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TRADE POLICY REVIEW

Report by

UNITED ARAB EMIRATES

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the United Arab Emirates is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on the United Arab Emirates.

CONTENTS

	<i>Page</i>
I. ECONOMIC DEVELOPMENT	5
(1) ECONOMIC GROWTH	5
(2) EXTERNAL TRADE PERFORMANCE AND OUTWARD INVESTMENT	6
(3) INWARD INVESTMENT	7
(4) POPULATION AND EMPLOYMENT	7
(5) FISCAL POLICY	8
(6) MONETARY POLICY	8
II. TRADE POLICY DEVELOPMENTS	8
(1) BILATERAL AGREEMENTS	8
(2) REGIONAL AGREEMENTS	9
(i) Gulf Cooperation Council (GCC)	9
(ii) Greater Arab Free Trade Area (GAFTA)	9
(3) UAE PRIORITIES IN THE DOHA DEVELOPMENT AGENDA (DDA)	10
III. SECTORAL DEVELOPMENTS	10
(1) MANUFACTURING	10
(2) TELECOMMUNICATION	11
(3) TOURISM	11
(4) BANKING AND INSURANCE	12
(5) AIR AND MARITIME TRANSPORTATION	13
(6) PETROCHEMICALS AND FERTILIZERS	13
(7) NUCLEAR AND RENEWABLE ENERGY	14
IV. FUTURE DIRECTION	14
(1) REFORM OF THE INVESTMENT FRAMEWORK	15
(2) KNOWLEDGE ECONOMY	15
(3) COMPETITION	15
(4) E-GOVERNMENT	16
(5) LABOUR MARKET AND EMIRATIZATION POLICY	16
(6) WATER	17
(7) BETTER SYNERGY BETWEEN MULTILATERALISM AND BILATERALISM	17
ANNEX: THE UAE'S NEEDS IN TRADE-RELATED TECHNICAL ASSISTANCE	18

I. ECONOMIC DEVELOPMENT

1. Successive developments in the economy of the United Arab Emirates, and the adoption of free market policies and regulations, have led to impressive growth rates and a trend towards sustainable and diversified development.

2. The UAE Government has successfully pursued a strategy to create an enabling business environment that is conducive to economic growth. This has contributed to the world-renowned status of the UAE as an international centre for trade, finance and services and has attracted reputable global companies. The UAE has always focused on strengthening its stance as a hub for business. Hence, it demonstrates an exemplary model to be emulated in all patterns of economic development and modernization.

3. The United Arab Emirates continues to pay attention to the foreign trade sector, which is perceived as the cornerstone of any economy. In recognition of the importance of this sector to the country's economic development, the UAE created the Ministry of Foreign Trade under law no. 10 of 2008, assigning it the responsibility of developing and implementing the country's trade policy in coordination with other ministries, federal and local bodies. Indeed, the UAE adopts a trade policy marked by openness and harmony with international markets, including the member states of the World Trade Organization. The UAE's economic strategy is centred on building a flexible, diverse, competitive and sustainable economy that makes use of the lessons learnt from the impact of the global financial crisis. The UAE was able to overcome the repercussions of this crisis in record time, which contributed to developing its economy and promoting its forecasted role in the future global economic arena.

4. The Ministry of Economy and the Ministry of Foreign Trade are currently pursuing the Government's progressive economic agenda, focused around economic liberalization, diversification and promotion of the role of the private sector.

(1) ECONOMIC GROWTH

5. Economic growth in the UAE has witnessed a substantial increase over the last few years. Gross Domestic Product at current prices has risen from USD 222.1 billion in 2006, to USD 314.6 billion in 2008 and USD 297.5 billion in 2010. The GDP trend is likely to have accelerated in 2010 due to the increase in the average oil price and the strong expansion in the non-oil economy. Specifically, the fall in the price of oil in 2009 from its peak in mid-2008 reduced hydrocarbon revenues by 32% to USD 69.9 billion, which led to the decline in the UAE's GDP in 2009 compared to 2008. This decline was also aided by the fall in real estate prices and the slowdown in global trade.

6. Despite the economic crisis, which is still casting its shadows on most economies worldwide, the UAE economy has been gradually recovering as reflected in its 2010 growth rate, with a real GDP of 1.4% compared to a negative 1.6% in 2009, i.e., realizing a USD 266 billion real GDP in 2010 compared to USD 262.2 billion in 2009 at constant 2007 prices. This growth has been propelled mainly by higher growth achieved by non-oil sectors, which registered a 5% growth rate in 2010 compared to 2009.

7. The Government emphasizes continued diversification away from dependence on oil and gas to non-oil industries. This is evidenced by the fact that the oil sector contributed around 31.5% of the country's GDP in 2010 (31.4% in real GDP), with the rest accounted for by the non-oil sector, compared to 37.4% in 2006. The services sector is another policy focus; the growth of services will contribute to increased diversification and broad-based growth.

8. Regarding the relative importance of economic activities, 2010 has not witnessed a considerable change in comparison with the year before. Commodity activities groups witnessed a limited decline in 2010 to 56.3% from 57.5% in 2009. This decline is attributed to the relatively small decline in the oil sector from 33.7% in 2009 to 31.4% in 2010. However, a number of other commodity activities groups, such as construction, manufacturing, electricity, water and gas witnessed an increase in 2010 in their contributions to the GDP, by 11.8%, 9.6%, and 2.6% respectively compared to 11.0%, 11.0% and 2.3% in 2009. For their part, the services activities groups increased their contribution to the GDP in 2010 to 43.7%, up from 42.5% in 2009. Excluding the financial projects, the contributions of other services activities to the GDP grew in 2010 in comparison with 2009, while the share of the Government service sector and the household services activities sector remained the same in terms of their contribution to GDP in 2010 in comparison with 2009.

(2) EXTERNAL TRADE PERFORMANCE AND OUTWARD INVESTMENT

9. The UAE is a trading nation, as witnessed by its high ratio of imports plus exports (of goods and services) to GDP (around 147% in 2010). The UAE is also an important participant in global capital markets through several investment institutions, including, *inter alia*, the Abu Dhabi Investment Authority, the Dubai Ports Authority, Dubai Holding, Dana Gas, and Abu Dhabi's International Petroleum Investment Co. (IPIC).

10. The growth rate of the UAE's non-oil foreign trade has been steady for the last ten years except in 2009 when global trade dropped by 13% due to economic turmoil. However, 2010 saw a strong come-back when the UAE's total foreign trade increased by 14%, from USD 179.8 billion in 2009 to USD 205.42 billion.¹ The continuing growth in foreign trade reflects the country's strong commitment, through its free trade policies, advanced logistics and encouraging innovative projects to preserve its strong standing in the global trade market. The UAE's foreign trade volume increased from 2005 until 2010 with an average growth rate of 19% as a result of an increase in exports (non-oil exports and re-exports). The share of total exports (non-oil exports + re-exports) amounted to 35.7% of the country's total foreign trade in 2010.

11. The country's non-oil exports share has increased from 5% in 2000 to 11% in 2010. This increase is not only attributed to the growth of the exports value but also to the changes that occurred to the other components of foreign trade; imports and re-exports. In 2010, the value of the UAE's exports reached USD 22.6 billion, a 27% increase from its level in 2009, which is still lower than the 30.7% average annual growth rate recorded since 2001. UAE exports penetrated 198 markets around the globe in 2010. However, more than 77% (USD 17.32 billion) of it were concentrated in 12 major markets. These twelve markets have been playing a significant role in the development of UAE exports. In fact, 92% of the growth witnessed in UAE exports in 2010 is attributed to the growth of exports in these markets, of which India and Switzerland are the largest destinations.

12. The re-export sector, the second most important component in the UAE's foreign trade with a share of 25% in 2010, reached a value of USD 50.54 billion during the same year. This steady growth is a result of the Government's ongoing support to this vital sector through a variety of different initiatives. The ease of customs procedures, low administrative import and export costs and the country's advanced seaport and airport infrastructure and facilities, have all reflected the high competitiveness that the UAE enjoys. Today, the UAE is a major global re-export hub, ranking first among Arab countries and the sixth globally. The growth rate of this sector has been fluctuating especially in the last five years, where it grew by 94.5% in 2010 in comparison with 2006.

¹ The UAE Foreign Trade Analytical Report 2010, Ministry of Foreign Trade.

13. The UAE's imports make up to 64% of the country's total non-oil foreign trade. The high percentage is mainly due to the high demand of an expanding population and to the important role the country plays as a major re-exporter in the region. In 2010, imports increased by 8%, reaching USD 131.9 billion, up from USD 121.5 billion in 2009.

14. 2010 statistical data of major commodities, by value, has revealed that with regards to imports, gold took the lead among all imported commodities with a value of USD 18.0 billion; followed by diamonds at USD 13.1 billion; cars at USD 7.3 billion; ornaments and jewellery at USD 6.1 billion; in addition to telephone sets at USD 2.8 billion. Moreover, gold also took the lead of exported commodities in 2010 at USD 10.4 billion; followed by light-vessels, fire floats, dredgers or ice class barges at USD 1.5 billion; waste and scrap of precious metals or ordinary metals at USD 1.0 billion; sugar cane or sugar beet at USD 0.7 billion and finally Ethylene Polymers in primary forms at USD 0.6 billion. Regarding re-exports, diamonds topped the list of re-exported commodities in 2010 with a total value of USD 15.2 billion, followed by ornaments, jewellery and parts thereof at USD 3.5 billion, motor vehicles USD 3.2 billion and telephone sets USD 2.3 billion.

(3) INWARD INVESTMENT

15. The UAE strongly believes that the private sector (both local and foreign) is the true engine of growth in the long run. Foreign direct investment (FDI) is regarded as crucial in order to transfer knowledge and expertise in areas that are not yet the country's core competencies, open new market opportunities through the creation of new networks and create employment in knowledge intensive and high value-added sectors.

16. Following the success of the Jebel Ali Free Zone, the UAE currently boasts over 32 Free Zones. Most of these zones are located in Dubai, though the other Emirates are emulating the lead. Some of the zones cater to service sectors (e.g. Dubai Internet City, Dubai Media City, Dubai Health Care City, Knowledge City, Dubai International Financial Center) while others are industrial zones (e.g. ZonesCorp, Hamriyah Free Zone, Ajman Free Zone and Ras Al Khaimah Free Trade Zone).

17. The underlying formula for success in these zones has been; 100% foreign ownership, corporate tax holidays, no personal taxes, freedom to repatriate capital and profits, and no import duties or currency restrictions.

18. Outside the Free Zones, the formula is somewhat similar; corporate tax holidays for most sectors, no personal taxes, freedom to repatriate capital and profits, and no currency restrictions, except for the foreign ownership requirement, which is generally set at a ceiling of 49%, though that is changing with the proposed amendment of the federal law on commercial companies.

(4) POPULATION AND EMPLOYMENT

19. The population of the UAE is on the rise. Over the last few years, estimates based on administrative records have revealed that the country's population has risen to approximately 8.26 million in 2010 from 6.22 million in 2006, registering a 0.78% growth rate for that period.

20. In 2010, expatriates constituted the majority of the UAE's population (around 88.5%). Unemployment did not exceed 4.3%. In 2010 almost 65.2% of the population were economically active workers (based on 1995 and 2005 Survey).

(5) FISCAL POLICY

21. The Fiscal policy of the UAE at both the federal and Emirates level remains prudent. Substantial progress has been made in implementing fiscal management reform. The UAE economy started to recover in 2010 benefiting from higher oil prices and a strong demand from traditional trading partners.

22. Total public revenue has increased from USD 68.1 billion in 2009 to USD 85.7 billion in 2010 and is estimated to be USD 121.8 billion in 2011. This is primarily due to the increase in oil and gas earnings.

23. While public earning has increased in 2009, public expenditure and grants have decreased from USD 102.2 billion in 2009 to USD 89.6 billion in 2010. It is estimated to be around USD 99.5 billion in 2011. As a result of the prudent management of public revenue, the public deficit has declined from 12.9% of the GDP in 2009 to about 1.3% of the GDP in 2010.

(6) MONETARY POLICY

24. In light of state-driven efforts for a stable and a better investment climate, encouraging investment-attractive environments, the investment flow witnessed a significant increase as it moved up from USD 70.2 billion in 2009 to USD 76.3 billion in 2010, with a growth rate 8.8%.²

25. Given the fixed peg of the AED against the U.S. dollar and the full and free flow of capital, the effectiveness of monetary policy in the UAE is limited. Local interest rates follow the interest rates on the dollar. Therefore, the Central Bank offered banks the opportunity to better manage their liquidity through investment in the Central Bank's Certificates of Deposits, which reached USD 19.6 billion at the end of 2009, USD 25.6 billion at the end of 2010 and USD 21.8 billion at the end of October 2011.

II. TRADE POLICY DEVELOPMENTS

26. The UAE believes that free trade is a necessary condition for increased competitiveness and productivity in the long run. Protectionism, in the form of high tariff barriers and technical barriers to trade, would only result in a stagnant and inefficient private sector. It is in this spirit that the UAE has signed several free trade agreements with some Arab Countries and embarked on negotiations, under the GCC umbrella, to establish free trade agreements with the main trade partners of the GCC.

(1) BILATERAL AGREEMENTS

27. The UAE has signed bilateral preferential agreements with some Arab Countries (Syria, Jordan, Lebanon, Morocco and Iraq). According to these agreements, the UAE and its partners accord each other preferential access for a specified list of goods. As of the end of May 2011, the UAE had signed 39 bilateral investment agreements and 58 treaties on avoidance of double taxation. The UAE is a member of the Multilateral Investment Guarantee Agency (MIGA). The UAE has bilateral economic agreements with 50 countries.

² Annual Economic Report 2011, Ministry of Economy.

(2) REGIONAL AGREEMENTS**(i) Gulf Cooperation Council (GCC)**

28. The UAE was a founding member of the GCC on the 25th of May, 1981, alongside Bahrain, Kuwait, Oman, Qatar, and Saudi Arabia.

29. The Unified Economic Agreement (UEA), signed on the 11th of November 1981 under the Gulf Cooperation Council (GCC) created a Free Trade Area between the GCC states compatible with Article XXIV of GATT Agreement 1994. The free-trade area had eliminated duties and other restrictive regulations of commerce on all trade between the members of the GCC in the products originating in the member states, and work was proceeding to further harmonize trade and commercial policies.

30. In December 2001, the GCC Economic Agreement was signed to provide for a GCC Customs Union, and the harmonization of economic, financial, and monetary policies, with a view to achieve more economic integration through the establishment of the Gulf Common Market (GCM), which went into effect on January 2008.

31. The GCC Customs Union was established and has been operative since the beginning of January 2003. GCC member states have been applying the GCC common tariff ever since. The rates for more than 89.1% of the common tariff lines were 5%, while 10.4% of the tariff lines had a common tariff of 0%. Moreover, 0.2% of the tariff lines had a rate of 50%, while the remaining 0.3% of the tariff lines had a rate of 100%.

32. On the liberalization of services within the GCC, the Council had liberalized trade in services for roughly 100 sub-sectors of services, including professional services, most business services, telecommunication services, banking and other financial services, distribution services, education services, environmental services, health and related social services and tourism services. The GCC members had agreed to progressively liberalize other services sectors and sub-sectors.

33. The UAE is currently participating in the ongoing negotiations between the GCC and its main trade partners. These negotiations have led to signing Free Trade Agreements between the GCC members and Singapore, the EFTA States, and an initial signing of a draft Agreement with New Zealand. The negotiations to conclude a Free Trade Agreement between the GCC and the European Union (EU), Turkey, Japan, South Korea, China, India, Pakistan, Australia, and the Southern Common Market (MERCOSUR) are still open. The scope of these negotiations covers market access for goods and services, intellectual property, and in some cases, government procurement, investment and competition.

(ii) Greater Arab Free Trade Area (GAFTA)

34. The UAE is a member of The Greater Arab Free Trade Area (GAFTA), which was signed on the 19th of February 1997 and was entered into force on the 1st of January 1998. This agreement has eliminated all tariffs among its members on the 1st of January 2005. The Agreement covers trade in goods only, however, members have been engaged for the past few years in negotiations to create an agreement in trade in services.

(3) UAE PRIORITIES IN THE DOHA DEVELOPMENT AGENDA (DDA)

35. The UAE is a strong believer and advocate of the Multilateral Trading System. It is playing an active role in the current round of multilateral trade negotiations. Its main interests in the Doha Development Agenda (DDA) include greater non-agricultural market access (NAMA) and further liberalization of trade in services.

36. In NAMA, the UAE proposed the inclusion of an additional sector under the sectoral tariff elimination initiative.³ The UAE has called on Members to eliminate all tariffs on raw materials, in particular on primary aluminium, a vital and strategic input for its manufacturing sector.

37. The UAE also submitted its initial offer in services, which is basically in line with the policy objectives set by the Government and its reform process that is currently underway.⁴

38. The UAE also recognizes the importance of an effective and rational “differential and special treatment” that enables domestic sectors to benefit from transitional periods of adjustments in order to take necessary steps to consolidate competitiveness. It is crucial for the survival of those sensitive activities.

39. The UAE also supports the strengthening of technical assistance programs for developing and least-developed countries in the following areas: Information on the Multilateral Trading System, Implementation of the WTO Agreements, and Capacity Building. The specific needs and priorities for the UAE are related to the following issues: Competition Law, SPS & TBT, customs procedures and trade facilitation, classification of some services sectors like energy services and maritime transport, evaluation of trade in services, notifications procedures related to all WTO agreements, and regionalism/bilateralism and the multilateral trading system.

III. SECTORAL DEVELOPMENTS

40. Diversification away from oil and into industry and services has been high on the government's agenda for the last couple of decades. The UAE's investment in new economic components, such as in renewable and nuclear energy, is adding more value to the country's overall economic components. Below are a few developments in some economic sectors.

(1) MANUFACTURING

41. Manufacturing is one of the largest non-oil economic sectors in the country, contributing around 9.7% of the GDP in 2010 and around 14.2% of the entire non-oil economy. This sector includes cement and blocks, ceramics, textiles and clothing, pharmaceuticals, gold and jewellery, aluminium, plastics, steel and other subsectors. Growth in manufacturing was a result of both increasing demand (due to a rapidly rising population) and increased national and foreign investments.

42. The manufacturing industry continues to play an increasingly important role in the UAE's economy, as it is strengthened by the availability of basic infrastructure and communications within the country, buyers of final products (e.g. EU and Arab countries), liquidity and the geographic proximity of the UAE to suppliers of raw materials (e.g. India and China).

³ WTO document TN/MA/W/37, 37Add.1 & Add.2.

⁴ WTO document TN/S/O/ARE.

43. The number of industrial establishments operating in the UAE as of the 31st of December 2010 was about 4960 with a combined investment volume of around USD 27.6 billion, registering an increase of 316 facilities from 2009. In comparison, the number of industrial establishments in 2006 was 3567 with an investment volume of USD 17.1 billion.

(2) TELECOMMUNICATION

44. The telecommunication sector in the UAE is one of the most advanced in the world. In the past few years, the sector has witnessed rapid growth in mobile penetration, which in August 2011 reached 193.6%. In addition, internet penetration (Broadband + dial-up) reached 23.1% with an internet users penetration of 57.6%. Moreover, broadband internet penetration has reached 14.4%, one of the highest rates in the Middle East. Various initiatives to accelerate the advancement of the telecom sector have been taken by the UAE Government. Since the Telecommunications Regulatory Authority (TRA) was established by Federal law (Decree No. 3 of 2003) and its Executive Order, which initiated the telecom liberalization process, it has been vested with powers to regulate a competitively sustainable telecom sector. In February 2006, Du (Emirates Integrated Telecommunications Company) was awarded a comprehensive licence to become the UAE's second telecom services operator.

45. The UAE was the first country in the region to offer fourth generation (4G) mobile data services. To help maintain the country's leading position, the TRA has established an ICT Fund, financed by licensed telecom operators, which will foster research and development in the UAE telecom sector.

(3) TOURISM

46. Tourism is a growing sector in the UAE. The sector was regulated at the Emirate level until the creation of the UAE National Council for Tourism and Antiquities (NCTA) on the 14th of December, 2008, when its regulation shifted to the federal level while maintaining a level of cooperation with each emirate's local authorities.

47. Over the past decade, tourism has become a cornerstone of the UAE's plan for a diversified economy. The subsector is an important source of foreign exchange. The full economic impact of tourism, including tourism capital investment and indirect impacts, tallied USD 18.8 billion in 2009. Tourism contributed 7.4% of the UAE's GDP and 11.7% of the country's non-oil GDP in 2009. Dubai holds a 66% share of the UAE tourism economy, Abu Dhabi 16%, and Sharjah 10%.

48. The UAE has been ranked the 30th among 139 countries and the 1st in the Middle East in the "Travel & Tourism Competitiveness Report 2011", issued by the World Economic Forum under the theme "Moving beyond the Downturn".

49. The UAE has attracted visitors for a multitude of business and leisure purposes. Cultural/recreational attractions, shopping and relaxation are popular activities for visitors. An important focus of tourism development from a marketing and product development perspective has been the creation of an impressive range of sporting, cultural and lifestyle events.

50. The Abu Dhabi Tourism Authority (ADTA), which was established in 2004 has set itself a target of increasing annual visitor numbers to over 3 million by 2015. To achieve that, the Emirate plans to invest substantially in the development of major tourism and cultural infrastructure over the coming twenty years. ADTA statistics show that the number of hotel guests and hotel apartment stays in Abu Dhabi has risen by 10% during the first four months of 2011, compared to the same period in

2010. This was accompanied by an increase of 26% in the number of hotel nights and an increase in occupancy levels, revenue and average periods of stay.

51. In addition to being the commercial hub of the UAE Dubai invested heavily in tourism to become the main tourist attraction in the Middle-East. It has the world's tallest building, the Burj Khalifa, the world's biggest mall, the Dubai Mall -which also houses the largest indoor seawater aquarium, and the world's largest collection of man-made islands, and the world's longest fully-automated metro. Dubai hotels recorded a growth of 14% in the number of visitors in the first quarter of 2011, compared to the same period in 2010, and achieved an occupancy rate of 81%.

52. Sharjah, has made huge milestones in developing culture related ecotourism. Sharjah has 17 museums and cultural centers. The museums are dedicated towards showcasing the different aspects of the country's past, such as literature, archaeology, natural history and the pearl trade tradition.

53. The emirate of Ras Al Khaimah has an interesting heritage. The emirate also has a national museum, ancient buildings, archaeological sites and an ancient sun-worshippers temple. Although these sites are not yet tourist-ready, the government of Ras Al Khaimah is seeking serious partnerships to restore these sites and turn them into tourist destination.

54. Ajman, Umm Al-Quwain and Fujairah have been rapidly growing their tourism sectors with strong campaigning to develop the industry and attract more tourists. The major attractions of these emirates are heritage, architecture, natural landscapes, leisure, sports, and facilities for business conferences and exhibitions.

(4) BANKING AND INSURANCE

55. Commercial banks operating in the UAE witnessed a highly volatile growth during the recent years. Double digit growth rates continued until 2008 when customer deposits increased by 27.4%, bank loans by 47.5% and bank assets by 20.4%. A slowdown followed with the outbreak of the international financial crisis. The immediate pressure was felt on capital adequacy and the profitability of banks, following a pull down of deposits from banks, which created a substantial mismatch and a liquidity constraint. This necessitated certain liquidity and capital support from the Central Bank and the Federal Government. In 2010, bank deposits increased by 6.8%, bank loans by 1.4% and bank assets by 5.8%.

56. In 2011, the UAE had 23 national Banks of which 8 are licensed as Islamic banks and the remaining 15 as conventional banks, in addition to 28 foreign banks. Local conventional banks' share in total net assets declined from 63.6% at the end of 2007 to 62.8% at end of June 2011, while the Islamic banks' share has increased from 14.2% to 16.5%. However, the share of Islamic banks in capital and net profits recorded a decline, during this period, due to larger provision for a higher level of non-performing advances.

57. The insurance sector has also grown; a large portion services the hydrocarbon and construction industries – sectors that have significantly developed, over the last few years, and are expected to continue to grow. This asserts the significance of this sector and its substantial role in the national economy due to the considerable funds invested therein. The total volume of underwritten insurance premiums in the UAE reached USD 6.0 billion in 2010, a 10% increase in comparison with 2009, while the total value of invested funds in the sector rose to USD 7.5 billion, with 48.2% of this amount in the form of shares and bonds followed by 32.5 % as bank deposits. Given the UAE's fast population growth, the sector's outlook is very good. The insurance sector in the UAE is regulated by

Federal Law No. (6) for the year 2007 concerning the creation of the Insurance Authority, which was enforced as of the 28th of August 2007.

(5) AIR AND MARITIME TRANSPORTATION

58. Passenger and cargo transportation has risen in importance over the last few years. UAE airline companies (Emirates Airlines, Etihad Airlines, Air Arabia Airlines Fly Dubai Airlines and RAK Airways) are updating their fleets and are pursuing a forceful strategy to capitalize on the increased passenger demand by pursuing several strategies, including the adoption of transportation options that focus on superior passenger experiences as well as options that emphasize affordability.

59. The UAE's air industry has been continuously growing. In 2011, the UAE had a total of five national airports (Abu Dhabi International Airport, Al Ain Airport, Dubai International Airport, Fujairah Airport, Ras Al Khaimah Airport and Sharjah International Airport). The UAE has plans to become a global transport hub by investing around USD 136.1 billion in the aviation industry over the next decade. The UAE intends to capitalize on its transport and communications infrastructure by introducing new aircrafts for the five flag carriers in the UAE, huge investments for new airport capacity throughout the seven emirates, and plans for Abu Dhabi to become a regional centre for aircraft maintenance, manufacturing and flight training.

60. In addition, the UAE has developed as a regional hub for maritime transportation and logistics. UAE ports handle a large volume to and from the region, and ship and boat building are emerging as strategic competencies.

(6) PETROCHEMICALS AND FERTILIZERS

61. Most of the UAE's oil reserves are located in Abu Dhabi, which is home to several major chemical, petrochemical and fertilizer industrial complexes.

62. Borouge, a joint venture between Abu Dhabi National Oil Company (ADNOC) and Austria based Borealis, has a current manufacturing capacity of 2 million tons per year. In mid-2011, the second phase of its massive petrochemicals complex at Ruwais industrial zone has enabled it to reach full operational capacity. The company is also planning to increase its capacity to reach 2.5 m tons per annum by 2013 to meet the increasing local and international demand. ADNOC has also established Ruwais Fertilizer Industries (FERTIL) with a capacity of 1,000 tons of ammonia and 1,500 tons of urea per day. It signed a USD 1.2 billion contract with Samsung Engineering to construct a new fertilizer complex, increasing its urea capacity to 3,500 tons per day. Both companies are located in Al Ruwais Industrial Zone and are looking forward to expand their production capacity by installing more plants, increasing utilization, and depending on new advanced technologies. Borouge and FERTIL's expansion plans have been attracting local and international investors who are been actively participating in the construction of chemical plants, storages, processing and treating units, and other related projects like cooling systems.

63. Abu Dhabi's petrochemicals' strategy has been shifting from the basic products to end-user products. It has been establishing itself as one of the major petrochemicals producers in the world. Strategic International and local investors have been invited to join the development convoy in petrochemicals.

64. In November 2008, Abu Dhabi National Chemicals Company "Chemaweyaat" was established to enhance the involvement of Abu Dhabi's chemicals industry production's holdings. Its plants are planned to be operating by 2015 with a total capacity of 1.5 million tons per year.

65. As Abu Dhabi enters its second phase of modernization guided by vision 2030, developing a globally-competitive petrochemicals industry based is one of the main economic pillars to achieve the desired position. Not only does Abu Dhabi invest heavily in creating petrochemicals conglomerate but also it opens its door and provides the necessary business infrastructure and environment for international investors to establish ventures at all levels of the industry value chain. Abu Dhabi Basic Industries Company's (ADBIC) polymer's park project is a clear example of the emirate's strong commitment to attract international players. Abu Dhabi Polymer Park will span 4.1 million m² with up to 1 million tons/yr conversion capacity of a wide range of resins.

(7) NUCLEAR AND RENEWABLE ENERGY

66. The UAE's investment in new economic components, such as in renewable and nuclear energy, adds more added-value to the country's overall economic components and aids it in reaching the goals it set for itself in "UAE Vision 2021", to "be among the best countries in the world by 2021".

67. The Emirate of Abu Dhabi has put in place a comprehensive energy strategy till the year 2030. The strategy aims at diversifying and developing the Emirates' sources of energy to include more renewable ones and to secure a healthy environment that is in line with the country's goals. The strategy will reduce the country's reliance on gas to produce electricity from around 99% presently, to 70%. It also aims at producing 30% of the required energy from clean coal, nuclear and renewable energy sources. Moreover, there is currently a joint project with the United Nations to reduce carbon emissions through the Dubai Carbon Center. The vast "Mohammed Bin Rashid" solar park is also being constructed in Dubai. The UAE has ratified the Global Climate Treaty, joined the Modified Kyoto Protocol, hosted the International Renewable Energy Agency (IRENA), and carried out a number of projects and initiatives that are related to climate preservation. It has introduced the use of solar power – albeit still limited – in government buildings, and worked on substantially increasing the country's vegetation cover.

68. The UAE has adopted an ambitious plan that aims at increasing the contribution of renewable energy so that it would supply 7% of the country's energy needs by the year 2020. The Government has also launched the MASDAR initiative, which aims at advancing alternative energy solutions, commercial production and applications. MASDAR city is set to become the first Zero carbon and waste emitting city in the world. Masdar is also considering the ambitious plan of constructing the world's largest solar power tower in Abu Dhabi, which is expected to generate 150-200 Megawatts.

69. The United Arab Emirates has launched a peaceful nuclear energy program. The program includes the construction of 4 electrical nuclear power plants in cooperation with a South Korean Company. Investments in this program are worth around USD 20.4 billion. Work is set to commence on the construction of the first nuclear power plant in 2012, with a production capacity of 1400 megawatts for every station. The first plant is expected to start supplying the national grid with electricity in 2017. All four plants are set to be completed by the year 2020.

IV. FUTURE DIRECTION

70. The UAE has made significant strides in economic development over the last few years. This was primarily due to the UAE government's provision of an enabling regulatory environment. It is expected that services will play a larger role in the UAE economy over the medium to long run, with rapid increases in niche sectors such as air and maritime transportation, logistics, medical tourism, pharmaceuticals and IT.

71. The vision of the Government of the UAE is to transform the country into a global hub for entrepreneurship in several industrial and service spheres. To achieve that vision, the Government is committed to maintaining *laissez faire* policies and an effective public-private partnership.

72. It is important to shed light on some of the challenges that have faced the country and the government's steps to address them.

(1) REFORM OF THE INVESTMENT FRAMEWORK

73. Currently, discussions are underway in the UAE to re-examine the Federal Law on Commercial companies that limits foreigners to hold a minority equity in companies incorporated in the UAE (the historical cap of 49%). A Federal Unified Foreign Investment Law is in the legislative level which reflects government policies towards foreign investments. This new Law is expected to increase the foreign ownership in some sectors to more than 49%. Furthermore, there are several business laws that will enhance the investment environment in the country such as the new Arbitration law that is to be developed in line with the UNCITRAL Arbitration Law.

74. To some extent, the minimum national ownership requirement affected the flow of FDI. However, two parameters should be taken into consideration to understand this situation. First of all, the demographic structure of the UAE is such that nationals constitute the minority *vis-à-vis* foreigners. Second of all, the UAE is a major capital exporter. Those factors explain the philosophy of the current regime i.e. preserving and protecting the economic interests of the nationals and guaranteeing them a share in their own market.

75. However, after reaching a certain maturity, and taking into account UAE obligations under international trade negotiations, the Government is developing a comprehensive strategy to deal with this new juncture. The main objective is to further diversify the economy. The reform of the current investment framework (through amendments to the Company Law) is perceived as one of the most important ways to materialize this objective and attract more FDI to support this endeavour.

(2) KNOWLEDGE ECONOMY

76. Being in its way to achieve the goals of federation strategy and its vision for 2021 as well as changing the economic structure. The UAE has taken several positive wide steps regarding the transformation of its economy from the traditional economy to knowledge economy. Some of these steps are consolidating the legislative and regulatory structure in the field of technology and communications, building up human and institutional capacities concerning information and communication technology, consolidating information and communication infrastructure, and state orientation towards knowledge economy.

(3) COMPETITION

77. In order to protect consumers from unjustified price increases, a draft Competition Law was drafted after evidence surfaced of possible anticompetitive practices and it is now being reviewed by the Federal National Council. This is in line with the strategy of the UAE government to create an enabling business environment that is conducive to economic growth.

78. The UAE has already set up a consumer protection authority.

79. The UAE established the Emirates Competitiveness Council (ECC), which is comprised of 18 representatives from the seven emirates at the federal and local levels of government as well as the private sector. The council works together in partnership with public and private entities. The council enacts policies and undertakes actions that will drive the UAE's competitiveness agenda and unite the country towards achieving the nation's vision for sustainable growth and prosperity.

(4) E-GOVERNMENT

80. The UAE is ranked the 49th in the UN eGovernment survey issued in early 2010. Since then, great efforts have been made by the Emirates eGovernment and various government entities to further enhance the eGovernment profile and enrich the value delivered to both the public and business sectors.

81. The national portal of the country (government.ae) has been revamped recently to reflect the country's shift towards Government 2.0. The portal leverages social media tools to promote the adoption of key new concepts and practices such as citizen online participation and Open Data.

82. The portal also offers a single point of entry to more than 500 government services provided by the federal and local government entities. These services target citizens, residents, businesses and tourists and can be browsed and searched in different methods.

83. All these new developments have extended to cover the websites of key government entities such as the Ministries of Economy, Finance, Foreign Trade, Education, Social Affairs, Labour and Environment and Water. These developments are being implemented in alignment with "UAE Vision 2021" and the United Nations Millennium Development Goals.

84. As a result, (government.ae) has been honoured with the Best Strategic Website Award by the Arab League and the Best National Portal award at the 2nd GCC eGovernment conference. Moreover, continuous efforts are being made to foster cross-government integration to ease business initiation and management for local and foreign investors.

(5) LABOUR MARKET AND EMIRATIZATION POLICY

85. The UAE is, perhaps, the only country in the world where foreigners dominate the private sector, both as employers and employees. In almost all countries that allow immigration, the rule is that foreigners are only allowed to take up jobs when suitably-qualified nationals are not available.

86. This situation is in need of serious thinking and careful policy-making that sets targets with a long-term vision. One of the mechanisms to improve the situation is to adopt a more flexible mobility policy. The Government has adopted a more flexible labour mobility approach within the local market with the aim of maximizing the utilization of the available foreigner labour supply and granting opportunities for skilled and professional expatriates to choose the most suitable job where they can maximise return for themselves and for their employers. This policy is expected to have a positive impact on the sources of labour. This means that demand for labour will be satisfied more from the internal labour supply and less from outside. This will also improve wage levels and will thus have a positive impact on Emiratization.

87. It is largely recognized that expatriate workers will continue to play a vital role in the country's economy. Nevertheless, the authorities feel that the growth of the private sector and the employment of non-nationals cannot be left unregulated. Hence, they propose the establishment of a quota system for nationals in certain sectors.

88. It is also recognized that in order for nationals to become active participants in the private sector, efforts need to be exerted by both parties. This requires fundamental changes in attitudes, conditions and environment within the private sector as well as among UAE nationals seeking employment.

89. The authorities will continue to support the current labour market strategy in order to increase employment opportunities for U.A.E. nationals. This strategy should continue to rely on a qualitative approach consisting of raising the skills of nationals through better education and training programs geared towards private sector labour demand.

(6) WATER

90. Water consumption in the UAE increased, this increase is related to the increase in population and change in lifestyle. The Government is giving this issue a priority. Therefore; the UAE is now increasing the number of studies and researches. It also started to create plans and find solutions to preserve this paramount source for future generations. The UAE has around 583 km³ of ground water which includes 20km³ of pure water.

(7) BETTER SYNERGY BETWEEN MULTILATERALISM AND BILATERALISM

91. Currently, the UAE is involved in a vast programme of trade liberalization at the regional level. The UAE policy is not the only example of such trends. A growing number of economies are also seeking to liberalize their trade swiftly and on the basis of sound disciplines, even in services and investment. In doing so, their preferred instrument has been agreements concluded outside the WTO, the reason being that negotiations in the WTO are slow and their ambition is not always set as high as the level that can be achieved in bilateral agreements. The UAE, nevertheless, believes that it is essential to strengthen the current system within the framework of the principles and rules of international trade.

92. Consequently, the UAE Government is committed to pursuing trade liberalization globally, regionally, and individually with some leading partners. However, it still believes that the international economic system will prosper most if the regional and bilateral agreements fit within a global framework of rules (i.e. within the WTO framework).

ANNEX: THE UAE'S NEEDS IN TRADE-RELATED TECHNICAL ASSISTANCE

(1) INFORMATION ON THE MULTILATERAL TRADING SYSTEM

- Exploring the possibility of setting up a cooperation program between the WTO and a selected UAE University to create a University Degree on WTO issues in the Department of Law or Economics.
- Building on the success of previous experiences, continuing to organize regional seminars, workshops, and conference on WTO-related issues in the UAE.
- Organizing seminars for the Business Community and Academics with targeted messages on the advantages and rights as well as the constraints and obligations emanating from membership to the WTO.

(2) IMPLEMENTATION OF THE WTO AGREEMENTS

- Organizing national seminars and workshops, either by the WTO secretariat or in cooperation with other international organizations, on:
 - Trade Facilitation.
 - SPS & TBT.
 - Trade in Services: Classification of some service sectors e.g. energy services and maritime transport; evaluation of trade in services.
 - IPR: the familiarization of the Judicial and Customs authorities with the protection of IPR, legal and institutional impacts of the adherence to new international agreements on IPR (other than those required by TRIPS).
 - Notifications procedures related to all WTO agreements.
 - Regionalism/bilateralism and the Multilateral Trading System.
 - Trade and environment.
- The Adaptation of domestic legislations regarding contingency trade remedies and professional services.

(3) CAPACITY BUILDING

- Strengthening negotiation skills and capacity building.
 - Allowing UAE candidates to benefit from training courses in the WTO Secretariat.
 - Export promotion technical and institutional support.
 - Trade capacity building and competitiveness enhancement, awareness, and networking.
 - Technical assistance and capacity building in improving UAE's e-commerce environment.
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