SUMMARY

1. The United Arab Emirates is a federation of seven emirates: Abu Dhabi; Dubai; Sharjah; Fujairah; Umm al-Quwatin; Ajman; and Ras al-Khaimah. As a federation, responsibility for policy, laws, and administration is shared among the federal authorities and the individual emirates. Furthermore, as a member of the Cooperation Council for the Arab States of the Gulf (GCC), laws and policies in some areas, including customs procedures and tariffs, are developed and applied at the GCC level.

2. Between 2010 and 2014, real GDP growth averaged 4.5% annually. The growth rate declined to 3.1% in 2015. Since 2012 growth has been led by the non-hydrocarbon sectors reflecting the successful diversification of the economy. GDP per capita also increased in real terms reaching US$43,400 in 2015. Although the UAE has diversified the economy, the hydrocarbon sector remains very important: crude oil and gas contributed 34% to GDP, manufacturing 9%, and services 57%. Within services, financial services (13.8% of GDP, including imputed bank services), wholesale and retail trade (11.3% of GDP), and real estate and business services (10.3%) are the main contributors.

3. After years of fiscal surpluses, the fall in oil prices that started in 2014 has affected Government revenues which declined considerably in 2015, as such, the UAE as a whole expected a fiscal deficit of 3% of GDP in 2015. Consequently, a fiscal consolidation programme was introduced to control public spending. Nevertheless, the UAE has some room for manoeuvre as total public debt was about 14% of GDP in 2015, and the UAE has foreign exchange reserves equivalent to over 7 months of imports. Furthermore, individual emirates have sovereign wealth funds of varying magnitude.

4. Trade is critically important to the UAE with total trade in goods and services equivalent to nearly 176% of GDP in 2015. The surplus in trade-in-goods is partly offset by a large deficit in trade-in-services. Balance of payments data indicates that the total value of goods exports fell in 2014 to US$371 billion as oil and natural gas exports fell to US$112 billion and are expected to have fallen further to US$75 billion in 2015. Nevertheless, the UAE continues to run a current account surplus.

5. Trade, investment and development policy in the UAE is focused on diversification of the economy, with a particular emphasis on improving competiveness and high technology sectors. Free zones and economic specialized zones are important facets of the UAE economy and the Government's growth strategy. The main advantages for investment are no corporate or personal income taxes, exemptions from customs duties, and exemptions from several domestic regulations that apply within the customs territory, including Emiratization. In addition, foreign ownership is not limited to 49%, as it is within the customs territory. Currently, about two-thirds of exports of non-oil products are from free zones.

6. At the Federal level, the Ministry of Economy is responsible for trade policy and development of the national economy. As a member of the GCC, the UAE applies the Common Customs Law, the common external tariff, the Unified Guide for Customs Procedures at First Points of Entry, the Common Law on Anti-dumping and Countervailing Measures, and other common rules relating to trade. Also through the GCC, the UAE is a party to free trade agreements with the EFTA states and Singapore and negotiations on trade agreements with several other countries.

7. Under the GCC common external tariff, the tariff on most products is either duty free or 5%. A tariff of 100% or a minimum specific duty is applied to tobacco products. Although nearly all tariffs are below their bound rate, there are 19 tariff lines with a minimum specific duty and, therefore, the *ad valorem* equivalent could be greater than the 200% bound duty. Prohibited products include live swine and other products prohibited on security, health and safety grounds. Restricted products include pig meat products and alcoholic beverages which require import licences and, in most cases, the tariff on these products is 200%.

8. The customs authorities of each emirate are responsible for applying the GCC Common Customs Law, and the Unified Guide for Customs Procedures. Dubai Customs and the General Administration of Customs in Abu Dhabi have electronic systems for customs declarations. The UAE intends to begin implementing an authorized economic operator (AEO) programme by launching a pilot programme with Dubai Customs.

9. Trading (importing and/or exporting), in the UAE requires a trading licence and a trader code which is available from the customs department of each emirate and is valid throughout the UAE. To qualify for a licence the applicant must be a UAE national or a company established in the UAE that is 51% owned by UAE nationals. Distribution of imported goods may only be undertaken by trade agencies which must be owned by UAE nationals or by companies wholly owned by UAE nationals. Free zones are exempt from these licensing requirements.

10. In September 2015, the UAE notified the WTO that the GCC Common Law on Anti-dumping and Countervailing Measures of 2003 had been ratified and that a Federal law was being prepared which would incorporate the 2010 amended GCC Common Law.

11. As a member of the GCC, the UAE is a member of the Gulf Standardization Organization (GSO) and most of the standards published by the Emirates Authority for Standardization and Metrology (ESMA) are based on GCC standards. According to the authorities, about 77% of standards conform to international standards and, in the absence of an international standard, the national standards of another countries may be used as a basis for a UAE standard. In 2014, an automated system for conformity assessment was introduced by the ESMA with plans to introduce online systems for certification and accreditation of conformity assessment bodies.

12. Imports of all live animals and animal products (except food products of animal origin) and fodder need an import permit issued by the MOEW. Additionally, all live animals and animal products as well as all plants and plant products are subject to quarantine requirements and need to be accompanied by health certificates. The draft GCC Guide for Control on Imported Foods was issued in 2015. The Guide describes principles and regulatory requirements to be applied by the importing countries. Application of the Guide is to be on a trial basis until 1 June 2016.

13. Implementing regulations for the Competition Law were issued in October 2014 which provided details on the processes and procedures for the Law's implementation. However, the UAE Cabinet has yet to determine thresholds for the *de minimis* exemption and market share thresholds to define dominant position and economic concentration. In general, prices are decided by market forces and price monitoring is largely to improve consumer awareness. However, the Ministry of Health publishes prices for about 8,000 pharmaceutical products. Price controls also apply to telecommunications services, and to electricity and water.

14. The UAE is not a party to the Agreement on Government Procurement. Federal laws apply to procurement by most federal agencies while at the emirate level, local laws apply. However, a new government procurement law is expected to come into force in 2016. Under the current federal law, price preferences of 10% are given to companies with up to Dh 10 million in capital and 51% owned by UAE or GCC nationals.

15. State involvement continues to be prevalent in many sectors such as oil and gas production, air and maritime transport and facilities, telecommunications, and financial services. Ownership structures also tend to be complicated, with government owned holding companies, individual emirates and sovereign wealth funds all having stakes. The authorities contend that the Government owned entities are run on purely commercial grounds and are provided no preferential treatment. Some of these companies (Emirates Airlines, Etihad Airways, DP World and Dnata) are market leaders in their field. Furthermore, state investment, both domestically and internationally, through sovereign wealth funds is sizeable. According to the authorities, the reasons for such widespread state ownership range from revenue and strategic reasons to pushing the government agenda on diversification and development.

16. The decline in oil prices since 2014 affected the UAE, with revenues and export receipts falling. However, due to its successful diversification strategy, the UAE is managing to weather the storm while maintaining growth and investment. The UAE continues to pursue a strategy of diversification concentrating of high technology sector and high growth sectors such as the Islamic economy. To be able to benefit fully from its efforts the UAE may need to speed up reforms such as the full implementation of the Competition Policy Law, easing of restrictions on foreign investment including the requirement of majority ownership by UAE nationals and further improving the business environment.