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 4^{th} 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.