



Kingdom of the Netherlands



Doing Business in the United Arab Emirates



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INTRODUCTION

Since the discovery of oil in the United Arab Emirates (UAE) over sixty years ago, the country has undergone a profound transformation into a modern state with a high standard of living. This growth has been largely driven by income generated from oil and gas resources. Today, successful efforts at economic diversification include trade, logistics, banking, tourism, real estate and manufacturing, which have significantly reduced the proportion of gross domestic product (GDP) based on oil and gas output.

Relations between the Netherlands and the UAE are historically strong and are supported by the continued cooperation between the two countries. The UAE ranks, after Saudi-Arabia, as the most important trading partner in Gulf region. The value of bilateral trade between the Netherlands and the UAE hit EUR 6.4 billion in 2019. Foreign Direct Investment (FDI) in the UAE by Dutch companies is worth over EUR 1.6 billion. Total trade value of goods between the Netherlands and the UAE in 2019 was EUR 3.8 billion. This is about the equivalent of the total trade value of goods between the Netherlands and Kuwait (EUR 2.3 billion), Oman (EUR 0.6 billion), and Qatar (EUR 1 billion) combined (EUR 3.9 billion).

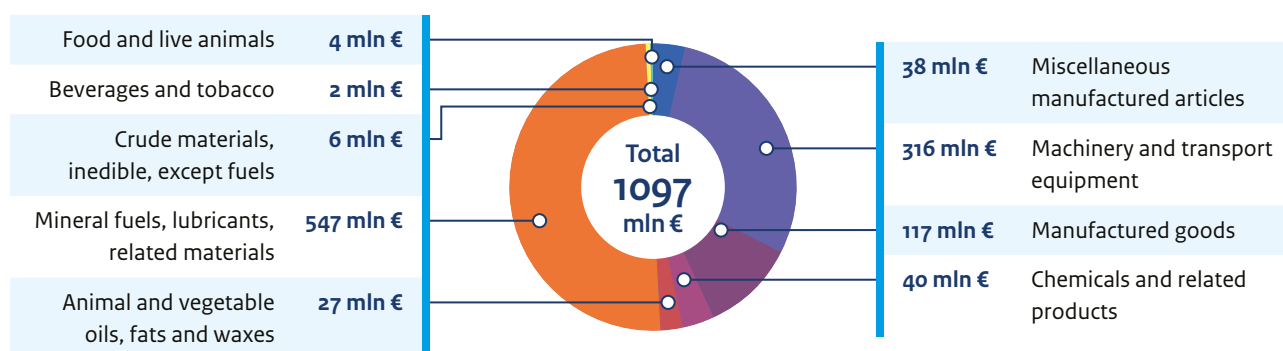
Table 1: Breakdown of NL imports to UAE (2019)

Source: Statistics Netherlands (Centraal Bureau voor de Statistiek)



Table 2: Breakdown of NL imports from UAE (2019)

Source: Statistics Netherlands (Centraal Bureau voor de Statistiek)



The Gulf Cooperation Council (GCC) comprises six countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates. These countries experienced high economic growth in recent decades largely due to wealth generated from abundant hydrocarbon reserves. This growth has also been accompanied by a globally unparalleled rise in urbanisation, infrastructure development and change in overall socio-economic conditions. The region's population grew seven-fold since 1970 with migrant workers from Asian and other MENA countries as key contributors.



Figure 1: Map of the Gulf Cooperation Council (GCC) countries

The UAE offers multiple business and investment opportunities as a result of a variety of factors, including its unique geographical location, current legal framework, taxation policies, economic stability, a strong banking system and a highly developed infrastructure.

The UAE's location, at the crossroads of international trade routes, allows access to the African, South Asian and Middle Eastern markets with relative ease. The country serves as a bridge between the aforementioned markets and Europe to trade goods and services. The country's legal system constitutes another incentive for investment. The UAE has experienced a continuous process of regulatory modernisation, which has led to the adoption of a variety of measures aimed at opening and commercially integrating the economy into international markets. Setting up a business in the UAE is relatively easy: the UAE ranks 16th in the "Ease of Doing Business" index of the World Bank. To learn more about setting up in the UAE, please do consult our brochure. There are a number of economic free zones and economic sectors in the country that allow 100% foreign ownership and a select few free zones have a 0% taxation policy. Having recognized that the UAE market needs to diversify away from oil and gas, the UAE government has opted to create a solid legal foundation, allowing for sustained economic stability and growth as well as assuring freedom and security to the different participants when commercialising goods and services.

Additionally, the UAE has strong physical infrastructure in place, continuously improved by renewing existing plans to support the production and commercialisation of goods and services. The country has one of the most advanced, broad and efficient airport and port systems formed by multiple airports and deep-water seaports located close to key production centres.

Due to the many opportunities in key sectors such as energy, water, agri-food, healthcare, logistics, the creative industries and others related to the Dubai World Expo 2020. There are over 300 Dutch firms based in the UAE, many of them small and medium-sized enterprises (SMEs).

This booklet provides an overview of the requirements for doing business in the UAE and aims to give an insight into the business culture of the country.

For more information visit: www.netherlandsworldwide.nl, www.netherlandsandyou.nl, www.netherlandsworldwide.nl/doing-business-in-the-gulf-region or contact us at abu-ea@minbuza.nl (Abu Dhabi) or dba-ea@minbuza.nl (Dubai).

**Embassy of the Kingdom of the Netherlands – Abu Dhabi &
Consulate General of the Kingdom of the Netherlands – Dubai**

1. THE UNITED ARAB EMIRATES

Founded in 1971, the UAE is a federation of seven emirates: Abu Dhabi, Dubai, Sharjah, Ras Al Khaimah, Fujairah, Umm Al Quwain and Ajman. The Federal Constitution of the UAE was permanently accepted in 1996 and allocates powers between the federal government and the government of each emirate. The constitution is set up in such a way that the ruler of Abu Dhabi is also the president of the UAE whilst the ruler of Dubai is the prime minister. Abu Dhabi and Dubai are the most prosperous of the seven emirates and determine to a large extent the foreign and economic policy of the UAE.

The UAE had a GDP of USD 425 billion in 2019. The country has an open economy and ranks 16th (2020) on the “Ease of doing business” index issued by the World Bank. The local population is about 1.2 million whereas the expatriate population is approximately 8.7 million.¹ The UAE is the world’s 8th largest oil and gas producer and also has some of the largest oil and gas reserves. It is a member of the Organisation of the Petroleum Exporting Countries (OPEC). Both the UAE federal government and the separate emirates have been actively working on their diversification strategies. They have made important strides toward creating greener and more diversified economies.

Each emirate offers a unique set of possibilities and consideration should be given to the different opportunities available before setting up a business in the UAE. This chapter gives a short overview of each emirate.

Abu Dhabi is the largest of the seven emirates and its land mass covers approximately four fifths of the country’s total land areas. It is responsible for 94% of the UAE’s oil and gas production and holds 9% of the world’s oil reserves. Abu Dhabi has several sovereign wealth funds and the world’s largest assets that, combined, exceed USD 1 trillion. Oil revenues made up 40 % of Abu Dhabi’s GDP in the first quarter of 2019.²

Efforts to diversify the economy have gained momentum. Abu Dhabi has developed its own financial centre, Abu Dhabi Global Market (ADGM), start-up hubs but is also focusing on heavy manufacturing. A taskforce of players from both the public and private sector has published a long-term plan for the transformation of Abu Dhabi’s economy: the Economic Vision 2030. The three public entities primarily responsible for the plan are the Department of Planning and Economy, the Abu Dhabi Council for Economic Development and the General Secretariat of the Executive Council. The implementation of the Economic Vision 2030 creates numerous opportunities for local and international investors in many sectors.

Dubai enjoys international recognition as a business hub and tourist destination. Dubai’s oil production peaked in 1990 and it has diversified its economy away from carbon fuels ever since. Today, Dubai’s dependence on carbon revenues is minimal.

Dubai has grown to become the commercial capital of the Middle East and Africa. Its financial centre, Dubai International Financial Centre (DIFC) and its many free zones, which host several of the world’s leading technology and media companies, have helped Dubai build the UAE’s reputation as a base of operations for the region. Thanks to its excellent infrastructure, Dubai’s ports and airports have transformed themselves into crucial links for the global economy, further diversifying the economy.

¹ <https://www.worldometers.info/world-population/united-arab-emirates-population>

² <https://gulfnews.com/business/banking/abu-dhabi-gdp-rises-to-dh226b-as-diversification-bid-bears-fruit-1.65409521>

Another important industry for Dubai is tourism. Each year over 14 million tourists visit Dubai and the tourism industry is hopefully set to grow in the coming years. Dubai will host the World Expo in 2020 in 2021. Therefore, Dubai has continuously invested heavily in big infrastructure projects and further improving its tourism industry.

Sharjah is the third largest of the seven emirates. Its capital is a city of Learning and the Arts, as confirmed by its UNESCO designation as the Cultural Capital of the Arab World, Islamic Culture Capital 2014 and World Book Capital for 2019. Sharjah is also host to many manufacturing companies and its Khor Fakkan port is the second largest in the UAE.

Ras Al Khaimah has the largest rock quarry in the Gulf, as well as high-quality deposits of limestone and clay that underpin the emirate's cement and ceramics industry. Agriculture is also important to the emirate with the plains around Didgaga producing fruit, vegetables, milk and poultry for the local market. The tourism sector is also becoming increasingly important. The emirate is especially profiling itself in 'adventure tourism' and focuses on attracting 'thrill seekers'. Ras Al Khaimah has the world's longest zipline and recently welcomed a Bear Grylls Survival Academy.³

Fujairah's land mass is almost completely mountainous. Consequently, it boasts higher than average yearly rainfall, allowing farmers in the region to produce one crop every year. The Port of Fujairah is strategically positioned for energy trades along the so-called South-South Corridor which stretches from Beijing to Lagos. Fujairah has recently expanded its bunkering capacity and is thereby putting its strategic position, as the second-largest bunkering hub in the world, on the Indian Ocean to good use.

Umm Al Quwain, the emirate with the smallest population, boasts a documented and ongoing heritage conservation dating back as far as 3000 B.C. This longevity of the emirate's cultural heritage has made it an interesting tourism destination.

Ajman, the emirate with the smallest land mass, has experienced an increase in development and construction in recent years. Its close proximity to both Dubai and Sharjah has driven investment. The tourism sector in Ajman is also becoming increasingly important.



Figure 3: The UAE's geographical location

The UAE's unique geographical location places it at the crossroads between Europe, Asia and several of the world's fastest-growing economies, see figure 3. It is within a four-hour flight of one-third of the world's population and within eight hours of two-thirds.

³ <https://www.thenational.ae/lifestyle/travel/a-survival-academy-by-bear-grylls-will-launch-in-ras-al-khaimah-in-2020-1.854971>

2. TAXES AND LICENSING

The UAE is often seen as a steppingstone for conducting business in the MENA region, attracting companies with its business-friendly climate and excellent supporting infrastructure.

2.1. CUSTOM LAWS

The UAE is a member of the GCC Customs Union which has a common customs law and a common external tariff. Trade between member states is generally duty-free. Regarding goods imported from a non-member state, customs duties are generally levied upon the first entry of those goods into the customs union. The GCC has signed multiple free trade agreements including the Greater Arab Free Trade Area Agreement, designed to facilitate and develop trade among Arab countries.

The UAE levies a customs duty of 5% on most imported goods. Higher rates of duty apply to goods such as alcohol (currently 50%) and tobacco (currently 100%) whilst a number of categories of goods are exempt, such as goods in transit, certain agricultural products and goods for the military.⁴ Exemptions may also be granted for goods imported for industrial or manufacturing purposes. Where goods are imported into a UAE free zone, custom duties are not payable. When a company wants to sell its products outside of a free zone whether in the UAE or another GCC country, it should note the approximate 5% duty levied.

2.2. TAXES

Income tax is currently not levied in the UAE. A Value Added Tax (VAT) was introduced in the UAE on 1 January 2018. The rate of the VAT is 5%. The VAT applies equally on tax-registered businesses managed on the UAE mainland as well as in the free zones. At the end of each tax period, VAT registered businesses or the 'taxable persons must submit a 'VAT return' to the Federal Tax Authority (FTA). For more information on VAT, visit u.ae/en/information-and-services/finance-and-investment/taxation/valueaddedtaxvat.

On top of the 5% VAT from the federal government, individual emirates may also levy a range of taxes. For example, hotels can charge a municipality fee, or for government services in Dubai, a knowledge or innovation fee can be charged.

2.3. LICENCES

In general, all businesses trading goods and services in the UAE require a licence. The basic requirements for all business activity in the UAE are to secure one of the following three categories of licences:

- Commercial licences covering a variety of trades;
- Industrial licences for establishing industrial or manufacturing activities;
- Professional licences covering professions, services, craftsmen and artisans.

⁴ <https://u.ae/en/information-and-services/finance-and-investment/clearing-the-customs-and-paying-customs-duty>

Please note that licensing procedures vary from emirate to emirate and that a separate licence is required in each emirate where business is conducted. The websites of the different Chambers of Commerce and Industry for each emirate provide further information. A link to each Chamber of Commerce and Industry website can be found in Chapter 7.

Licences are issued by the corresponding Department of Economic Development, with the exception of licences for hotels and other tourism related business which are issued by the respective Department of Tourism and Commerce Marketing. Licences for some businesses require prior approval from certain ministries and other authorities, such as:

- Banking and financial service providers from the Central Bank of the UAE;
- Manufacturing companies from the Ministry of Finance and Industry;
- Pharmaceuticals and medical products from the Ministry of Health.

More detailed procedures generally apply to businesses engaged in oil or gas production and related industries. For further information, visit www.economy.ae.

3. DOING BUSINESS IN THE UAE

In order to conduct business in the UAE, a foreign investor is required to establish a formal legal presence (directly or through an agent) in the UAE. There is one exception to this rule: the so-called ‘fly in fly out’ method. This particular option is usually only applicable to specialised services and products. The UAE Company Law largely requires foreign investors to be registered and licenced by the relevant authorities in the UAE in order to carry out business. Therefore, overseas companies may find it difficult to establish the relationships needed in order to grow and expand their business without having a physical presence or representation in the country.

Businesses looking to export goods and services to the UAE will need to find an agent or representative in the UAE. There are five options when establishing a formal presence in the UAE. The first option is the establishment of a business inside the UAE (commonly known as an onshore company). The second option is to establish a business in one of the many economic free zones. Thirdly and fourthly, a company may also open a branch or representative offices depending on the kind of business they expect to do. Finally, a company can enter the market under Civil Law. Each option has its merits and limitations as outlined below.

3.1. AGENT

For companies that want to do continued business with UAE stakeholders but do not want to establish a physical presence, it is advisable to conduct business through a distributor or a commercial agency depending on the nature of activities. This formal representation is important because it is not uncommon for UAE based clients, especially governments, to request or indeed require a registered physical presence on the ground. An agent needs to be separately registered in each emirate in order to conduct business there. Caution is advised in the process of choosing an agent as the agreement is a binding contract. It is recommended to seek expert advice to identify a reputable agent, it is not uncommon to perform a background check. UAE law tends to favour the locally based agent and there are three main ways by which an agent is protected:



Exclusivity: registered commercial agents have the exclusive right to import the goods which are the subject matter of the agency. Businesses are however permitted to use a different agent in each emirate;



Commissions: registered commercial agents are entitled to receive commissions on the sales they make as well as commissions on sales made in the UAE by the principal or any other party;



Termination: the principal's right to unilaterally terminate a registered commercial agency arrangement is restricted. Such reasons must be acceptable to the Commercial Agencies Committee. Furthermore, a principal may not refuse to renew a registered commercial agency agreement after its expiry date without the payment of compensation. In practice, it is very hard to terminate a registered agency arrangement.

The Embassy can assist Dutch companies in finding a suitable business partner by performing a company check or Business Partner Scan via the Netherlands Enterprise Agency (RVO). If you would like to find out more about this, contact abu-ea@minbuza.nl (Abu Dhabi) and dba-ea@minbuza.nl (Dubai).

3.2. COMMERCIAL COMPANIES LAW PARTNERSHIPS

A widely recognised form of establishing a physical presence in the UAE in order to sell products locally is to enter the market under the Commercial Companies Law. The Commercial Companies Law requires companies to adopt a form of partnership with a UAE national or a company owned by UAE nationals. The UAE counterpart(s) must hold at least 51% of the shares. Companies that undertake certain activities, such as oil companies with concession agreements, companies involved in the oil and gas industry, companies that produce electricity and gas, companies involved in treatment, transmission and distribution of water, are exempt from the 51% requirement. Foreign banks are also exempt from having to appoint a sponsor.

The most commonly used partnership is a Limited Liability Company (LLC). The latter can now be set up by a single shareholder and thus does not require minimum 2 shareholders unless the foreign shareholder requires a local shareholder and is not exempt as per the section 3.6. There are other possibilities like Public Joint Stock Companies, General Partnerships and Partnerships Limited with Shares. Since the UAE counterpart needs to hold a 51% share in the company it is common to include protections for the foreign party such as:

- The foreign shareholder may appoint all the directors;
- The foreign shareholder may appoint the general manager;
- The foreign shareholder may veto major decisions of the company;
- The foreign shareholder may be entitled to all assets of the foreign company on winding up;
- Up to 80% of the profits may be allocated to the foreign shareholder in Dubai and up to 85% in Abu Dhabi.

3.3. FREE ZONES

The introduction of free zones has transformed the economic market of the UAE. Dubai pioneered the concept of a free zone by establishing the Jebel Ali Free Zone in 1985. Free trade zones (FTZ) in the UAE are areas that have special tax, customs and imports policies and are governed by their own framework of regulations (with the exception of certain laws that supersede those of the free zones such as UAE Federal Criminal Law). Today, the UAE has around forty-five free

zones of which twenty-seven are in the emirate of Dubai.⁵

Each free zone is designed around one or more cluster economies concentrating on sectors such as finance, transport and media. An independent Free Zone Authority (FZA) governs each free zone and is responsible for issuing the Free Trade Zone (FTZ) operating licences and assisting companies with establishing their business in the FTZ. Investors can either register a new company in the form of a Free Zone Establishment (FZE) or establish a branch or representative office of their existing or parent company based within the UAE or abroad.

Generally, each free zone focuses on a specific industry and many are strategically located for that purpose. For example, the Jebel Ali Free Zone (JAFZA) is one of the fastest growing free zones in the region focusing on light manufacturing, warehousing and logistics. It has access to well-developed port facilities, an efficient logistics corridor from the port to Al Maktoum International Airport (Dubai) and is therefore frequently used as a base for regional operators throughout the GCC and the MENA region. Likewise, the Khalifa Industrial Zone in Abu Dhabi (KIZAD) is linked to Khalifa Port; one of the world's most advanced deep-sea ports and the region's first semi-automated port. Khalifa Port is served by twenty major shipping lines connecting Abu Dhabi to over sixty international ports. The port-integrated industrial zone focuses on manufacturing, logistics and trade across diverse sectors.

Most free zones allow 100% foreign ownership and some guarantee exemption from corporate taxation to businesses set up in their territories. Other incentives include:

- ✓ 100% import and export tax exemptions;
- ✓ 100% repatriation of capital and profits;
- ✓ No corporate taxes for 15 years, renewable for an additional 15 years;
- ✓ No personal income taxes;
- ✓ Less burdensome documentation, mostly in English;
- ✓ Assistance with recruitment and additional support services such as sponsorship and housing.



Minister for Foreign Trade and Development Cooperation (2012–2017), Lilianne Ploumen and a trade delegation visit Masdar, a zero-carbon city and free zone in March 2015.

⁵ <https://gulfnews.com/lifestyle/community/45-free-zones-in-the-uae-find-the-right-one-for-your-new-business-1.1716197>

A free zone company may be permitted to perform its business activities inside the UAE provided it obtains an approval from the Free Zone Authority. Although in practice it is difficult to obtain such an approval, approvals have been granted in the past. In general, if a company wishes to trade outside the free zone it must either open a branch outside the free zone that is licenced by the respective Department of Economic Development, or appoint a service agent. The branch will have to meet the requirements as specified by the UAE Commercial Company Law. For more information on the services each specific free zone offers, visit www.government.ae/en/information-and-services/business/starting-a-business-in-a-free-zone.

3.4. BRANCH OFFICES AND REPRESENTATIVE/LIAISON OFFICES

Another popular way for foreign companies to retain 100% foreign ownership in the UAE is to open a branch or representative office. These offices do not have a separate legal identity but are treated as an extension of the foreign company which remains liable for their activities.

One of the key features of a branch office and a representative office is that both are required to appoint a Local Services Agent (LSA). The LSA must be either a UAE national or a company wholly owned by UAE nationals. The LSA is not responsible for the branch or representative office nor does it take part in any operations, management or ownership of the office. Technically, the role of the LSA is restricted to administrative functions such as the obtaining of licences, permits, visas, etc. in return for a fee. The appointment of the LSA is formalised through a written agreement which must be signed by the parties before a notary public in the relevant emirate. There is no prescribed form of the agreement and it will therefore be a matter for negotiation.

Branch and representative offices share many similar features as both operate under the authority of a commercial registration and licence in the name of the foreign company and both are required to appoint a Local Services Agent who must be a UAE national. However, a branch office can engage in commercial activities in the UAE and can earn profits. It is licenced for the purposes set out in its commercial licence but may only engage in activities similar to those carried out by the foreign company in its home jurisdiction. A representative office is not permitted to earn profits in the UAE and the activities it may undertake in the UAE are limited to marketing and/or promoting its foreign parent company's products and services.

3.5. CIVIL LAW PARTNERSHIPS

A civil company is a professional services company which can be owned 100% by a foreign shareholder but requires a local sponsor (unless exempt under section 3.6). These entities are sole traders operating under a licence. Please note, that such company will only be granted to qualified professionals such as lawyers, accountants, engineers etc. A civil company can now also be established in Abu Dhabi.

3.6. 13 SECTORS AND 100% FOREIGN OWNERSHIP

In 2018, the UAE announced to open up 122 economic activities across 13 sectors to 100% foreign ownership. There are some criteria that apply if an international company wishes to apply for 100% foreign ownership. However, conditions are reviewed on a case by case basis by the relevant authorities in the Emirate where the company is based. One of these criteria is that a company applying for 100% foreign ownership will need to appoint a UAE National or a 100% UAE

owned company to act as a National Service Agent (NSA) for Immigration and Ministry of Labour matters.

Furthermore, the UAE Cabinet has confirmed that it will be left to the discretion of the local government at Emirate level to decide on the percentage of foreign ownership for each sector or activity. Note that the guidance mentions that up to 100% foreign ownership is allowed in the 13 sectors mentioned below. This means that foreign ownership percentages under 100% but over the 49% are allowed. For example, 70% foreign ownership may be allocated in certain cases.

The 13 sectors are: administrative and support services, agriculture, art and entertainment, construction, educational activities, healthcare, hospitality and food services, information and communication, manufacturing, professional scientific and technical activities, renewable energy, space, transport and storage.

More information can be found on the following website: www.economy.gov.ae/Documents/Cabinet%20Resolution%2016%20Concerning%20the%20Determination%20of%20the%20Positive%20List.pdf

In 2020, further announcements regarding changes to the Companies Law and 100% foreign ownership were made. These seem to have much wider effects. However, further updates on these developments are expected to emerge. Please do not hesitate to contact our Economic Departments for additional information.

3.7. DOING BUSINESS IN ABU DHABI

Ghadan 21 is an AED 50 billion, three-year accelerator programme launched in 2019 by the government of Abu Dhabi. The programme is focused on Abu Dhabi's development through investing in business, innovation and people. In 2019, within the scope of Ghadan 21, more than 50 initiatives were launched.

A key part of the **Ghadan 21** programme is aimed at contributing to Abu Dhabi's economic growth. Within this scope, Abu Dhabi Investment Office (ADIO) has been given a mandate to increase foreign direct investment. More information regarding ADIO and its investment programmes aligned with Abu Dhabi's economic priorities can be found here: www.investinabudhabi.ae.

One of the prime aims of **Ghadan 21** is to shift the Abu Dhabi economy to a knowledge-based model. Therefore, focus is amongst others placed on incubating new tech start-ups. One of the biggest initiatives is HUB71, a tech platform that brings together enablers from around the world to give tech start-ups a better chance to succeed. Additionally, Abu Dhabi's state holding company ADQ is partnering with ADIO to develop the emirate's start-up ecosystem and attract further investments into its digital economy.

Emiratisation & In-Country Value was launched to overcome the structural division in the labour market. Emiratisation aims to increase the number of Emiratis in the private sector job market and their contribution to the economy. In 2005, a number of ministerial orders (41,42,43) imposed a quota system on private sector employers. Every private sector company with more than 100 employees is obliged to recruit (and retain on the payroll) the stipulated number of UAE nationals to ensure the minimum percentage of participation of Emiratis in the workforce.

The In-Country Value (ICV) program started as an ADNOC program for its suppliers. Since 1 April 2018, all suppliers of goods or services to ADNOC are required to calculate and communicate their ICV score. Goods manufacturing, third party spend, investment, Emiratisation and expat contribution are put into a formula that calculates the ICV score of the supplier. ADNOC distributes its supplier contracts based on ICV score. During the tender process, the supplier with the

best ICV score is given the opportunity to match the best commercial offer. If he cannot match this offer, the supplier with the second best ICV score is given the same opportunity and so forth.

In an effort to unify their Value programs, the Abu Dhabi Department of Economic Development has merged its Abu Dhabi Value (ADV) program with the unified ICV programme that was initially launched by ADNOC. Suppliers to the Abu Dhabi Department of Economic Development, Aldar Properties, Abu Dhabi Ports, Environment Agency Abu Dhabi and all other Abu Dhabi Government Departments will now also have to calculate their ICV score in order to participate in the tender process.⁶ Allocation and negotiation are different from the ADNOC ICV.

3.8. DOING BUSINESS IN DUBAI

The emirate of Dubai, with a longstanding international outlook, is positioned amongst the top global centres for trade, logistics, tourism, and finance. The emirate has attracted 56% of the world's Fortune 500 companies. The city of Dubai also delivers a network of accelerators and venture capitalists to attract influx of SMEs (for more information on SMEs in the MENA region, visit www.magnitt.com). In addition, Dubai is considered a global networking destination, hosting more than 290 MICE and business events annually, including over 100 mega-events.⁷

As part of Dubai Plan 2021, the Dubai Industrial Strategy aims to enhance industrial coherence and integration with other economic sectors, and to create an attractive investment environment. Six industrial subsectors will be targeted: aerospace, maritime, pharmaceuticals & medical equipment, aluminium & fabricated metals, fast moving consumable goods (FMCG) and machinery & equipment.⁸

Dubai and the Northern Emirates are very active in courting foreign direct investment. The most prevalent form is the growth of free zones across Dubai and the Northern Emirates. These free zones offer the opportunity to set up 100% foreign owned companies.

Dubai FDI, Sharjah FDI, and RAK Investment and Development Office also work together with foreign firms to assist and facilitate their entry into the country.

Particularly Dubai is focused on attracting new and developing industries to the Emirate. As part of this drive, they have established the Dubai Future Foundation and the initiative of Dubai 10x. Dubai 10x is a program to bring cutting edge innovations to make sure that Dubai is 10 years ahead of other world cities. As part of this program, specific regulations are developed by Dubai government organizations to enable pilot testing of initiatives like flying taxis, autonomous vehicles, but also projects such as the Smart Police Station of Dubai Police.

The Emirate of Sharjah has also seen a noticeable growth in recent years with a compound GDP growth rate of 11% over the past 10 years. This is particularly important when its non-oil economy is worth more than 90% of its GDP, a differentiating factor in the MENA region. Sharjah offers full ownership and other advantages in its 6 free zones, with focus on the following sectors: travel & leisure, transport & logistics, healthcare, environment, education and light manufacturing.⁹

⁶ <https://taxadepts.com/services/adv-certification>

⁷ <https://www.visitdubai.com/en/business-in-dubai/grow-your-business/dynamic-dubai/advantage-dubai>

⁸ <https://www.dubaipplan2021.ae/wp-content/uploads/2016/06/Dubai-Industrial-Strategy-2030.pdf>

⁹ <https://investinsharjah.ae/en/invest-in-sharjah>

4. CULTURAL DIFFERENCES AND ETIQUETTE

The UAE is a global business centre, new businesses should nonetheless have some awareness of Arabian culture and the business etiquette that may be prevalent in an Arabic business environment. In the Arab world, a large part of business is conducted on the basis of personal relationships and mutual trust.

4.1. WORKING HOURS

The official weekend in the UAE falls on Friday and Saturday. Some private companies only close their operations on a Friday. The working hours for government offices generally are 7.30 a.m. to 2.30 p.m. Private offices tend to keep longer hours, adopting either a “straight shift” (for example from 9.00 a.m. to 5.00 p.m.) or a “split shift” (for example from 8.00-12.00 a.m. and 4.00-8.00 p.m.). During Ramadan, working hours are shortened by two to three hours with most of the work accomplished in the early hours of the morning or much later in the evening after the day’s fast is broken (at sunset).

4.2. CULTURAL NORMS

Good manners and courtesy are prized attributes. Although one should always be on time for a meeting, being punctual is not considered particularly important in the Arab world and people may be kept waiting before and during a meeting. As the meeting commences, it is recommended to greet the most senior person first. It is also advisable to limit the number of meetings per day to accommodate meetings that may run late. One should not be concerned if the meeting is interrupted by other guests or telephone conversations. The hard-hitting approach to business relationships is generally not welcomed. Be patient. In addition, what may seem like evasiveness on the part of a host may in fact be a cultural reluctance to directly refuse a request.

Guests will always be offered refreshments in an Arab home or office. Frequently, this will be Western-style tea or coffee. However, guests may be served a sweet, black tea or a light Arabic coffee flavoured with cardamom. At least one cupful should be accepted as it may be considered discourteous to refuse. Consider taking time to drink a beverage and take the opportunity to establish relationships. Hospitality is a way of life in the Arab world and business is frequently conducted over lunch or dinner – likely in a hotel or restaurant. It is considered polite to return the extended invitations.

4.3. IDENTIFYING THE DECISION-MAKER

Although this is changing rapidly and may not apply to all large firms or foreign firms, companies are often a family affair with the ultimate decision-maker being the head of the family. Even if this is not the case, it is important to identify the decision-maker. Initial meetings may take place with people other than the decision-maker. A good local partner or agent should understand the different organisational structures and should be able to identify the decision-makers in a specific sector. Agents or partners with the right connections can therefore be a great asset.

4.4. LANGUAGE

Although Arabic is the official language, English is widely used in business transactions in the UAE. Consider printing business cards in English and Arabic and ensure all brochures and presentation materials are in full colour and of good quality.

4.5. DRESS CODE

Dressing conservatively is appreciated. Men should wear a suit and women's business clothing should cover arms and legs to at least over the knee. It is not necessary for women to wear a headscarf. Emiratis will often wear their national dress. The Emirati national dress is used in everyday life and when conducting business. It is a symbol of pride and identity that has been designed with the dual intent of providing comfort and adhering to religious beliefs. Men wear an ankle-length, loose-fitting garment made of white cotton known as a kandoura or dishdash. A ghutra covers the head and is held in place by the agal, a black cord. Women wear an abaya – a long, black flowing light coat. This is worn over their western clothes or a traditional long-sleeved full-length dress known as a jalabeya. A black scarf called a hijab is draped over the head.



Emirati in national dress

5. OPPORTUNITIES

Overall, the UAE boasts a number of competitive strengths. Its infrastructure is highly developed, financing options are available, and the goods and labour markets are open and efficient. Key for the continued prosperity of the country will be the diversification of its economy. The UAE also prospers as a hub for companies working in the region, benefiting from opportunities in the GCC as well as in Asia and Africa.

The government of the Netherlands has identified several sectors as possible growth markets within the GCC. The Embassies and Consulate General have developed opportunity reports for the most relevant ones. These reports not only analyse the region as a whole, but also each GCC member state separately on occasions. Each report also provides a short analysis of the opportunities in the UAE. Please visit www.netherlandsworldwide.nl/doing-business-in-the-gulf-region for further information.

The energy sector covers the oil and gas industry as well as renewables. The oil and gas sector still accounts for about 30% of the UAE's total GDP. As per the ADNOC 2030 Strategy and ADIPEC 2018 announcements, ADNOC will invest heavily in its Oil & Gas infrastructure over the next years, partially to replace fields reaching the end of their production as well as to increase oil and gas production by 58.7% and 22.4% respectively by 2030 (relative to 2018). The initial 2030 production target for oil was 5 million barrels per day but may be subject to change – as highlighted by the drop in oil prices following the COVID-19 crisis. For gas, the 2030 production target lies at 12 billion standard cubic feet per day.

Although the country is a member of the Gas Exporting Countries Forum, domestic demand draws heavily on the UAE's natural gas resources. The UAE currently both imports and exports liquefied natural gas (LNG). Although the UAE is diversifying its energy mix, the natural gas demand in the UAE has risen and most of the UAE's supply is absorbed locally. As such, the UAE increasingly relies on gas imports to meet its natural gas demands to sustain industrial production and electricity generation.

In August 2020, the UAE also started up the first unit of its nuclear plant Barakah Nuclear Energy Plant in order to diversify its energy mix.

The renewables sector is growing rapidly. A target of 24% of the UAE's total energy supply must come from renewable sources by 2021. This policy is mainly driven by increasing natural gas prices and decreasing renewable energy costs. Both Dubai and Abu Dhabi have ambitious renewable energy targets. As an illustration, Abu Dhabi's energy targets include 7% of total capacity from renewable sources by 2020 and 15% ten years later in 2030. By 2050 Abu Dhabi aims to have 44% of its energy supply coming from renewables including 38% from green gas. Researchers predict that in 2030, 90% of the UAE's renewable energy will come from solar resources.

The agriculture and food sector offer opportunities for both exporters and innovators. In November 2018 the UAE government launched the National Food Security Strategy 2051, which focuses on both increasing local production and securing food imports. The UAE is the second largest food producer in the GCC as its production accounts for 12.1% of the total GCC production. However, the UAE also accounts for 20% of the total food consumption of the region. This shows the UAE's heavy reliance on imports to meet its domestic requirements. Over 90% of food is imported in the UAE. Furthermore, the challenging circumstances for agricultural production create a need for innovative solutions. Besides exports of food products from the Netherlands to the UAE, local horticulture production is also a rapidly growing sub-sector. Dutch companies active in this area increasingly export their technologies, materials and know-how to the UAE and often work together with local stakeholders in these projects.



The water sector is a historically important sector for the UAE since the nation's establishment in 1971. Water demand in the hyper arid country is projected to grow by 30% in 2030 with an average annual rainfall of less than 100 mm. The UAE's groundwater recharge rate is less than 4% of the annual water used and it has no reliable perennial surface water resources. Therefore, the UAE is investing heavily in cutting edge technologies to improve efficiency and reduce the environmental impact of the desalination process. Sustainability has been put at the heart of its growth strategy and the UAE is committed to further advancing industrial-scale, sustainable desalination technologies capable of meeting the region's future demand for fresh drinking water.

The creative industries in the UAE represent many design, arts and culture subsectors. The architecture and interior design markets, for instance, are directly linked to numerous ambitious real estate development plans. One of the most recognizable cultural institutes in the UAE is the Louvre in Abu Dhabi. The Louvre Abu Dhabi opened its doors in 2017 and from 14 February 2019 until 18 May 2019 the museum showed an exhibition about the Dutch Golden Age. The UAE is also constructing an increasing number of museums with the Guggenheim Abu Dhabi expected to be finished in 2023 as well as art districts. Other industries like media, entertainment, music and gaming are clustered together with successful start-up hubs like DTEC in Dubai and Twofour54 in Abu Dhabi quickly expanding their client base. Design and fashion are also closely linked to one another in both retail and creative communities in the UAE.

The healthcare sector is one of the fastest developing industries in the UAE. The rapidly growing and aging population, rising patient expectations, continued economic growth as well as lifestyle induced chronic diseases and injuries are likely to be the drivers for healthcare infrastructure. The UAE is increasingly looking to private businesses to share investments and speed up processes. The total expenditure on health as a percentage of GDP is still relatively low in the UAE (6.89%) compared to the Netherlands (10.9%). Evidently, the COVID-19 pandemic has had a severe effect on the healthcare sector in the UAE. Hospitals and clinics are facing a significant loss of revenue because of a sharp drop in non-COVID patient visits. Due to the COVID pandemic, medical tourism has declined into being nearly non-existent. However, the UAE continues to invest in its role as a hotspot for medical tourism, where bariatric surgery and cardiology will probably remain important.

At the same time the COVID pandemic is speeding up the development of E-Health. Digitization is strongly stimulated. The policy of the Ministry of Health and Prevention, the Dubai Health Authority and the Department of Health in Abu

Dhabi are focused on introducing innovative and digital technologies. The focus on E-health is part of several national strategies, from the UAE Artificial Intelligence Strategy 2031, the National Agenda 2021 to the UAE Centennial 2071. Across the healthcare sector, public and private healthcare players are rolling out E-health solutions. Telemedicine and teleconsultations and other remote healthcare platforms are on the rise.

The transport and logistics sector is set to grow significantly due to a vast number of planned large scale projects in light of the World Expo 2020. The UAE is projected to be one of the most interesting rail markets in the MENA region with metro lines and light railways planned and extensive mainline freight and passenger networks being developed with ports like Jebel Ali, Khor Fakkan and Khalifa Port expanding capacity. The UAE is also investing heavily in its maritime infrastructure since the country is well positioned to take advantage of a significant shift in worldwide trade patterns. As western purchasing power has declined, Asian economies increasingly target the emerging markets of Africa and the Middle East. Meanwhile, China's and India's growth are creating a demand surge for African commodities. The UAE is set to play a big role in China's One Belt and One Road Project.

Pre-COVID, the aviation sector was one of the main drivers behind the diversification of the economy. With the UAE's mission to Mars the UAE government is investing heavily in the development of the aerospace sector. Up until now aviation accounted for the largest part of Dubai's economic growth. Dubai International Airport used to carry the highest number of international passengers worldwide and more recently Dubai's Al Maktoum International Airport planned for a capacity of 200 million passengers. According to indicators, before COVID, the industry accounted for almost 20% of the workforce and 28% of Dubai's GDP. At full capacity, the contribution of the airports to GDP was expected to grow to 35%. In Abu Dhabi, the contribution of the aviation sector to GDP was 2.9%. Due to the impact of the COVID-19 pandemic on the aviation sector, opportunities in the aviation sector are currently slim and earlier projections will need to be re-evaluated.

Education is an extremely competitive and quickly expanding market. The UAE federal government has determined that the UAE education system is one of their top priorities for investment and has allocated 24% of its budget to education for the next few years. Opportunities arise in the demand for vocational and occupational education in key industries. Other interesting opportunities can be found in initiatives to improve staff competencies, integration of technologies in organisations and major educational programmes. Education is also one of the key vehicles for the Netherlands to promote the importance of the Water-Energy-Food Nexus sectors, the theme of the Dutch Expo participation. We see opportunities for closer cooperation between the Netherlands and the UAE, especially for agricultural education at various academic or vocational levels.

The World Expo 2020 will be held in Dubai. In light of the Covid-19 pandemic, the Bureau des Expositions postponed the event with a year. Expo 2020 will now take place from 1 October 2021 until 31 March 2022. The pavilion of the Netherlands – situated in the Sustainability District – will be the embodiment of the Netherlands' theme of 'Uniting Water, Energy, Food' and demonstrates the connection of expertise in the fields of sustainable energy, water management, agriculture, circularity and civil engineering. The Netherlands will demonstrate that even in an arid desert climate, a system in which inhabitants can harvest their own water, energy and food, can be created.

During Expo 2020, the Netherlands will highlight different innovations related to water, renewable energy, food, health, climate change and circular economy during events and seminars taking place at the Netherlands' pavilion. Dutch trade delegations visiting the UAE for theme-related exhibitions such as the Abu Dhabi Sustainability Week, Gulfood, Arab Health and GFIA simultaneously will be welcomed at the Netherlands' pavilion at Expo 2020 to showcase, connect and exchange expertise with local UAE stakeholders.

6. SUPPORT FROM THE DUTCH GOVERNMENT

The Embassy in Abu Dhabi and the Consulate General in Dubai offer numerous services that assist Dutch companies with establishing or expanding business in the UAE. Both the Consulate and the Embassy are part of the Dutch Economic Government Network in the GCC which focuses on providing market insights, identifying potential business partners as well as advising on establishing a business in the GCC. The different services offered by the Dutch government are listed below.

- ✓ **Trade requests:** the Embassy in Abu Dhabi and the Consulate General in Dubai can answer trade request regarding, but not limited to, questions about exporting to and investing in the UAE as well as requesting further information on potential business opportunities.
- ✓ **The Business Partner Scan:** the Dutch Economic Network in the GCC can source reputable potential business contacts in the specified target market for a small fee. These business partners can include agents or distributors as well as manufacturing partners. If you would like to find out more about this service, contact abu-ea@minbuza.nl (Abu Dhabi) and dba-ea@minbuza.nl (Dubai).
- ✓ **Company verification:** the Dutch Economic Network will verify that a company of interest is correctly registered with the corresponding local authority. Only requests from companies based in the Netherlands or with a clear link with the Netherlands will be processed.
- ✓ **Trade missions and delegations:** the Netherlands regularly organises official trade missions, delegations and joint submissions for exhibitions for and in the Gulf region. The GCC has several trade fairs that may be of great interest. The Dutch Economic Network supports presentations at international exhibitions and is able to provide current insights into local industry sectors as well as the region as a whole. The Network is able to advise on participation as well as identify local partners. For further information on official trade missions and delegations refer to the trade mission agenda on the RVO.nl website: www.rvo.nl. For an overview of all the events and exhibitions in the UAE visit specific trade or exhibition centre websites or www.eventseye.com.
- ✓ **Trade disputes:** the Dutch Economic Network can provide a list of law firms that can support businesses during a trade dispute. Common trade disputes include different interpretations of contracts and agreements as well as liability disputes arising from breach of local regulations and requirements.
- ✓ **Orange Carpet visa procedure:** this service aims to facilitate business opportunities and promote trade and investment between the GCC countries and the Netherlands. As such, the service processes visa applications for employees who travel frequently from GCC countries to the Netherlands in a timely and efficient manner. Dutch businesses that have an exclusive partnership with a GCC company or a business with an office in both a GCC country and the Netherlands can register for the Orange Carpet visa procedure. To apply for an Orange Carpet visa, contact the relevant GCC country Dutch Economic Network representative.
- ✓ **Other services:** the Embassy and Consulate offer Dutch firms access to business contacts through the Dutch Economic Network.
- ✓ **Support tools:** the Dutch Economic Network liaises with ministries and other organisations in the Netherlands. RVO.nl has several tools to support Dutch starts-ups and/or established businesses with international ambitions. For further information on these tools and to read about Dutch business success stories, visit www.rvo.nl.

7. USEFUL LINKS

For information on rules and regulations, please visit the website of the Ministry of Economy of the UAE federal government, the websites of the Chamber of Commerce & Industry as well as the websites of the Department of Economic Development of each individual emirate.

UAE Ministry of Economy: www.economy.ae

Departments of Economic Development

- Abu Dhabi: added.gov.ae
- Ajman: www.ajmanded.ae
- Dubai: www.dubaided.gov.ae
- Fujairah: www.fujairah.ae
- Ras Al Khaimah: www.ded.rak.ae
- Sharjah: www.sedd.ae
- Umm Al Quwain: www.ded.uaq.ae

Chamber of Commerce & Industry

- Abu Dhabi: www.abudhabichamber.ae
- Dubai: www.dubaichamber.com
- Fujairah: www.fujcci.ae
- Ras Al Khaimah: www.rakchamber.ae
- Sharjah: www.sharjah.gov.ae
- Umm Al Quwain: www.uaqchamber.ae

Events and exhibitions are a good way to explore the opportunities in specific sectors and meet potential business partners. For an overview of all the events and exhibitions visit the websites of specific locations like Dubai World Trade Centre (www.dwtc.com/en), Abu Dhabi National Exhibition Centre (adnec.ae), Expo Centre Sharjah (www.expo-centre.ae) or www.eventseye.com.

Business councils provide access to the Dutch business community as well as networking opportunities through monthly events.

- The Benelux Business Council, Abu Dhabi: www.beneluxbc.com
- The Netherlands Business Council, Dubai: www.nlbusinesscounciluae.com

Other useful links

- Dubai Foreign Investment Department (FDI): www.dubaifdi.gov.ae
- Sharjah Foreign Investment Department (FDI): www.investinsharjah.ae
- RAK Investment and Development Office: www.rakinfo.ae/business_and_investment.php
- Netherlands Enterprise Agency: www.rvo.nl
- UAE free zones: www.government.ae/en/information-and-services/business/starting-a-business-in-a-free-zone

8. COVID-19

At the time of writing (May 2021) the global population is still in the midst of the COVID-19 crisis. This has the implication that we cannot yet oversee the full extent of the crisis and the impact this will have on the world and the UAE in particular. However, the UAE government has announced a number of measures and stimulus packages to counter the impact of the virus. These include measures from the Central Bank, tax authorities, and lowering of fees and fines. For more information about the measures in place in the UAE and in the Netherlands, please do contact us: abu-ea@minbuza.nl (Abu Dhabi) and dba-ea@minbuza.nl (Dubai).

