

## UNITED ARAB EMIRATES

### BUSINESS CONDITIONS SNAPSHOT

- The United Arab Emirates (UAE) is experiencing a double shock to the economy from the impact of COVID and the drop in global oil prices.
- As the most diversified economy in the Gulf, COVID has had a significant impact on the UAE's non-oil sectors of transport, tourism and hospitality, real estate and retail. The UAE Federal Government and individual Emirates have moved to implement a range of stimulus measures including tax cuts, higher subsidies for water and electricity, and strengthening business development programs.
- The UAE Central Bank has rolled out a support package including collateralised loans to banks, postponed loan repayments, reduced reserve requirements, and easing of prudential standards for SME loans.
- The strict lockdowns and border closures of the second quarter of 2020 have been largely lifted, and the non-oil economy has started recovering and stabilising. The UAE Central Bank expects non-oil GDP to contract by -4.5% in 2020. As the UAE cuts oil production in line with OPEC agreed targets, oil output is expected to be down -7.5% year on year in 2020. The UAE's oil and non-oil sector recovery is intimately tied to international developments.
- Australian businesses have proven resilient by managing risks, adapting business plans and identifying new opportunities. The UAE remains an attractive location for Australian business to base themselves for local opportunities, as well as market diversification across the Middle East and Africa region. The normalisation of relations between the UAE and Israel opens direct transport links between the two countries, and provides new market opportunities for Australian companies established in the UAE. The normalisation also opens the door for trilateral cooperation between Australia–Israel–UAE.
- The UAE's long-term economic strategy is centred on diversification away from oil and the increased promotion of the private sector. The UAE's seven emirates have put in place a wide range of initiatives, laws and regulations to develop a more conducive environment for foreign business and investment. The UAE has established itself as the primary regional trade and investment hub.

#### Key facts and figures

- Population: 10.4 million (2018)
- GDP growth: 1.6 per cent (2019)
- GDP per capita: US\$37,749.9
- Political system: Constitutional monarchy
- Two-way trade: A\$11.15 billion
- Key products: crude petroleum, meat, telecom equipment, vehicle parts, refined petroleum, copper, transport and personal travel
- Two-way investment: A\$14.5 billion



# MARKET INSIGHTS

CONNECTING AUSTRALIAN BUSINESS TO THE WORLD

- The UAE's relative political and economic stability and fast-growing capital markets contribute to its attractiveness as both a place to invest and to operate businesses with a regional focus. While the UAE has a five per cent value-added tax on most products and services—as well as an excise on certain products—the absence of corporate and personal income taxes is attractive for businesses, investors and highly skilled employees.
- In July 2020 the UAE announced a new Minister and Ministry of Industry and Advanced Technology to further diversify its economy. The Ministry is developing a strategy to boost the industrial sector by increasing local value-add, efficiency and competitive edge, and to develop local advanced technology.
- The impact of COVID on food supply chains and the rapid and significant disruptions in air cargo capacity highlighted the UAE's food security vulnerabilities. The UAE has sharpened its efforts on food security and is pursuing partnerships and investments in R&D, aquaculture and agritech.
- The UAE will host World Expo in Dubai from October 2021. Pre-COVID estimates expected 25 million visitors, of which 70 per cent would visit from outside the UAE. The roll-out of a COVID vaccine would boost visitor numbers and have a positive impact on the UAE economy.
- The UAE population of around 10 million normally consists of 10 per cent Emiratis and 90 per cent expatriates. The economic impact of 2020 has resulted in significant worker lay-offs and expatriate departures—the population is expected to decline which will have a negative impact on domestic consumption.

## TRADE AND INVESTMENT OPPORTUNITIES

- Australian business is well supported in the UAE with an in-market presence from DFAT, Austrade, and five state commissioners – New South Wales, Victoria, Queensland, Western Australia, South Australia.
- There are an estimated 250 Australian companies in the UAE focused on agriculture and food, trade and services in education, construction, engineering, architecture, food and beverage.
  - Companies successfully use the UAE's location, logistics, financial and other services as a hub for commercial activity across the Middle East and in Africa.
- Sectors that offer the best opportunities for Australian capabilities are education, agrifood, digital technology, health, defence, infrastructure and resources (oil and gas).
- The new UAE Ministry of Industry and Advanced Technology announced in July 2020 that it was developing a strategy to further diversify the UAE economy.
  - This may open new commercial opportunities in 2021.



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- The Abu Dhabi Investment Office and Dubai FDI are streamlining procedures and providing support packages to foreign companies looking to establish or expand in the UAE.
- In March 2020 the UAE Cabinet also issued a resolution outlining 122 sectors and activities in which 100 per cent foreign ownership of a company is permitted, without the requirement to have a local partner.
  - However, a ‘negative list’ of sensitive sectors remain closed to 100 per cent foreign ownership.
- The UAE is a proponent of free trade, but non-tariff barriers are emerging in certain sectors, particularly in the agri/food import sector.
  - In recent years the UAE has moved to implement new standards, quality marks and labelling requirements, which can drive up costs and administrative requirements for importers.
  - Notwithstanding the GCC Standardization Organization (GSO), there is increasing fragmentation across GCC member state approaches to standards.
- UAE investors (sovereign wealth funds, family offices and high net worth individuals) hold significant investments in Australia across infrastructure, utilities and waste-to-energy, real estate, tourism and hospitality, and via private equity.
  - Investors are attracted to the quality of assets and Australia’s robust investment policy settings.
- The UAE will host World Expo in Dubai from October 2021 to March 2022.
  - The Australian pavilion will showcase Australian ingenuity and innovation, and there are opportunities to pursue trade and investment opportunities through a targeted business program.
- The UAE also hosts several annual or biannual large international trade and investment events, including Gulf Food, the International Defence Exhibition and Conference (IDEX), the Abu Dhabi Petroleum Exhibition and Conference, Arab Health, GITEX Technology Week, and the Annual Investment Meeting (AIM).
  - The events attract large, international audiences and provide opportunities for Australian companies to showcase and market their offerings, and to network with government and industry.
  - Due to COVID, the events are being run virtually or as a hybrid model.

## TRADE POLICY FOCUS

- The Australia–UAE Joint Economic Committee is a ministerial-level platform to advance trade, investment and commercial priorities.
  - It is also a mechanism to resolve trade obstacles.



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- Australia–UAE FTA negotiations stalled in 2009 following a GCC decision that member states would negotiate future FTAs as a bloc.
  - GCC FTA negotiations have been at a standstill since 2009.
- The GCC has signed two FTAs.
  - These are with Singapore in 2008 and the European Free Trade Association (Iceland, Liechtenstein, Norway and Switzerland) in 2009.
- The UAE has been a member of the WTO since 1996 and a member at the GATT since 1994.

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*Insights current as at December 2020.*



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