99	Swaziland	
100	Sweden	
101	Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (Chinese Taipei)	
102	Thailand	
103	Timor-Leste	
104	Togo	
105	Tonga	
106	Turkmenistan	
107	Tuvalu	
108	Uganda	
109	United States	

	Open skies agreements	Other agreements
110	Uruguay	
111	Uzbekistan	
112	Vanuatu	
113	Yemen	
114	Zambia	
115	Zimbabwe	
	115	67

a All references to Kosovo in this report should be understood to be in the context of United Nations Security Council Resolution 1244 (1999).

Source: Information provided by the authorities.