IV. TRADE POLICIES BY SECTOR

(1) INTRODUCTION

1. The UAE economy continues to be dominated by the oil sector and connected industries. However, attempts are under way to diversify the economy, particularly into the areas of services and manufacturing. The petroleum sector accounted for 31.5% of GDP and 59.5% of export revenues in 2010. The UAE's estimates of proven crude oil reserves are 97.8 billion barrels, equivalent to almost 8.5% of the world's reserves, while production reached 2.32 million barrels/per day in 2010. Some 95% of petroleum production is in the emirate of Abu Dhabi.

2. In accordance with the Constitution[1], natural resources in the UAE are vested in each individual emirate and not with the Federal Government. Foreign equity in projects is determined by the competent authorities of the local government of the emirate where the natural resource is located.

3. Agriculture represents a small share of the UAE's economy, accounting for just 1% of GDP. Total cultivated land has decreased in recent years. Lack of arable land, intense heat, periodic locust swarms, and limited water supplies are the main obstacles to agricultural development in the UAE, which remains a major net food importer. Foreigners, other than GCC nationals, are not allowed to own agricultural land, but may own up to a 49% stake in agri-business companies. Fishing is restricted for UAE and GCC nationals. Notifications to the WTO on agriculture remained pending as at December 2011. The last notification with respect to domestic support dates from 2002, and corresponds to the years 2000 and 2001; the measures notified were exempt from reduction commitments.

4. During the period under review, the UAE has continued to seek to develop its manufacturing sector, in its quest to diversify away from oil. However, some of the main manufacturing industries, such as petrochemicals, remain linked to the oil industry. Nevertheless, this, there have been important developments in aluminium production and pharmaceutical products. As per the GCC Common External Tariff, most manufactured imports face a 5% tariff. However, all materials used in the production of a licensed industrial project enter the UAE duty free.

5. The services sector is experiencing fast growth, particularly in air and maritime transport, telecommunications, and tourism. However, development in the services sector would benefit, in general, from some flexibility in the current foreign investment limitations.

6. In financial services, the emirate of Dubai was particularly affected by the global financial and economic crisis. There was a sharp contraction in equity markets: as a result of the crisis, market capitalization and the general share price index decreased in 2009 and continued falling in 2010. The Emirates Securities and Commodities Authority responded to the crisis by stepping up regulation, as did the Central Bank. Minimum capital adequacy ratios for banks were raised from 10% to 12% in 2010. Other measures adopted to counter the financial crisis included a moratorium on new licences for commercial banks, and placing a limit on the number of branches permitted to licensed foreign banks. The Central Bank also issued guidelines for implementation of the Basel II Capital Accord in November 2009. Locally incorporated banks in the UAE are well capitalized, with a minimum capital-adequacy ratio well above the legal requirement, reaching an average of 21.2% at the end of September 2011.

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[1] Article 22.

7. Foreign banks must open branches in the UAE to provide services there. In 2010 a limit was imposed on the number of branches they may open; they must not exceed eight branches in the UAE. Subsidiaries of foreign banks are not allowed. Foreign banks are granted national treatment for paid-up capital requirements, but not with respect to the taxation of profits, for which foreign banks are subject to a 20% tax on profits, which is not applied to national banks.

8. National and foreign insurance companies wishing to establish in an emirate must first apply to the Insurance Authority for an establishment procedure, then for licensing. Conditions for the granting of licences include economic needs criteria and the appointment of a minimum number of UAE nationals as staff. Eligible foreign insurance companies may open a branch, appoint a local insurance agent and/or enter into an agency contract with a local insurance agent representing them.

9. Competition in the telecommunications sector remains low; however, since the last review, the monopoly in telephony services has been terminated. Despite this, as a duopoly with relatively high pricing policies, the market could benefit from increased competition.

10. The UAE has one of the world's largest air transport industries. It has five airlines, two of which are major international carriers, and two major airports, one of which is among the busiest in the world (Dubai). The airline industry benefits from the "open skies" policy adopted by the UAE, state-of-the-art civil aviation infrastructure, and competition between the emirates. The authorities are expecting the sector to continue to grow rapidly in the near future through the role of the two main airports and airlines as hubs and transfer carriers. The UAE's domestic market is relatively small.

11. There are ambitious plans to increase the capacity and activities of ports in the UAE. However, despite the policy of granting concession to private service providers in some areas, port management remains a prerogative of the different emirates. As in other service areas, despite coordination to some extent, at the federal level, the fact that each emirate is launching policies in the same area could lead to overcapacity. Further coordination among emirates could assure that investment projects are complementary and lead to a more integrated development policy.

12. Prior to the 2008-09 global financial crisis, the UAE had witnessed a construction boom, which helped sustain the emergence of conglomerates in this sector. However, in the aftermath of the crisis, the construction sector suffered a major downturn, with values falling by 50% in Dubai and 40% in Abu Dhabi. The effects of the crisis were exacerbated by the large number of new units on the market, resulting from the boom, and the reduction in the number of new buyers.

13. Tourism is of growing importance in the UAE; particular efforts have been made to build infrastructure, and there have been several developments in the area. The National Council for Tourism and Antiquities (NCTA) was established in 2008 to help align UAE tourism-related policies at the federal level. However, tourism licences are issued by each emirate. The creation of the NCTA is expected to boost the promotion of tourism.

(2) AGRICULTURE

(i) Features

14. Agriculture represents a small share of the UAE's economy, accounting for just 1% of GDP in 2009 and 0.9% in 2010, and employing around 3.8% of the workforce. Total cultivated land has decreased in recent years, and has been assigned to other uses, due partly to lack of irrigation water. Most of the UAE's cultivated land is in the emirate of Abu Dhabi. Lack of arable land, intense heat, periodic locust swarms, and limited water supplies are the main obstacles to agriculture in the UAE.

15. According to the authorities, total agricultural production increased from 494,000 tonnes in 2005 to 1.25 million tonnes in 2009. The main agricultural products are dates, tomatoes, and fresh vegetables. Livestock production comprises mainly chickens, goats, sheep, camels, and cattle, (Table IV.1).

Table IV.1
Agricultural and livestock production, 2005-10

Production	2005	2006	2007	2008	2009	2010
Crops and livestock primary ('000 tonnes)	1,554	1,526	1,522	1,570	1,513	1,609
Subtotal of items	*1,488*	*1,478*	*1,485*	*1,529*	*1,476*	*1,570*
Dates	760	750	758	758	758	759
Tomatoes	240	229	202	202	202	205
Vegetables fresh n.e.s.	100	96	135	140	124	136
Cow milk, whole, fresh	12	12	12	12	13	101
Camel milk, whole, fresh	39	41	40	41	41	40
Goat meat	22	16	29	25	37	37
Goat milk, whole, fresh	35	36	36	37	38	36
Chicken meat	35	34	29	26	36	36
Hen eggs, in shell	17	16	18	25	25	26
Soybean oil	45	67	55	95	38	24
Pumpkins, squash, and gourds	21	22	20	21	19	21
Camel meat	15	8	22	20	20	20
Cucumbers and gherkins	26	27	17	17	17	18
Onions (including shallots), green	16	16	17	13	13	15
Sheep milk, whole, fresh	12	13	14	14	12	12
Mangoes, mangosteens, guavas	4	5	6	11	11	11
Cauliflowers and broccoli	13	13	10	10	10	11
Fruit juice	13	10	10	10	10	10
Cabbages and other brassicas	15	16	9	9	9	10
Carrots and turnips	2	2	9	9	9	9
Citrus fruit, n.e.s.	5	5	7	7	7	8
Potatoes	7	7	7	7	7	7
Sheep meat	8	13	11	7	7	7
Eggplants (aubergines)	20	21	7	7	7	7
Fruit fresh n.e.s.	5	6	6	6	6	7
Live animals ('000 head)	**18,455**	**18,467**	**16,645**	**16,763**	**18,263**	**18,272**
Chickens	16,000	16,000	14,000	14,000	15,500	15,500
Goats	1,500	1,520	1,626	1,708	1,708	1,710
Sheep	590	580	600	615	615	620
Camels	250	250	359	378	378	380
Cattle	115	117	59	62	62	62
Horses	0.38	0.38	0.40	0.41	0.41	0.41
Fisheries (tonnes)	**90,000**	**86,735**	**82,500**	**78,300**	**74,075**	**77,705**
Crustaceans	470	512	630	750	870	712
Diadromous fish	60	61	65	70	77	258
Marine fish	89,280	85,977	81,579	77,200	72,803	76,339
Molluscs	190	185	226	280	325	396

Source: FAO, online information. Viewed at: http://faostat.fao.org/.

16. The UAE remains a net food importer, although total exports have more than doubled since 2004. In 2009, the UAE imported around US$9.3 billion of agricultural products; rice, its largest import, represented around 9% of total imports. Other imports include chicken, meat, tea, palm oil, and wheat. The UAE's agricultural exports in 2009 amounted to US$3.3 billion. The main

agricultural exports include dates, fruits and vegetables, and natural flowers. Re-exports comprise mainly rice, cigarettes, and refined sugar.

(ii) Policy objectives for the sector

17. In 2006, the Ministry of Agriculture and Fisheries was dissolved and policies related to agriculture and fisheries became the responsibility of the newly created Ministry of Environment and Water (MOEW). At the federal level, the MOEW is in charge of designing agricultural policies and coordinating with other agencies. MOEW's responsibilities include the sustainability of water security, safeguarding food security, and promoting environmental and bio-security. The Abu Dhabi Food Control Authority (ADFCA) is responsible for food safety and agriculture in the emirate of Abu Dhabi, including animal health.[2] According to the authorities, the UAE's long-term policy objective is to achieve food security, while protecting the environment and scarce water resources. This will be attained by providing new sources of irrigation; disseminating modern irrigation systems; and establishing agricultural research centres in order to improve domestic production of agricultural products, livestock, and fisheries.

18. In the emirate of Abu Dhabi, the ADFCA embarked on a strategy to restructure the agriculture sector. The strategy includes the reduction of water consumption by 40% and of the use of fertilizers by 25% in the emirate's by the end of 2013. According to (Abu Dhabi) Law No. 7 of 2010, the ADFCA offers financial assistance to farmers, and will continue to do so in the future, but subject to conditions. Farmers are granted a financial subsidy of AED 90,000 annually if they accept to: stop cultivating Rhodes grass (a product that consumes around 93 billion gallons of Abu Dhabi's water annually); become members of a farmers services centre (FSC); sign a date service contract with an FSC; and commit not to use their farm and its resources for commercial purposes.[3] Government assistance is also provided in the Northern Emirates.

19. Agricultural land is owned and managed privately by UAE and GCC nationals only, foreigners, except for GCC nationals, are not allowed to own agricultural land. However, foreigners may own up to 49% in agri-business companies. Fishing is restricted for locals. A licence is required for fishing in Abu Dhabi and is obtained from the Environment Authority of Abu Dhabi (EAD).

20. Notifications on agriculture remain pending at end 2011. During the period under review, the UAE has not made any notifications to the WTO with respect to domestic support. The last notification dates from 2002, and corresponds to the years 2000 and 2001. The domestic support measures notified in 2002 were measures exempt from the reduction commitment (green box and development programme measures).[4] The UAE has notified to the WTO that it does not maintain export subsidies in agriculture; however, the latest notification was made in 2002, which pre-dates the period under review.[5]

21. Protection for agricultural products remains higher than for non-agricultural products, with an average rate of 5.6% (WTO definition), compared with 4.6% for non-agricultural goods. MFN applied tariff rates on agricultural products range from zero to 5%, with the exception of alcoholic beverages (50%), and tobacco products (100%).

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[2] MOEW online information. Viewed at: http://moew.gov.ae/En/AboutMinistry/Pages/Values Aims.aspx.

[3] *Khaleej Times*, "Abu Dhabi Seeks To Reduce Usage of Water, Fertilizers", by Anwar Ahmed, 24 October 2010.

[4] WTO document G/AG/N/ARE/5, 22 May 2002.

[5] WTO document G/AG/N/ARE/4, 22 May 2002.

(iii) Fisheries

22. Fishing in the UAE is small-scale and traditional; in the main speed boats and wooden dhows are used. Fishing committees have been established in each emirate to help the fishermen and to ensure proper coordination with other governmental bodies. In order to preserve stocks of fish that are sustainable, the Ministry of Environment and Water has issued several regulations concerning fishing gear, areas and seasons, and the structure of the workforce. According to UAE regulations, all fishing vessels must have a UAE citizen on board. The regulations forbid the catch of undersize fish and the use of fish traps with less than 2-inch mesh. Fishing of various species is subject to restricted periods. Fishing is prohibited in spawning and nursery areas during the restricted period. To improve fish stock, a comprehensive re-stocking programme is in place: juveniles and fingerlings of commercially important local species are released annually.

23. The Government assists local fishermen in procuring marine outboard engines and establishing small-scale fish farms. The MOEW provides fingerlings for the start-ups. Cooperatives assist fishermen in marketing their catch. The UAE Government also provides support for commercial fish-farming activities, through the UAE Offsets Group (Chapter III(4)). The group, for example, helped establish the aquaculture company Asmak.

(3) MANUFACTURING

(i) Features

24. In its attempt to diversify away from oil, the UAE has managed to position itself as an industrial hub in the Middle East in recent years. In 2009, the manufacturing sector contributed 10.1% of GDP and 9.7% in 2010. There were 4,644 industrial establishments in 2009, and total employment was almost 348,000; in 2010, the number of industrial undertakings had risen to 4,960 units.

25. The UAE's main industries are food, beverages and tobacco; chemicals; mineral products; metal products; equipment; paper products; textiles and clothing; and wood products (Table IV.2). The largest individual manufactured products include aluminium, cabling, petrochemicals, steel, and products of the marine industry. The manufacturing sector was the recipient of 18.9% of total foreign direct investment in 2009.[6]

Table IV.2
Manufacturing output by activity, 2007-10
(AED million)

Industry	2007	2008	2009	2010
Food industries	334	359	379	405
Wood products	489	546	615	656
Paper products	294	317	362	384
Chemical products	679	734	810	857
Metallurgy	516	557	616	653
Metallurgical products	1,042	1,178	1,315	1,437
Spinning and weaving industries	267	277	282	290
Mining and petroleum refining	69	77	82	87
Other industries	162	174	183	191
Total	**3,852**	**4,219**	**4,644**	**4,960**

Source: Information provided by the UAE authorities.

[6] Ministry of Economy (2010).

(ii) Legal framework and policy objectives for the sector

26. The UAE's manufacturing sector is governed by Federal Law No. 1 of 1979. The law applies to all industrial projects in the UAE with the exception of those pertaining to oil and gas extraction and refining; mineral raw materials refining; and projects with a fixed capital of less than AED 250,000 or employing less than ten people. Foreign ownership is limited to 49%, and senior management and at least 25% of employees must be UAE citizens.

27. The Ministry of Economy is the federal authority in charge of implementing the 1979 Federal Law as well as formulating and implementing policies on manufacturing. An industrial licence, issued by the Ministry of Economy, is required to undertake any industrial activity in the UAE. All licensed industrial projects are granted a customs exemption on all materials included in the project, such as the raw material, the machinery, etc. (Chapter III(4)(i)). The emirates and the Council of Ministers may provide various incentives schemes; but the authorities state that these provisions are not applied, except for the import duty exemption mentioned above. During most of the period under review, the Emirates Industrial Bank (EIB) has helped industrial projects in the UAE by providing loans at preferential interest rates in the range of 3% to 5%. The EIB has financed around 65-70 projects each year (Chapter III(4)(i)).[7]

28. During the period under review, an advisory industrial committee was established in the Ministry of Economy, composed of members from the main ministries, a representative of each emirate appointed by the respective ruler, and representatives of the private sector. The committee may call upon experts from any other government agency and may establish sub-committees to analyse particular problems.

29. The Government is expected to continue to pursue its diversification programme through large-scale investments in the industrial sector. A study prepared at the federal level identified the following potential industrial sectors: shipbuilding and vessels; basic pharmaceuticals products; refined petrochemical products; parts and accessories for motor vehicles; and electric power generation, transmission, and distribution.

30. The UAE's largest industrial conglomerate is the state-owned General Holding Corporation (GHC). GHC is also an important player in implementing the of Abu Dhabi government industrial diversification policy. The UAE general policy approach in manufacturing, as in other policy areas, has two levels: the federal level and the emirate level. As a consequence, each emirate holds a majority stake or is the sole shareholder in key manufacturing companies. In Abu Dhabi, the Higher Corporation for Specialized Economic Zones and Khalifa Industrial Zones are the key players in developing and promoting industrial zones and investments in manufacturing activities. Dubai is developing Dubai Industrial City, a new manufacturing zone that will focus on six industrial sectors: machinery and mechanical equipment; transport equipment and parts; base metals; chemicals; food and beverages; and mineral products.

31. MFN applied tariffs on manufactured goods, except for agricultural food are generally at 5%, with a few exceptions, which are zero-rated. For example, imports of pharmaceutical products are duty free. Imports of all inputs are also duty free. The average MFN tariff rate in 2011 for non-agricultural products (WTO definition) was 4.6%. Protection is slightly higher than average for textiles and clothing, metals, and leather goods; however, tariff dispersion is very low.

[7] In September 2011, under Federal Law No. 7 of 2011, the Emirates Industrial Bank was replaced by the Emirates Development Bank, which is in charge of real estate and industrial activities.

32. In the context of the Doha Round, under the Non-Agricultural Market Access (NAMA) negotiations, the UAE sponsored a proposal in 2003 to eliminate tariffs and non-tariff barriers (NTBs) on raw materials, mainly primary aluminium.[8] In March 2009, Australia co-sponsored the UAE's proposal[9] and in January 2011, both Members tabled a proposal on draft modalities for the sectoral tariff elimination in the raw material sector.[10]

(iii) Selected industries

(a) Petrochemicals

33. The petrochemicals industry continues to be of considerable importance in the UAE, despite attempts at diversifying the economy by venturing into new sectors. The UAE accounts for around 3% of total petrochemical and chemical output in the Gulf region.[11] It currently produces 3.4 million tonnes of petrochemicals annually, which is expected to more than double, to 7.8 million, by 2015.

34. The UAE's petrochemicals activities are concentrated in Abu Dhabi, with the majority of olefin and polymer production capacity in that emirate. Dubai is the second largest petrochemical producer in the UAE, and is especially important in terms of exports, as it accounts for around 70% of the UAE's foreign trade in petrochemical products. In its 2030 Economic Vision, Abu Dhabi plans to make petrochemicals one of its prime growth sectors. It aims to spend around US$100 billion by 2030 to further develop the sector.

35. Petrochemical production in Abu Dhabi is managed by three subsidiaries of the state-owned Abu Dhabi National Oil Company (ADNOC): Ruwais Fertilizer Industries (Fertil), a joint venture between ADNOC (with a shareholding of 66%) and TOTAL (33%), which operates ammonia and urea plants; Abu Dhabi Polymers Company (Borouge), a joint venture between ADNOC (60%) and the European plastics company Borealis (40%), which processes and produces ethylene and polyethylene; and ADNOC Linde Industrial Gases Company Ltd. (ELIXIER), which supplies industrial gases for oil, gas and to petrochemical companies in Ruwais, and other oil areas.

36. Several petrochemical projects are under way in the city of Taweelah. Projects are frequently undertaken in collaboration with foreign players, with expansion plans currently more prominent than plans to set up new petrochemical plants. Borouge is expected to expand its polyolefin operations by entering the FEED (front-end engineering and design) stage of its Borouge 3 project, which includes the construction of an ethane cracker, second generation Borstar polypropylene and polyethylene units, LDPE, and butane units. This facility is expected to boost capacity by 2.5 million tonnes per annum by the fourth quarter of 2013. In addition, in 2009, Ruwais Fertilizer Industries (Fertil) signed a US$1.2 billion contract with Samsung Engineering to construct a second fertilizer complex to boost its production and export capacity. The facility will produce urea and ammonia and is expected to be operational in 2012. Another petrochemicals complex to be developed in Abu Dhabi is Chemaweyaat, which will be the only plant in the region to use naphtha instead of ethane as feedstock.

[8] WTO document TN/MA/W/37, 20 May 2003, 37 Add.1, Add.2, Add.3, Add.4 and Add.5.
[9] WTO document TN/MA/W/37/Add.6, 23 March 2009.
[10] WTO document TN/MA/W/37/Add.7, 7 January 2011.
[11] This includes the five GCC countries and Iran (see: http://m.gulfnews.com/business/oil-gas/petrochemicals-industry-to-get-55b-infusion-in-the-gulf-1.787932).

(b) Aluminium

37. The aluminium industry is one of the UAE's main manufacturing activities. Several state-owned companies operate in the sector, most notably, Dubai Aluminium Company (Dubal). Dubal is the world's seventh largest producer of high-quality primary aluminium, and exports more than 92% of its production. Another significant aluminium producer is Emirates Aluminium (Emal), a joint venture between Abu Dhabi's Mubadala Development Company and Dubal. Situated in the Khalifa Port Industrial Zone in Taweelah, Abu Dhabi, Emal is expanding its production, which will make it the world's largest single-site aluminium smelter.

(c) Pharmaceutical products

38. Imports of pharmaceutical products are generally duty free. Federal Law No. 4 of 1983 is the main law regulating the pharmaceutical industry. The Ministry of Health is responsible for licensing pharmaceutical manufacturers in the customs territory of the UAE; the Ministry also inspects the production of pharmaceutical manufacturers in the free zones, for quality and good manufacturing practice (GMP) compliance. Licensing of pharmaceutical companies in free zones is by the free zone authorities as per their applicable laws. Most production takes place in six companies outside the free zones, and in two companies in the free zones. The authorities indicated that in late 2011 ten new pharmaceutical manufacturers were in the process of establishment or of obtaining a licence.

39. The largest company, in terms of capital and of sales, is the Gulf pharmaceuticals company (Julphar) based in Ras Al Khaimah. A public listed company, with majority ownership from the emirate of Ras Al Khaimah, Julphar manufactures around 518 types of pharmaceuticals adding up to around 3,780 products with sales of AED 935 million in 2010.[12] Neopharma, another main manufacturer located in Abu Dhabi Industrial City, produces medicine tablets, syrups, capsules, and suspension medicines.

40. All other pharmaceutical producers are privately owned. An important producer, Gulf Inject, set up by a group of local and Gulf business interests in the Jebel Ali Free Zone, specializes in the production of intravenous solutions, also mostly for the export market.

(d) Other industries

41. In recent years, the UAE has been developing its cable manufacturing industry, although growth has declined since the 2008 slump in the construction sector. Large investments in the industry include a joint venture between Abu Dhabi Basic Industries Corporation (ADBIC) and Midal Cables Limited, one of the world's largest manufacturers of aluminium rods and conductors, to set up an aluminium rod plant at Taweelah, with a combined investment of around AED 368 million. In December 2009, the production capacity of Midal Cables Limited was 110,000 tonnes of aluminium rods.

(4) ENERGY AND WATER

(i) Petroleum

42. The UAE is the world's seventh largest oil producer and fourth largest exporter of crude oil. The petroleum sector accounted for 31.5% of GDP and 59.5% of export revenues in 2010. The UAE's proven crude oil reserves are estimated at 97.8 billion barrels, equivalent to almost 8.5% of the world's reserves. Production was 2.32 million barrels/per day in 2010 (Table IV.3). The UAE has

[12] For more information see: http://www.julphar.net.

been a member of OPEC since 1974 and a member of the Organization of Arab Petroleum Exporting Countries (OAPEC) since 1970.

Table IV.3
Basic data on the petroleum subsector, 2006-10

	2006	2007	2008	2009	2010
OPEC proven oil reserves (m/b)	97,800	97,800	97,800	97,800	97,800
Crude oil production ('000 b/d)	2,568.0	2,529.0	2,572.2	2,241.6	2,324
Crude oil exports ('000 b/d)	2,420.3	2,342.7	2,334.4	1,953.4	2,103

Source: OPEC (2010), *Annual Statistical Bulletin, 2010/11.* Viewed at: http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2010_2011.pdf.

43. Abu Dhabi holds around 95% of the UAE's oil reserves (around 92.2 billion barrels), followed by Dubai with 4 billion barrels, Sharjah with 1.5 billion barrels, and Ras al Khaimah with 100 million barrels. The majority of the UAE's oil fields are located offshore. Abu Dhabi's main offshore oilfields are Umm Shaif, Lower Zakum, Upper Zakum[13], al-Bunduq, and Abu al-Bukhoosh.[14]

44. According to Article 22 of the Constitution of the UAE, natural resources are vested in each individual emirate, not with the Federal Government. Any foreign equity in projects is determined by the competent authorities of the local government of the emirate where the natural resource is located. The Federal Ministry of Energy has limited powers to set policies and planning at a federal level and is subject to the constitutional rights of the emirates. Its main functions include: the coordination among local authorities on energy matters; the compilation of energy-related data and statistics; and representation of the UAE in international organizations.

45. In Abu Dhabi, the main petroleum producer, the Supreme Petroleum Council (SPC), is the main regulatory body of the sector, it sets policies with regard to the preservation of petroleum resources, decision-making, policy formulation, and implementation. The SPC was established by (Abu Dhabi) Law No. 1 of 1988. The ruler of Abu Dhabi is the Council's chairman and retains final authority over key decisions relating to oil and gas development.[15] The SPC is the highest authority responsible for petroleum affairs in Abu Dhabi, and conducts its policy through resolutions, and is in charge of their implementation and follow-up. The SPC is also responsible for implementing Law No. 8 of 1978 regarding the conservation of petroleum resources.

46. The Abu Dhabi National Oil Company (ADNOC), established in 1971, is the state monopoly in charge of the emirate's hydrocarbon interests around the world. Through its 16 subsidiary companies, ADNOC has become one of the world's largest oil conglomerates, operating in exploration and production of crude oil and natural gas; refining, marketing, supply and transportation; and the manufacture of petrochemicals (Table IV.4).

47. The right to explore, develop, and produce petroleum is typically granted by way of a concession by the relevant emirate. Concessions are often granted on a joint-venture basis; the involvement of international oil companies is limited to minority ownership interests in the project companies that are granted the concession and to the provision of technical services to those project

[13] Upper Zakum is the third-largest offshore oilfield in the Gulf and one of the biggest in the world. It is estimated to contain in excess of 50 billion barrels of reserves, with estimated recoverable resources of around 16 to 20 billion barrels.

[14] Butt (2001).

[15] The SPC is also composed of the UAE Petroleum Minister, and representatives of the Abu Dhabi Finance Department, ADNOC, and the Abu Dhabi Investment Authority (ADIA).

companies. Abu Dhabi does not have specific legislation governing the granting of exploration and development concession rights. However, a number of laws affect the petroleum industry, including the (Abu Dhabi) Gas Ownership Law No. 4 of 1976, the (Abu Dhabi) Petroleum Resources Conservation Law No. 8 of 1978, the (Abu Dhabi) Petroleum Ports Law No. 12 of 1973 and its amendment, and the Abu Dhabi Tax Decree of 1965.

Table IV.4
Abu Dhabi National Oil Company activities, 2011

Main activities	Subsidiaries of ADNOC
Upstream operations for oil and gas exploration and extraction	Abu Dhabi Company for Onshore Oil Operations (ADCO)
	Abu Dhabi Marine Operating Company (ADMA-OPCO)
	Zakum Development Company (ZADCO)
Downstream operations of oil and gas refining and processing	Abu Dhabi Gas Industries Limited (GASCO)
	Abu Dhabi Gas Development Company (ADGAS) Al Hosn Gas
	Abu Dhabi Oil Refining Company (TAKREER)
Distribution of refined products	ADNOC Distribution
Marine transportation	Abu Dhabi National Tanker Company (ADNATCO)
	National Gas Shipping Company (NGSCO)
Chemical and petrochemicals	Ruwais Fertilizer Industries (FERTIL)
	Abu Dhabi Polymers Company Limited (BOROUGE)
	ADNOC Linde Industrial Gases Company Ltd. (ELXIER)

Source: ADNOC online information. Viewed at: www.adnoc.ae.

48. In the other emirates, the respective rulers regulate the oil and gas industry. In Dubai, policy is regulated through the Department of the Ruler's Affairs and Petroleum Affairs, with the Executive Council of the Government of Dubai responsible for approving agreements relating to oil and gas development. Operations are carried out through concessions or contracts concluded between companies and the Government of Dubai. The Sharjah Petroleum Council is responsible for regulating policy regarding the development of oil and gas in Sharjah.

49. It is expected that the UAE will continue to rely on hydrocarbons (oil and gas) for its energy consumption in the next years. Abu Dhabi has formulated a long-term vision to develop its energy sector both in terms of productivity and efficiency, while also enlarging its economic base. Following years of minimal investment in increasing capacity, Abu Dhabi, through ADNOC, is aiming to boost capacity from around 2.3 million barrels per day in 2010 to 3.5 million barrels per day by 2017, the majority of which are targeted for exports.

50. ADNOC has long maintained partnerships with international oil companies (IOCs). This is expected to benefit the UAE as more technologically challenging oil reserves are being exploited. The IOCs benefit from production-sharing rights and are able to book reserves, although they receive a low rate of return. Around 40% of the UAE's oil production is carried out by wholly foreign-owned concessionaires.

51. Several projects are under way to increase crude oil production in Abu Dhabi's oil fields. These include the development of the offshore Upper Zakum field by the Zakum Development Company (Zadco), an ADNOC subsidiary, with an investment of US$1.5 billion, Exxon Mobil on technical-based merit, submitted the winning bid in an SPC tender and acquired 28% of Zadco, with the Japan Oil Development Company holding 12% and ADNOC holding 60%. Another large project is being developed by the Abu Dhabi Company for Onshore Oil Operations (ADCO), with investments of US$1.5 billion, to develop three new fields in Abu Dhabi's north-eastern region:

Al Dabbiya, Rumaitha, and Shanayel, with an initial production of around 100,000 barrels per day (b/d).[16]

52. Downstream petroleum activities (i.e. the processing of crude oil to fuel) are owned and managed by three ADNOC subsidiaries: Abu Dhabi Gas Industries Limited Company (GASCO), Abu Dhabi Gas Liquefaction Company Limited (ADGAS), and Abu Dhabi Oil Refining Company (TAKREER). The UAE has five refineries, with a total refining capacity of 781,250 barrels per day in 2009. The largest two are ADNOC's Ruwais refinery with a capacity of 350,000 b/d and Umm Al-Nar at 150,000 b/d. There are plans to build a new refinery at Fujairah with a capacity to process 500,000 b/d of crude oil. Fujairah has the third-largest bunkering port in the world and is the country's major oil export terminal. About 70% of total refined output is consumed domestically.

53. The UAE levies a corporate tax on companies in oil and gas activities which is regulated by the individual emirates. In Abu Dhabi the corporate tax applies in accordance with the Abu Dhabi Income Tax Decree of 1965, as amended. Although not a petroleum-specific decree, it applies only to chargeable persons "dealing in oil", "chargeable persons" including foreign entities, ADNOC and its subsidiaries, and any other domestic companies involved in petroleum. The tax ranges between 55% and 85% depending on production.[17] The Supreme Petroleum Council grants tax incentives to businesses that benefit Abu Dhabi, for example, through furthering its economic development, investment, technology transfer, and training of UAE nationals.

(ii) Natural gas

54. Natural gas is an increasingly important energy source and accounts for approximately two-thirds of the UAE's total energy consumption, with crude oil accounting for the remainder. The UAE has the world's fifth-largest reserves of natural gas, at 6.09 trillion cubic meters, around 3.5% of the world total. In 2009, the UAE produced approximately 48.8 billion cubic meters of natural gas (Table IV. 5); Abu Dhabi holds about 92% of the UAE's gas reserves. The majority of the UAE's natural gas production is associated gas. In Abu Dhabi, the non-associated Khuff natural gas reservoirs beneath the Umm Shaif and Abu Al Bukhush oil fields are among the largest in the world.

55. Abu Dhabi's gas policy is to develop gas resources to meet growing domestic demand, giving priority to generating water and electricity, supply of gas to new industries, petrochemical projects, and any re-injection needs. Natural gas in Abu Dhabi is managed by two subsidiaries of ADNOC, the Abu Dhabi Industries Company (GASCO), which handles onshore gas operations, with 68% ownership by ADNOC; and the Abu Dhabi Gas Liquefaction Company (ADGAS) for liquefied natural gas (LNG) production, with 70% ownership by ADNOC. Foreign participation by international oil companies accounts for the remaining interests in GASCO and ADGAS; the main players are Total, Royal Dutch Shell Group, Mitsui & Co, BP, and Partex Gas Corporation.

[16] ADCO, in which ADNOC has a 60% interest, operates onshore and in the shallow coastal waters of the Emirate of Abu Dhabi. ADCO produces from six oil fields: Asab, Bab, Bu Hasa, Sahil, Shah, and North East Bab (Dabbiya, Rumaitha, and Shanayel). These fields are linked by more than 450 kilometres of pipeline, with storage and shipping facilities at Jebel Dhanna, where tankers load crude oil for export to many parts of the world. See ADNOC online information. Viewed at: http://www.adnoc.ae/content.aspx?newid=27 &mid=27.

[17] Article 17 of the Abu Dhabi Income Tax Decree of 1965 stipulates that a company must pay a basic income tax at 55%. However, if the production of crude oil during a calendar year reaches an average of 100,000 barrels a day, then the rate increases to 65%, and if production reaches an average of 200,000 barrels a day, the company must pay income tax at 85%.

Table IV.5
Gas production and utilization, 2006-10
(Million cubic metres)

	2006	2007	2008	2009	2010
Gross production	76,194	78,963	80,055	75,840	79,778
Marketed production	48,790	50,290	50,240	48,840	51,282
Flared	950	970	980	967	972
Re-injection	20,984	22,033	23,135	22,051	22,406
Shrinkage	5,470	5,670	5,700	3,983	5,118

Note: Marketed production corresponds to gross production, minus the volumes of gas flared or re-injected into the fields, minus the shrinkage.

Source: OPEC (2010), *Annual Statistical Bulletin, 2010/2011*. Viewed at: http://www.opec.org/opec_web/static_files_project/media/downloads/publications/ASB2010_2011.pdf.

56. Since the 1970s, the UAE has exported liquefied natural gas (LNG), mainly to Japan, but in 2008 it became a net importer of gas, due to a sharp increase in demand through increased electricity consumption (accompanied by a preference for natural gas as the feedstock for power generation and water desalination projects) and a growing petrochemical industry. It is estimated that as much as half of UAE's natural gas production is used for domestic power generation during the peak summer months. Significant quantities of natural gas are also used in re-injection operations for oil reservoir pressure maintenance.

57. Given the increasing demand for natural gas, the UAE addresses the shortfall in domestic gas supply by importing around 30% of its domestic gas demand from Qatar through the Dolphin Energy Project (see Box IV.1). In addition, the UAE has embarked on a substantial investment programme to boost domestic gas production, most notably through sour gas development projects in Abu Dhabi. Sour gas reserves from the Shah Field are expected to produce 10 billion cubic metres per year at an estimated cost of US$12 billion. Al Hosn Gas is a joint venture between ADNOC and Occidental and is expected to be operational in 2013. Another project, undertaken by GASCO, the Integrated Gas Development Project, is due for completion in 2012 and is expected to produce 7.5 billion cubic metres per year of high-pressure gas from the offshore Umm Shaif and Khuff fields for processing through new onshore facilities at Habshan and Ruwais.

Box IV.1: The Dolphin Project a regional energy initiative

Dolphin Energy is a consortium of the Abu Dhabi government-owned Mubadala Development Company (51%) and Occidental Petroleum of the United States and Total of France (each of which holds a 24.5% stake). Dolphin Energy was established in 1997 to further expand the UAE's gas network. The project is the largest energy-related venture undertaken in the GCC region and the first cross-border refined gas transmission project involving the UAE, Qatar, and Oman.

A development and production-sharing agreement (DPSA) was reached in 1999 between the governments of the UAE and Qatar to allow the Abu Dhabi Government and its partners to invest in the appraisal, drilling, and construction of the upstream facilities in the dedicated concession area in the North Field. In return, Dolphin Energy would share with Qatar the income from the by-products extracted at its Ras Laffan Gas Processing Plant, while buying all the natural gas produced for export to the UAE and Oman. The agreements provide for the supply of Dolphin natural gas to each customer for terms of 25 years.

Currently, Dolphin Energy helps meet around 30% of the UAE's energy requirements. The project delivers around 2 billion standard cubic feet of natural gas per day to customers throughout the UAE and Oman. Moreover, Dolphin's natural gas is helping to support the Abu Dhabi Vision 2030 by being a reliable supplier of clean energy.

Source: Information provided by the authorities; and online information at: www.dolphinenergy.com.

58. The UAE continues to export a large amount of gas, at relatively stable levels, notwithstanding the increase in imports to meet its domestic needs. This is largely because: (i) a significant portion of the UAE's natural gas production is committed to long-term LNG export contracts; and (ii) most of its reserves are concentrated in the emirate of Abu Dhabi, and the lack of an integrated gas pipeline distribution network means that the other emirates (particularly the "northern" emirates need to import natural gas.

59. The emirate of Sharjah has its own gas production and investment projects. Its main project, DanaGas, is the region's first privately owned gas exploration company. DanaGas has active investments in the UAE, Saudi Arabia, Iraq, Egypt, and the United Kingdom. DanaGas has been a pioneer in the creation of the "gas cities" concept, which aims to create an integrated natural gas industry cluster in various locations around the world.

60. The UAE is assessing the exploitation and use of alternative renewable sources of energy, in particular solar power, through the Abu Dhabi Future Energy Company (MASDAR), which is wholly owned by the state-owned Mubadala Development Company. The Federal Government's energy policy aims at producing 7% of total capacity by 2020.

61. Nuclear energy has gained priority in recent years, following the establishment of the Emirates Nuclear Energy Corporation, which was set up to act as the government investment arm for the development of nuclear energy.

(iii) Electricity and water

62. The UAE is the second-highest consumer of electricity among the Gulf countries, after Saudi Arabia. In 2010, UAE residents consumed around 89,587GWh of electricity. Plans for economic diversification, coupled with strong population growth, have led to increased demand for electricity. Electricity in the UAE is produced from conventional thermal sources, such as natural gas and diesel oil fuel. Installed generation capacity increased from 15,865 MW in 2006 to 23,215 MW in 2010.

63. Water resources are scarce. Almost 93% of potable water is desalinated, and the rest comes from ground water. In 2010, total desalinated water production was 354,536 million gallons and ground water production 25,000 million gallons. The supply of both electricity and water are highly subsidized in the different emirates.

64. Electricity and water in the UAE remain under the responsibility of four entities: the Abu Dhabi Water and Electricity Authority (ADWEA), the Dubai Electricity and Water Company (DEWA); the Sharjah Water and Electricity Company (SEWA), and the Federal Electricity and Water Authority within the Ministry of Energy, which supplies the four northern emirates. The Ministry of Energy plays a coordinating role among these authorities. ADWEA is the only government entity with domestic and foreign private ownership (40%).

65. The electricity market in Abu Dhabi is based on a "single buyer" model where all generated power is purchased by ADWEA. ADWEA sells the electricity to the Abu Dhabi Distribution Company (ADDC) and Al-Ain Distribution Company (AADC) for distribution. In addition, ADWEA pays a transmission company (TRANSCO) for wheeling charges of its transmission system. This process is regulated by the Regulation and Supervision Bureau (RSB) in Abu Dhabi.

66. The Dubai Electricity and Water Authority (DEWA) is responsible for electricity and energy in Dubai. DEWA is in charge of overall power generation, transmission, distribution, and operation. The Supreme Council of Energy in Dubai is an independent legal entity that aims to guarantee energy supply to end-users in the emirate.

67. The Ministry of Energy represents the UAE in regional and global forums and coordinates between the local authorities on energy matters. The Ministry also supervises the integration of the power grid of local projects in the UAE, known as Emirates National Grid Project (ENG).

68. In order to increase electricity capacity, Abu Dhabi has actively involved the private sector through independent water and power projects; five projects have been concluded. Dubai has recently involved the private sector, and one project is so far under way.

69. Prices of electricity and water are determined at emirate level (including the formula used and the criterion), taking into account the different emirates' government subsidies.

(5) SERVICES

(i) Financial services

70. Prior to the global financial crisis of 2008, the UAE's financial sector had experienced remarkable growth; with Dubai portrayed as the financial hub of the Gulf region. Financial services are of considerable importance to the economy, particularly to Dubai's; they represented 6.8% of GDP in 2010. However, as a result of the crisis, many UAE banks suffered from liquidity shortages and stock markets plunged; the Dubai Financial Market (DFM) and the Abu Dhabi Securities Exchange (ADX) fell by 68.5% and 46.4% respectively in November 2008. The effect of the crisis on the economy in general, and on the financial sector in particular was substantial, particularly for Dubai. The debt of the Dubai Government and its government related entities (GREs) has exceeded 100% of GDP; the greatest risk to the financial sector is the possibility of further debt restructurings by Dubai (Box IV.2).

71. The UAE financial system consists mainly of commercial banks, accounting for over 90% of total lending by the financial sector. Equity and insurance markets are considered small, in comparison to other emerging markets. Banking and financial intermediation services are regulated at federal level, by the Central Bank of the UAE; insurance services are also regulated at federal level under the authority of the Ministry of Economy.

72. Under the GATS[18], the UAE has made commitments on all banking and other financial services, with the exception of settlement and clearing services for financial assets (as there was no stock exchange in the UAE when it became a Member of the WTO in 1996). The UAE has bound measures on all these services for cross-border supply and consumption abroad without limitation. Measures affecting mode 3 (commercial presence) supply remain unbound for new licences to operate bank branches and to expand activities of existing financial entities. In the area of insurance services, the UAE made no specific commitments in its GATS Schedule. Cross-border supply of insurance services is not possible for companies located abroad. All assets and risks in the UAE must be insured domestically. Maximum foreign ownership of domestic insurance companies is set by law at 49%. Representative offices may not engage in business or act as agents.

[18] WTO document GATS/SC/121, 2 April 1996.

Box IV.2: The global financial crisis and its effect on the UAE's financial system

In 2009, the UAE economy slowed down significantly as a result of the global recession, the bursting of the Dubai property bubble, and the post-Lehman shutdown of international capital markets. Dubai World (DW), one of three major holding companies owned by the Dubai Government, reached a debt standstill in November 2009. Other government related entities (GREs) had similar financial difficulties.

The UAE authorities adopted a number of measures to handle the effects of the financial crisis, which led to a liquidity squeeze that began in the third quarter of 2008. The Emirate of Abu Dhabi provided financial support to the Emirate of Dubai, through its participation in a financial support fund (see below). Measures taken by the UAE authorities included, *inter alia,* supporting the banking sector through liquidity injection, recapitalization, and deposit guarantee. More specifically, the Central Bank of the UAE guaranteed all bank deposits for three years and provided an AED 50 billion liquidity support. The Ministry of Finance injected AED 70 billion of deposits, which it later agreed to convert into subordinated debt, and the Government of Abu Dhabi injected AED 16 billion of capital into the five largest banks based in Abu Dhabi.

In July 2009, the Government of Dubai established the Dubai Financial Support Fund (DFSF) to provide financial assistance to GREs of strategic importance. The DFSF manages a US$20 billion bond programme, half of which was subscribed by the Central Bank and the rest by the emirate of Abu Dhabi. Following the DW standstill announcement, the Government of Dubai enacted a special insolvency regime for DW and its Nakheel subsidiary specialized in real estate development. The debt restructuring of DW was agreed by all creditors in late October 2010. The restructuring plan covered US$24.9 billion of debt, of which US$14.4 billion was owed to some 90 domestic and foreign banks and the remaining US$10.5 billion to the Government of Dubai. The bank debt refinancing was at low interest rates (1%) and with long maturity periods (five years for a US$4.4 billion, and eight years for a US$10 billion tranche. The US$10.5 billion government debt was to be converted into equity through the DFSF, which committed to provide new funds up to US$1.5 billion to DW for the company's working capital and interest payments. Through the DFSF, the Government would also provide US$8 billion new equity to Nakheel and convert its existing US$1.2 billion debt into equity. Nakheel was to be separated from DW and owned directly by the Government; its creditors and suppliers to be paid off with a combination of 40% cash and 60% debt security.

According to the IMF, the DW debt restructuring led to an increase in Dubai sovereign debt, with spill-overs to the banking sector and financial markets. Debt due in 2011-12 is estimated at around US$31 billion, of which at least US$5 billion in the real estate sector. Other Dubai GREs have reached or are also in debt restructuring negotiations with banks, such has been the case of Dubai Holding Commercial Operations Group (DHCOG), Dubai Group (DG), and Dubai International Capital (DIC). Also, there are signs that some Abu Dhabi GREs heavily investing in the real estate sector are experiencing financial difficulties. Nevertheless, investor confidence, especially in Dubai has risen as a result of several major GRE's reaching restructuring agreements with their lenders.

Source: International Monetary Fund (2011). *Staff report for the 2011 Article IV Consultation-Staff Report; Staff Supplement; Public Information Notice on the Executive Board Discussion.* IMF Country Report No. 11/111, May. Viewed at: http://www.imf.org/external/pubs/ft/scr/2011/cr11111.pdf.

(a) Banking

73. The UAE's banking sector is the second largest among GCC countries, after Saudi Arabia. Total assets increased by 5.7% from AED 1,519 billion at the end of 2009 to AED 1,605 billion at the end of 2010, but their share of GDP declined from 153% to 144%. Assets were at AED 1,672 billion in September 2011. Bank deposits increased from AED 982 billion at end 2009 to AED 1,049 billion at end 2010, an increase of 6.8%; they reached AED 1,067.3 in September 2011.[19] Loan growth declined in 2009-10 due to the Dubai debt crisis and a collapse in real estate property prices; this was reflected in a lower share of loans to GDP, which declined from 99% in 2009 to 95% in 2010.

[19] UAE Central Bank online information. Viewed at: http://www.centralbank.ae/en/pdf/dataroom/UAEMonthlyBanking Indicators-July11.pdf.

Table IV.6
Selected monetary and banking indicators, 2006 to September 2011
(US$ billion unless otherwise specified)

Indicators	2006	2007	2008	2009	2010	Sept. 2011
UAE Central Bank						
Total assets/liabilities	28.1	77.9	52.8	55.5	62.3	74.5[a]
Foreign assets and gold holdings	27.9	77.8	30.8	24.5	31.8	44.2[a]
Notes and coins issued	7.3	8.6	12.3	12.4	13.0	14.0 [a]
Banks						
Total assets/liabilities	225.0	327.4	394.3	414.2	438.2	465.5 [a]
Foreign assets	63.2	53.6	55.4	56.7	63.6	71.0 [a]
Foreign assets to total assets (%)	28.1	16.1	14.1	13.7	14.5	15.3 [a]
Foreign liabilities	48.4	87.4	77.0	68.4	74.0	78.9 [a]
Foreign liabilities to total liabilities (%)	21.5	26.7	19.5	16.5	16.9	17.0 [a]
Deposits[b]	**141.3**	**195.0**	**248.4**	**267.6**	**285.8**	**306.6** [a]
Residents	127.8	177.4	226.9	243.4	253.0	273.0 [a]
Non-residents	13.5	17.6	21.4	24.1	32.8	33.6 [a]
Bank credit (net)[c]	**137.0**	**189.6**	**268.2**	**277.0**	**280.7**	**287.5** [a]
Residents	120.1	170.6	251.7	261.0	264.7	267.2 [a]
Non-residents	16.9	19.0	16.5	16.0	16.0	20.3 [a]
Local banks	**21**	**22**	**24**	**24**	**23**	**23**
Branches	431	507	614	674	732	757
Foreign banks	**25**	**27**	**28**	**28**	**28**	**28**
Branches	81	80	82	82	83	83
Number of workers in banks (in UAE)[d]	**26,963**	**32,142**	**39,589**	**37,704**	**37,403**	**37,291** [a]

a June 2011.
b Excluding inter-bank deposits.
c Excluding loans to banks, net of provisions and interest in suspense.
d Excluding auxiliary staff.

Source: Central Bank of the UAE, *Statistical Bulletin*, various issues. Viewed at: http://www.centralbank.ae/en/index.php; and UAE Banking Indicators. Viewed at: http://www.centralbank.ae/en/pdf/dataroom/UAEMonthlyBankingIndicators-July11.pdf.

74. At the end of September 2011, the UAE had 51 commercial banks (up from 46 in 2006), with 23 national banks (of which 8 are Islamic) and 28 foreign banks (including GCC banks). During 2006-07, the number of GCC banks increased from three to six. There are 20 foreign banks with head offices in Dubai and 8 in Abu Dhabi; 83 branches of foreign banks (including GCC); and 757 branches of national banks.[20] There are 4,053 automated teller machines (ATMs).

75. There are 110 licensed representative offices of foreign banks and financial institutions (42 in Abu Dhabi, 67 in Dubai, and 1 in Sharjah). In addition, two investment banks operate in the country, Arab Emirates Invest Bank, and HSBC Financial Services (Middle East) Limited. In 2009-2010, the Central Bank granted three wholesale bank licences to Deutsche Bank AG and Industrial, Commercial Bank of China, and the Bank of Tokyo-Mitsubishi UFJ Ltd. In 2011 a fourth wholesale licence was issued to the Korea Exchange Bank.

[20] Central Bank online information. Viewed at: http://www.centralbank.ae/en/pdf/bsed/1-1-LB%20br.%20List%2031-10-2010_english.pdf.

76. Union Law No. 10 of 1980 governs the Central Bank, the monetary system, and the organization of banking in the UAE. Under the law, there are five principal categories of banking institutions in the UAE: commercial banks, investment banks, financial institutions, financial and monetary intermediaries, and representative offices, each of which must be licensed by the Central Bank.

77. Foreign banks operating in the UAE are also regulated by the Central Bank and must open branches in the UAE; they must be licensed by the Central Bank and (since 2010), are subject to a maximum of eight branches in the UAE. The typical operation of a foreign bank takes the form of a branch. Subsidiaries of foreign banks are not allowed, but foreign banks are allowed to open representative offices. Foreign banks are granted national treatment for paid-up capital requirements. All commercial banks, including branches of foreign banks are required to have a minimum paid-up capital of AED 40 million, or 10% of risk weighed assets in the UAE, whichever is greater. However, national treatment is not applied as regards the taxation of profits. Foreign banks are subject to a 20% tax on profits, which is not applied to national banks. The authorities indicated that banks were required to adopt Basel II provisions as of 2006.

78. Financial investment companies are regulated by Central Bank Resolution No. 164/8/94, of 18 April 1995. This resolution defines financial investment companies as those conducting one or more of the following business: (a) opening investment accounts and managing portfolios on behalf of others, whether individuals or companies; (b) preparing feasibility studies for projects and marketing allotments and stocks of shareholding companies; (c) establishing and/or managing investment trust funds; (d) establishing and/or managing other investment funds and acting trustee of funds entrusted to it by a trust to manage on behalf of a beneficiary; or (e) underwriting companies' capital and participating in syndicated loans. A financial investment company must be a juridical person with a minimum capital of AED 25 million, subject to increase according to the business the company intends to undertake. The resolution also requires national shareholding of not less than 51% of the paid-up capital, in addition to other terms and conditions in the regulation.[21]

79. UAE banks were expected to follow Basel II guidelines since 2006 as per Central Bank Notice 3,735/2006 "Basel II Implementation in the UAE" of 27 August 2006 and Notice 4,004/2009 "Capital Adequacy". The latter increased the minimum capital adequacy ratio (CAR) from 11% to 12% from 30 June 2010. The CAR measurement of capital allows banks to maintain Tier 2 capital at a maximum of 67% of Tier 1 capital. UAE banks are well capitalized, with a CAR of 21% and Tier 1 CAR of 16.4% in mid 2011.[22]

80. The Central Bank issued guidelines for implementation of the Basel II Capital Accord in November 2009; the guidelines have been in effect since then.[23] As per the guidelines, although BIS standards on Basel II are generally applicable, specific guidelines given by the Central Bank are to prevail. The guidelines mandate the immediate effective application of the standardized approach for credit risk, and encourage "internationally active UAE banks" to migrate to the foundation internal rating based (FIRB) approach in due course. Banks may select any of the market risk and operational risk approaches, with the advanced options requiring explicit approval by the Central Bank. The

[21] Central Bank online information. Viewed at: http://www.centralbank.ae/en/index.php?option=com_content&view=article&id=134&Itemid=99.

[22] Central Bank online information. Viewed at: http://www.centralbank.ae/en/pdf/dataroom/UAEMonthlyBankingIndicators-July11.pdf.

[23] The guidelines focus on specific issues of relevance for the UAE banking community; the complete Basel II guidelines include: Bank for International Settlements, "International Convergence of Capital Measurement and Capital Standards", June 2006, and Bank for International Settlements, "Enhancements to the Basel II Framework", July 2009.

Central Bank also expects each bank to develop and document its own internal capital adequacy assessment process (ICAAP), which is to become a key component of its supervisory review. quarterly prudential reporting by banks of their capital calculations under the standardized approach has been required since the quarter ending 30 September 2009.

81. In 2010, the Central Bank implemented a series of regulatory measures to help mitigate future financial crises. They include, *inter alia*: an increase of the minimum capital-adequacy ratio to 12%; a moratorium on new licences for commercial banks; a limit on the number of branches (only eight) permitted to licensed foreign banks; new provisioning rules requiring banks to classify loans as being in default, and make provisions accordingly, after 90 days of delinquency, instead of the previous 6 months (introduced in November 2010)[24]; a limit on personal loans to 20 times the monthly salary or income of a borrower, with a maximum repayment period of four years; and restrictions on processing fees for loans, debit, and credit cards.

82. The banking sector has undergone some mergers and acquisitions as a way of consolidating funds. In 2008, the Emirates Bank and National Bank of Dubai (NBD) merged to form Emirates NBD, the largest bank in the UAE, with a market capitalization of AED 19 billion. In 2011, the Abu Dhabi-based Real Estate Bank merged with the Emirates Industrial Bank (EIB) to create Emirates Development Bank, with an initial market capitalization of up to AED 10 billion.

83. Islamic banking in the UAE accounts for around 14% of total banking assets, with large potential for growth. Islamic banks are governed by Federal Law No. 6 of 1985 and regulated by the Central Bank; the capital adequacy ratio requirements for Islamic banks are the same as for ordinary banks. Islamic banks must take the form of joint-stock companies and may engage in any banking operation. The UAE has eight Islamic banks offering Shariah-compliant products and services such as: *sukuks* (Islamic bonds) and *ijara* transactions, which are used in property purchasing deals.[25]

84. At end September 2011, there were 116 moneychangers (main offices) operating in the UAE with 613 branches, up from 114 main offices and 562 branches at the end of 2010.[26]

85. Foreign banks pay a 20% local emirate tax on profits, governed by specific legislation in each emirate. There are no restrictions on the presence of foreign senior staff in foreign banks. All banks in the UAE are required to employ a minimum of 10% UAE nationals in total staff (excluding auxiliary staff) as per Central Bank regulations. Additionally, in accordance with Council of Ministers Decree No. 10 of 1998, all banks are to increase the number of UAE-national staff by 4% annually, although reportedly this has not been achieved due to lack of domestic workforce.

(b) Securities

86. As a result of the global financial crisis, market capitalization and the general share price index began to decrease in October 2009 and continued to fall in 2010. Market capitalization fell by 4.8%, from AED 404.7 billion at the end of 2009 to AED 385.4 billion at the end of 2010; and the general share price index decreased by 4.2% in 2010. The price earnings ratio (price per share divided by annual earnings per share) was 13.3 at the Abu Dhabi Securities Exchange and 17 at the Dubai Financial Market by the end of 2010.

[24] Notice No. 28/2010, 11 November 2010, Central Bank Revision of the Regulations for Classification of Loans and Determining their Provisions.

[25] According to Islamic banking laws, banks may not charge a fixed interest rate on deposits or loans but only variable interest rates based on a profit/loss sharing model.

[26] Central Bank of the United Arab Emirates (2011).

87. The UAE has three stock exchanges: the Dubai Financial Market (DFM), the Abu Dhabi Securities Exchange (ADX), and NASDAQ Dubai (formerly the Dubai International Financial Exchange (DIFX). NASDAQ Dubai is part of the Dubai International Financial Center (DIFC) free zone; whereas the DFM and ADX are both "on-shore" stock exchanges. In addition to these equity and bond exchanges, the UAE has the Dubai Gold and Commodities Exchange (DCGX), which trades in financial derivatives, and the Dubai Mercantile Exchange (NYMEX), which is the first international energy futures and commodities exchange in the Middle East.

88. The Dubai Financial Market (DFM) was established as an independent public institution by Ministry of Economy Resolution No. 14 of 2000. It operates as a secondary market for the trading of securities issued by public joint-stock companies, bonds issued by the Federal Government or any of the local governments and public institutions in the country, and units of investment funds and any other financial instruments, local or foreign, that are accepted by the Market. The DFM started operations in March 2000. In December 2005, it was converted into a public joint-stock company with a paid-up capital of AED 8 billion allocated over 8 billion shares, with a par value of AED 1 per share; 20% of these shares were offered for public subscription.[27] Market capitalization reached AED 194.9 billion in July 2011[28] (Table IV.7).

Table IV.7
UAE securities market, July 2011

	Abu Dhabi Securities Exchange	Dubai Financial Market	NASDAQ Dubai
Market capitalization, July 2011 (AED million)	275,115	194,880	38,743
Average daily trading value, 2010 average (AED million)	151.2	82.7	18,919
Number of listed companies/bonds, July 2011	65/1	64/7	..
Number of brokerage companies	62	62	..
Ownership	Abu Dhabi Government: 100%	Public: 20% and Borse Dubai (owned by Dubai Government) 80%	Borse Dubai (owned by Dubai Government) 66.7% and 33.3% NASDAQ-OMX

.. Not available.

Source: Information provided by the UAE authorities; Abu Dhabi Stock Exchange. Viewed at: http://www.adx.ae/PublicationAttachments/Aug2011-report_9-11-2011%202_09_55%20PM.pdf; and Dubai Financial Market. Viewed at: http://dfm.ae/documents/Publications/e0724b3f-c1f5-4be1-98a6-90d4d1e8348c.pdf.

89. The Abu Dhabi Securities Exchange (ADX) was established on 15 November 2000 by (Abu Dhabi) Law No. 3 of 2000, the provisions create an autonomous legal entity, with independent finance and management, and the necessary supervisory and executive powers to exercise its functions. These functions are to: provide opportunities to invest savings and funds in securities in order to benefit the UAE economy; ensure the soundness and accuracy of transactions and the proper interaction between demand and supply in order to determine prices; protect investors by establishing fair and proper dealing principles between the various investors; impose controls over securities transactions to ensure sound procedures; and ensure the financial and economic stability and develop the appropriate trading methods needed to ensure liquidity and stability of the prices of the securities listed on the market. The ADX has the authority to establish centers and branches outside the Emirate

[27] Dubai Financial Market online information. Viewed at: http://dfm.ae/pages/default.aspx?c=801.
[28] Dubai Financial Market (2011).

of Abu Dhabi. The Abu Dhabi Securities Exchange board of directors comprises seven members nominated by Decree, for a term of three years.[29]

90. The Emirates Securities and Commodities Authority (SCA) is in charge of regulating the DFM and the ADX, while the Dubai Financial Services Authority (DFSA) regulates NASDAQ Dubai. The SCA is an independent body, chaired by the Minister of Economy, under Federal Law No. 4 of 2000. It is responsible for regulating the licensing, management, membership, and supervision of financial markets and brokerage firms. The SCA is the only agency legally authorized to approve the listing of securities. SCA regulations allow foreign firms to list their securities in these markets after having satisfied certain requirements. Currently, 20 of the 130 companies registered in the SCA are foreign. The ADX and DFM started operating the Delivery Versus Payment (DVP) procedure in May 2011.

91. The number of finance companies licensed to operate in the UAE decreased from 24 in 2009 to 23 in 2010. No new company was given a licence to operate during 2010 or 2011, although there is no moratorium on licensing new financial institutions or on establishing branches of existing ones. Two companies were licensed during 2009: Abu Dhabi Commercial Islamic Finance Company, and Siraj Finance Company, There are also 13 financial consultancies (all locally incorporated), 15 financial intermediaries dealing in currencies and commodities as money market transactions (Forex dealers), and two investment banks.

92. No changes were made to the relevant legislation during the review period. Federal Law No. 4 of 2000 is the main piece of legislation regulating the licensing, management, membership, and supervision of the financial markets and brokerage firms in the UAE, with the exception of NASDAQ Dubai. Brokers seeking to operate on the DFM and ADX exchanges must establish a company with at least 51% national ownership, minimum capital of AED 30 million and the necessary financial guarantees (currently a AED 20 million bank guarantee).

93. Since the last Review of the UAE, the SCA has issued a number of regulations that seek to develop the financial services industry and strengthen supervision and regulation of the financial sector. These include a new Code of Corporate Governance, issued in 2007, to set governance practices and disclosure of listed companies and for regulating initial public offerings (IPOs) and secondary offerings (previously the role of the Ministry of Economy); 2008 regulations concerning margin trading, dual listing, and financial consultation and analysis; 2009 regulations concerning the custody of securities; and 2010 regulations concerning criteria for capital adequacy for brokerage firms in securities and commodity contracts. The authorities indicated that a number of new regulations are in the pipeline, dealing with issues including market makers and mutual funds. The number of licensed brokerage firms decreased from 104 in 2007 to 61 in 2011. Listed securities are tradeable via brokers only.

Offshore financial services

94. Despite the general policy of restricting ownership and limiting the number of banks, the UAE authorities allow individual emirates to maintain free zones specializing in the provision of financial services. In this respect, the Dubai International Financial Centre (DIFC), has independent jurisdiction under the UAE Constitution. The DIFC is the only financial free zone currently within the UAE, although, technically, another could be created. Financial institutions established in the DIFC benefit from: zero tax rate on income and profits; 100% foreign ownership; no restrictions on foreign exchange or capital/profit repatriation; operational support and business continuity facilities.

[29] ADX online information. Viewed at: http://www.adx.ae/English/AboutADX/Pages/MarketEstablishment.aspx.

The DIFC has its own court system, and as well as an independent centre for arbitration to which disputes may be brought. Corporate capital in the DIFC is designated in U.S. dollars rather than UAE dirhams. Institutions wishing to offer regulated financial services must obtain approval from the DFSA, the centre's independent regulatory body.

95. Investments in NASDAQ Dubai, which is housed in the DIFC, are not subject to the laws of the Emirates but to DIFC law. In July 2010, NASDAQ Dubai, made some structural changes to its market by outsourcing its key operational functions to the DFM, in order to help increase liquidity. There is no withholding tax on dividends, except for those on non-domestic dual-listed shares traded in NASDAQ Dubai, which may be subject to a withholding tax depending on the tax regulations in the country of origin. There is no withholding tax on interest on corporate bonds and no capital gains tax.

(c) Insurance services

96. According to the Insurance Authority, total insurance expenditure in the UAE more than doubled between 2006 and 2010, from US$2.7 billion to US$5.9 billion, in terms of total premium value. Non-life insurance accounts for the bulk, around 82% of total insurance expenditure, with the remainder in life insurance.

97. In 2010, 59 insurance companies were licensed in the different emirates, 32 national and 27 foreign. Most companies are based in Abu Dhabi or Dubai, and carry out the full range of insurance business (Table IV.8). Eleven national and two foreign firms operate both life and non-life insurances; two national and eight foreign firms undertake life insurance only, and 18 national and 17 foreign firms carry out non-life insurance activities only. In addition, there are: 11 UAE insurance agents; 170 insurance brokers (163 national and 7 foreign); 68 surveyors and loss adjustors; 22 insurance consultants; and 21 actuaries. Between 2006 and 2011, six foreign companies were licensed. The three largest insurance companies operating in the UAE are: Oman Insurance Company of Dubai, Islamic Arab Insurance Company of Dubai, and Daman Health Insurance Company of Abu Dhabi.

Table IV.8
Insurance premiums and claims, 2010
(US$ million)

	Total		**Local**		**Foreign**	
	Claims	**Premiums**	**Claims**	**Premiums**	**Claims**	**Premiums**
Car	772	1,173	582	818	190	355
Cargo and transportation	241	608	184	480	57	128
Fire	309	616	256	460	53	157
Theft	0	2	0	1	0	1
Life	213	1,096	58	374	154	721
Others[a]	1,364	2,496	1,149	2,050	215	447
Total	2,899	5,991	2,230	4,182	669	1,809

a Category comprises: fidelity guarantee, civil liability, cash in safe, cash in transit, worker compensation, engineering, glass breakage, health insurance, miscellaneous.

Source: Insurance Authority, Ministry of Economy.

98. Insurance penetration in the UAE is the highest in the Middle East, although it is still low by global standards. In 2010, insurance penetration accounted for 2.15% of GDP. Abu Dhabi made health insurance mandatory for expatriates in 2007[30], and for nationals in 2008; this helped increase broader awareness of the concept and has resulted in higher penetration. Life insurance policies still account for only a small proportion of overall business, but the popularity of *takaful* insurance has spurred the growth of life premiums in recent years.[31] The oil subsector represents a large share of insurance business.

99. An independent regulatory agency was established in 2007 to regulate the insurance sector in the UAE. The Insurance Authority, under the purview of the Ministry of Economy, has among its functions: formulating and issuing regulations for the insurance industry; approving and processes licences for insurance companies and brokers; determining policies and procedures related to solvency margins, accounting policies, investment rules and reinsurance standards; and implementing a code of conduct for the insurance industry. A new Federal Insurance Law (No. 6 of 2007) was adopted in 2007 to regulate the conditions for the establishment and operation of all insurance-related companies.[32]

100. Domestic and foreign insurance companies wishing to establish in an emirate must apply to the Insurance Authority for licensing. Conditions for the granting of licences are set out in Articles 19 and 20 of the Insurance Law (No. 6 of 2007). They include: economic needs criteria, such as domestic demand for the classes of insurance offered by the applicant; whether the applicant will introduce new classes of insurance coverage; and the appointment of a minimum number of UAE nationals as staff.[33] Eligible foreign insurance companies that meet licensing conditions may open a branch in the UAE and appoint a local insurance agent, it is also possible to open a representative office.

101. National companies and foreign branches must have minimum fully paid-up capital of AED 100 million (US$27 million), and must deposit, with a local bank, a guarantee of AED 6 million for non-life insurance and AED 4 million for life insurance. Combined life and non-life, or non-insurance-related operations are not allowed. As of August 2012, all insurance companies (new and existing) will be required to carry out life and non-life insurance separately. The general manager, authorized manager, and senior employees of an insurance company must have suitable qualifications and experience in the insurance business. The manager of a foreign branch must be a resident of the UAE. An application to open a foreign branch must specify the expected overall volume of retention within the UAE market.

102. Although allowed in principle, no new licences are currently being granted. The Insurance Authority took the decision not to issue new licences in December 2008, due to the relatively large number of insurance companies already operating in the UAE, which is considered to be a small market.

103. No taxes or stamp duty are levied on insurance companies at federal or emirate level on the settlements from life or non-life insurance.

[30] Per the Abu Dhabi Health Insurance Regulation Bill of Law 35 of 2005.

[31] Takaful is an Islamic insurance concept grounded in Islamic banking, observing the rules and regulations of Islamic law.

[32] Law No. 6 of 2007 replaced Federal Insurance Law No. 9 of 1984.

[33] To be granted a licence, the foreign company must commit to engage UAE nationals in the following percentages: 10% of the staff or at least two persons in the first year, rising to 25% of the staff or at least 12 persons in the fourth year.

104. The UAE made no specific commitments in its GATS Schedule regarding insurance services. The cross-border supply of insurance services is not permitted for companies located abroad. All assets and risks in the UAE must be insured domestically by a company registered in the UAE; this may be a domestic company, a local branch of a foreign company or an agency. However, UAE-based companies may insure risks located abroad. To protect the interests of policyholders, the maximum foreign ownership of domestic insurance companies allowed by law is 25%. Representative offices may not engage in insurance business or act as insurance agents. This does not apply to reinsurance services, for which commercial presence is not required: UAE insurance companies may reinsure their risks from international reinsurance markets. Insurance agents must be UAE citizens.

(ii) Telecommunications and postal services

105. The UAE has the highest mobile and internet penetration in the Arab world, according to the WEF's Networked Readiness Index (NRI) (Table IV.9).[34] In March 2011, mobile subscriptions per 100 inhabitants were at 196.7, i.e. almost two mobile phones per person; internet subscribers exceeded 1.3 million; and there were around 1.7 million landline users. The main reason for the high penetration rates is the large number of tourists, businessmen, and temporary residents that pass through the country (although a national ID card or passport is required to purchase a prepaid SIM card). Usage of multiple SIM cards is also higher than usual, and there is a high level of cross-border traffic. According to a report published recently by the ITU, the UAE ranks second worldwide in the category "mobile-cellular sub-basket as a percentage of GNI per capita".[35]

106. The telecommunications sector is governed by Federal Telecommunications Law No. 3 of 2003 and its Executive Order No. 3 of 2004, and regulated by the Telecommunications Regulatory Authority (TRA). The main functions of the TRA are to issue, implement and enforce all the regulations pertaining to telecommunications services and licensed telecommunications operators in the UAE. It is responsible for managing the frequency spectrum and numbering resources, and for standardizing type approval for telecommunications equipment. It is also responsible for developing sustainable competition in the sector to protect and promote consumer interests, by regulating interconnection and its pricing as well as retail services and prices.

107. The Supreme Committee for the Supervision of the Telecommunications Sector, set up under the Telecommunications Law, was dissolved in 2008 under Law No. 5 of 2008 amending the provisions of the Federal Law No. 3 of 2003. Under the new law, the functions of the Supreme Committee were transferred to the TRA. These functions include formulating general telecom policies, issuing telecom services and licensing, and fixing licence fees. As a result, the TRA is responsible for all policy formulation and implementation for telecommunications in the UAE.

[34] World Economic Forum (2011). The NRI measures the capacity of an economy to fully leverage ICT for increased competitiveness and development. The NRI study is based on data collected by organizations such as the International Telecommunications Union, the World Bank, and the United Nations. According to the NRI, the UAE is ranked 24th out of 138 for overall country network readiness, reflecting the increasingly central role ICT occupies in the Government's agenda, as an enabling infrastructure for economic diversification and a target sector in itself (the UAE is ranked 3rd for government readiness). The Government's focus in the sector has been matched by an equal interest in and capacity for using the latest technologies by individuals (5th and 21st for individual readiness and usage, respectively), with a rapid increase in ICT penetration rates over the last few years. Other competitive advantages are to be found in the very ICT-friendly market environment (18th) and infrastructure for ICT (28th).

[35] International Telecommunications Union (2011).

Table IV.9
Telecommunications indicators, 2007 to March 2011

Fixed statistics	**2007**	**2008**	**2009**	**2010**	**Mar. 2011**
Number of fixed lines[a]	1,324,213	1,454,929	1,561,196	1,460,985	1,722,060
Fixed lines per 100 inhabitations	29.2	30.2	29.9	26.4	30.6
Telephone connection charges	49.01	49.01	49.01	49.01	49.01
Monthly subscription charges	4.1	4.1	4.1	4.1	4.1
Cost of 3-minute local call	0	0	0	0	0
Cost of 3-minute call to U.S. or France	1.12	1.12	1.12	1.12	1.12
Cost of 3-minute call to Kuwait	1.12	1.12	1.12	1.12	1.12
Total fixed telephony revenues (US$ million)	768.9	864.6	1,042.8	878.2	..
Fixed domestic calls revenues (US$ million)	303.5	316.6	347.7	312.3	..
Fixed international calls revenues (US$ million)	333.2	326.4	439.2	324.3	..
Mobile statistics					
Active mobile subscriptions[b]	7,742.164	9,357,735	10,671,878	10,926,019	11,066,525
Mobile subscriptions per 100 inhabitants	164.4	190.4	204.4	197.2	196.7
Post-paid	770,071	824,589	958,685	1,176,435	1,238,273
Pre-paid	6,972,093	8,533,146	9,713,193	9,749,584	9,828,252
Total mobile revenues (US$ million)[c]	3,591.0	4,719.1	4,846.6	5,013.6	-317.1
Internet statistics					
Internet subscribers	832,515	1,201,853	1,404,405	1,374,903	1,366,770
Dial-up subscribers	528,633	642,849	713,981	584,821	553,364
Broadband subscribers	303,882	559,004	690,424	790,082	813,406
Broadband internet subscribers per 100 inhabitants	6.6	11.4	13.2	14.3	14.5
Internet subscribers per 100 inhabitants (both broad-band and dial-up subscriptions	18.5	25.2	26.9	24.8	24.3
Internet users per 100 inhabitants[d]	45.1	61.3	67.3	62.0	60.7
Peak dial-up access cost (US$/hour)	0.49	0.49	0.49	0.49	0.49
Off peak dial-up access cost (US$/hour)	0.27	0.27	0.27	0.27	0.27
Total internet revenues (US$ million)	241.7	474.1	689.9	744.7	..
Investment					
Total investment (US$ million)	2,153.1	2,247.4	2,600.5	2,142.0	..
Staff					
Telecommunications staff	10,695	11,759	11,890	11,528	..

.. Not available.

a Includes ISDN fixed lines.
b Includes active mobile subscriptions only. "Active" is defined by any subscriber who has made or received a voice or video call in the preceding 90 days, or has sent an SMS or MMS during that period.
c Excluding mobile data revenues.
d Penetration rate calculated using the ITU methodology, which assumes there are 2.5 internet users per internet subscription (includes broadband and dial-up usage).

Note: Exchange rate AED 3.6725 = US$1.

Source: Etisalat and Telecommunication Regulatory Authority.

108. Important changes have been introduced with respect to market competition since the UAE's last Review; however competition remains limited and the prices of services high. As a result of the changes, the UAE telecommunications market is no longer a monopoly. In February 2006, Du (Emirates Integrated Telecommunications Company) was awarded a licence to become the UAE's second telecom services operator, therefore ending Etisalat's (Emirates Telecommunications Corporation) 30-year monopoly in the telecoms sector. Both companies are majority owned by the

UAE Government. Etisalat is 60% owned by the UAE Government, and 40% of its shares are publicly traded. Du is owned by several UAE entities, with public-sector ownership of over 50%, followed by the Emirates Investment Authority (39.5%), Mubadala Development Company (19.75%), and the Emirates Communications & Technology Company LLC (19.5%), while 21.25% of its shares are publicly traded. All shareholders must be UAE nationals, as foreign investors are not allowed to buy shares in these companies. The TRA does not plan to licence a third operator as it considers the current competition level in the UAE's telecoms sector as adequate (especially in mobile services).

109. Etisalat is a one-stop shop for mobile and fixed-line voice and data services to individuals, enterprises and international telecommunications companies, ISPs, content providers, and mobile operators. It also offers card manufacturing, clearing house services, peering, voice and data transit, and submarine and land cable services. Etisalat has 525 roaming agreements connecting 185 countries enabling BlackBerry, 3G, and voice roaming.[36]

110. In February 2011, Etisalat was the 16th largest mobile operator in the world, with operations in 18 countries across Asia, the Middle East, and Africa, and over 135 million customers. In 2010, Etisalat reported annual net revenue of AED 31.9 billion, a 2% increase, while net profits decreased to AED 7.6 billion.

111. Du is an integrated telecom service provider offering fixed and mobile telephony, broadband connectivity, and IPTV services to individuals, homes, and businesses, and carrier services for businesses. Du has 40.2% of the mobile market in the UAE, with 4.4 million subscribers at end 2010. In 2009, Du's reported annual net revenue was AED 5.3 billion and net profits of AED 528 million. Its revenue increased 32% in 2010, and net profits were AED 1.22 billion before royalties.

112. Du paid the TRA a licence application fee of AED 300,000 and an initial licence fee of AED 124.5 million. In addition, it pays an annual licence fee of AED 1.5 million. Other fees include radio spectrum authorization fees, number allocation fees and an annual fee for the telecommunications and information technology development fund of 1% of the operator's total revenues. Etisalat pays 50% of its profits in royalties or taxes to the UAE Government, while Du paid 15% in 2010. The authorities explained that this difference reflects the importance of supporting new market entrants through regulatory measures to enable them to become strong competitors, and thus achieve effective and sustainable competition in the long term. There are plans by the TRA to lower Etisalat's royalty amounts.

113. Mobile subscriptions are expected to continue to rise as internet surfing on mobiles increases, although growth will be mostly from business visitors, tourists, multiple SIM cards, and new services such as mobile broadband.

114. In late 2011, a number of developments in the telecoms sector were expected to be completed in the near future, including the introduction by the TRA of mobile number portability; and the TRA's approval for Etisalat and Du to compete on fixed-line voice and broadband services, as both companies offer fixed-line services in the UAE, but not in the same districts.

115. Postal services in the UAE are regulated at the federal level by the Emirates Post Holding Group (EPHG). Established under Federal Law No. 14 of 2007, EPHG has four subsidiaries: Emirates Post; Emirates Cooperation for Commercial Postal Services (EMPOST); Wall Street Exchange Center; and Electronics Documents Center (EDC). There are over 120 post offices in the UAE.

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[36] Etisalat has made efforts to roll out its fibre-to-the-home (FTTH) network in the UAE. At end 2009 it had completed the roll-out for 85% of households in Abu Dhabi.

116. Any company (national or foreign) wishing to conduct courier services in the UAE requires a licence: a licence is required for transport of documents, letter items, and parcels. The licensing department at EPHG is responsible for granting and issuing licences against payment of a prescribed fee (AED 100,000), and presentation of the necessary documentation. In 2011, 85 postal companies had been licensed by the EPHG, with 19 new companies registered in 2009.

(iii) Transport

(a) Overview

117. Transport plays an important role in the UAE's economic development. In 2010 transport, storage, and communication constituted 9.05% of GDP. Due to its geographical position, the UAE is strategically located to establish links between Asia, Europe, and Africa. A key component of the UAE's economy, especially in Dubai and Abu Dhabi, has been its logistics and transport infrastructure, with continued investments to fulfil its long-term plans. Plans include: continued expansion of passenger and freight handling capacity at the international airports in Abu Dhabi, Dubai, and Sharjah and construction of the new Al Maktoum International Airport at Jebel Ali port; expansion of port cargo-handling capacity; construction of intra-emirate metro systems or light rail transport systems in Abu Dhabi and Dubai; creation of a rail network covering the UAE, and eventually the GCC countries; and improvements in bus services.

118. Each emirate has an independent emirate-wide transport policy. Various federal authorities, such as the National Transport Authority (NTA) and the General Civil Aviation Authority (GCAA), are responsible for inter-emirate and international transport policy at the federal level. The NTA, which replaced the Ministry of Transport under Federal Law No. 1 of 2006, is in charge of setting general policies and regulations related to inter-emirate and international land (road and railway) transport and international maritime transport. The GCAA was set up in 1996 and is in charge of air transport in the UAE.

119. At the emirate level, the Department of Transport (DOT) is responsible for all transport-related matters and transport policy and development in Abu Dhabi.[37] In Dubai, transport matters are regulated by Dubai Roads and Transport Authority (land and maritime transport), and the Dubai Civil Aviation Authority (DCAA) and Dubai Airports (air transport).

(b) Air transport and airports

Air transport services

120. The UAE's air transport industry grew continuously during the review period. In 2011, the UAE had a total of six national airports and five national carriers.[38] The UAE plans to become a global transport hub by investing around AED 500 billion (US$136.12 billion) in the aviation industry over the next decade. It intends to capitalize on its transport and communications infrastructure by introducing new aircraft for the five UAE flag carriers, huge investments in new airport capacity throughout the seven emirates, and plans for Abu Dhabi to become a regional centre for aircraft maintenance, manufacturing, and flight training.

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[37] Previously, responsibility for Abu Dhabi's transport was held by a variety of entities, both the local and Federal, including the General Civil Aviation Authority (GCAA), the Department of Civil Aviation, the Department of Municipal Affairs, and the Sea Ports Authority (SPA).

[38] The five national airports are: Abu Dhabi International Airport, Al Ain airport, Dubai International Airport, Fujairah airport, Ras Al Khaimah airport, and Sharjah International Airport. The five national airlines are: Air Arabia, Emirates Airlines, Etihad Airlines, FlyDubai, and RAK Airways.

121. All activities related to civil aviation in the UAE, at the federal level, are managed by the General Civil Aviation Authority (GCAA). An autonomous body, the GCAA ensures safety and security for the aviation sector through oversight and the development of regulations. It also provides navigation services, registration, and licensing services for the UAE aviation industry. The GCAA proposes general air transport policy guidelines and relevant legislation to the Council of Ministers, and enforces international agreements and conventions. The aviation authorities at emirate level are involved with operational matters at their respective airports. They represent the interests of the stakeholders in each emirate in air services agreements (ASA), through participation in preparatory meetings, work committees, and exchanges of views with the GCAA. For example, Abu Dhabi's DOT secures traffic rights in coordination with the GCAA. Carriers wishing to conduct commercial air transport in the UAE must obtain an Air Operator Certificate from the GCAA.

122. Cabotage operations, of cargo and passengers, are limited to national airlines; in practice, however, no such operations take place. Airports are the property of the different emirates. Foreign companies may provide certain services, including: freighter and charter passenger services; maintenance, repair and overhaul (MRO); aircraft leasing; and parts manufacturing.

123. The UAE has bilateral air services agreements with 144 countries, including 90 open skies agreements. Based on the traffic rights specified in the respective air services agreements, airlines decide their own capacity (frequency and aircraft type), subject to approval by the authorities. In 2009, the UAE joined the IATA air services agreement, along with six other countries, in order to further liberalize its air space by signing the deal under IATA's Multilateral Statement of Policy Principles.[39] Under this non-binding multilateral agreement, airlines may merge across borders, acquire airlines in other countries, or tap into international equity markets or private equity investors.[40]

124. The UAE aims to become a global aviation hub, chiefly by encouraging airlines to commence and maintain operations in the UAE. This policy includes developing several key clusters, such as airport-related activities and services, aircraft leasing and financing, aircraft maintenance and manufacture, as well as other aviation-related activities. In Abu Dhabi, an airport free zone is being established to promote foreign participation in providing aviation logistics. The governments of Abu Dhabi and Dubai recognize the contribution the UAE airline industry makes to the economy; both encourage major foreign carriers to commit to long-term presence and seek to continue to attract new airlines.

Airports

Abu Dhabi

125. Abu Dhabi International Airport is the larger of Abu Dhabi's two airports. It serves as the base and hub airport for Etihad Airways, the Abu Dhabi national airline, and consists of three terminals with a total handling capacity of around 12 million passengers annually. Currently, more than 30 scheduled airlines operate from Abu Dhabi International Airport, serving more than 80 scheduled destinations in 47 countries.

126. Al Ain International Airport, Abu Dhabi's second airport, serves the Eastern region of Abu Dhabi and is used mainly as a cargo hub and as a base for low-cost and regional carriers.

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[39] The signatories of IATA's Multilateral Statement of Policy Principles are Chile, Malaysia, Panama, Singapore, Switzerland, and the United States. The agreement has the endorsement of the European Union. In total, signatories represent 60% of global aviation.

[40] Online information. Viewed at: www.agenda-for-freedom.aero.

127. Abu Dhabi Aircraft Technologies (ADTA), formerly known as Gulf Aircraft Maintenance Company (GAMCO), is a major provider of aviation technical services for the commercial and military aviation industries. The company's main facilities and operations are to the south-west of Abu Dhabi International Airport. ADTA is a part of the Mubadala Development Company, wholly owned by the Government of the Emirate of Abu Dhabi.

128. In addition to the Department of Transport, Abu Dhabi Airports Company (ADAC) was created in 2006 through a mandate from the Executive Council of Abu Dhabi, to manage and operate Abu Dhabi International Airport and oversee its multi-billion-dollar expansion plan. ADAC has plans to create a free-trade zone in the vicinity of Abu Dhabi Airport, as part of the airport's development and expansion.

129. As of July 2011, Etihad Airways operated more than 1,000 flights per week in 42 countries. In 2010, it carried 7.5 million passengers, compared with 340,000 in 2004, its first full year of operation. In addition to its core activity of passenger transportation, Etihad earns significant revenue from its cargo operation, Etihad Crystal Cargo, which serves 14 destinations.

130. Abu Dhabi is investing AED 25 billion to improve its airport infrastructure. The second runway of Abu Dhabi International Airport was completed in 2008, and an exclusive Etihad Airways terminal was finished in 2009 (Terminal 3). A mid-field terminal complex (MTC) is currently under construction; upon its completion, the total airport capacity will rise to 42 million passengers annually.

Dubai

131. Dubai International Airport was the fastest growing airport for international passengers in 2009, and is one of the busiest in the world in terms of international passenger and cargo traffic. Dubai International is connected to over 220 destinations across six continents through some 130 scheduled airlines. It comprises three terminals, including Emirates Terminal 3, which opened in October 2008. The new terminal helped boost the airport's operational capacity to 60 million passengers per year.

132. In 2007, the Department of Civil Aviation was restructured, leading to the formation of Dubai Airports, the entity responsible for developing and managing Dubai's airports, and of the Dubai Civil Aviation Authority (DCAA), the local aviation regulatory body. The DCAA oversees the administration and coordination of all matters relating to civilian airport operations, including traffic rights, operating permissions, flight training, duty free shops, and cargo. The DCAA formulates civil aviation policies, signs air agreements on behalf of the Dubai Government, authorizes and provides landing approval for foreign air transportation and aircraft charters, monitors air-crew, and is responsible for licensing travel agencies and restricting the carriage of dangerous goods.

133. Dubai-based Emirates airline maintained its ranking as the world's largest carrier of international traffic in 2010.[41] Dubai is investing heavily in developing the reach of Emirates. Its aim is to develop Dubai's air transportation industry so that passengers from any city can fly directly to Dubai.

[41] IATA (2011).

134. In 2008, Dubai International Airport opened Terminal 3, adding 1.5 square kilometres to the airport's structures. A third concourse is being built, and will push capacity to 75 million travellers a year. The focus on boosting capacity at Dubai International Airport is in tandem with a gradual transfer of airlines over the next decade to Al Maktoum International Airport, in Jebel Ali. Completion of the new airport envisages a capacity of up to 160 million travellers a year and five runways, with the aim of making it the largest airport in the world.

Sharjah

135. Sharjah International Airport, the UAE's oldest airport, is an important cargo hub and trans-shipment point in the region, especially for intermodal cargo arriving by sea and air-freighted onwards. Landing fees and basic handling charges are considered competitive compared with regional standards. A major expansion programme is expected to quadruple its capacity. It is run autonomously by the Sharjah Airport Authority. Non-aeronautical activities (e.g. duty-free shops, car rentals, currency exchange) are generally outsourced, as well as certain aeronautical services, such as maintenance operations, and fire and crash rescue.

(c) Maritime transport and ports

136. Due to its strategic location, the UAE has over 30 ports, of which 15 are commercial. These include container-handling facilities, oil terminals, industrial ports, and fishing ports. In 2009, the UAE ranked 23rd in the world in terms of ship owners with 9.3 million dead weight. In 2010, the commercial fleet under UAE flag totalled 1.6 million gross tonnages (GT). The UAE's ports export mainly oil and gas, but also raw materials and finished goods. Imports consist of intermediate and consumer goods, as well as a significant re-export trade within the Gulf regional, East Africa, and the Indian subcontinent.

Maritime transport

137. The NTA's Maritime Transport Sector manages the ship registry and seafarers licensing, issues navigational licences, monitors compliance with international standards, and levies fees. The NTA is also in charge of all security, seaworthiness, and communications aspects of marine navigation, as well as compliance with international standards. The regulation of port and shipping services is shared between the NTA and the respective port authority of each emirate. For purposes of regulation, a distinction is made between foreign flag vessels calling at UAE ports; national flag vessels; and foreign flag vessels operating in UAE territorial waters, mainly in the context of offshore projects (e.g. Dubai Maritime City, Palm Island) as well as pleasure craft. In addition, in Abu Dhabi, the Department of Transport is responsible for regulating all intra-emirate maritime transportation, such as ferry services between and among the Abu Dhabi mainland and islands.

138. At the federal level, maritime transport is governed by UAE Federal Law No. 26 of 1981 as amended in 1988 (known as the UAE Maritime Code). The Code governs and regulates all maritime practices in the UAE. It covers, *inter alia*, vessel registration and ownership; crew issues and maritime insurance; safe operation of vessels; pilotage and towage; and marine accidents salvage. The law is applicable to all the emirates and is based on maritime principles set out in international conventions. In addition to the Maritime Code, several relevant ministerial decrees or local laws regulate registration of vessels, crewing, classification of vessels, restrictions with regard to activities undertaken by foreign flag vessels, and other port activities.

139. The UAE has adhered to the following international treaties and conventions: IMO Amendments 1993; SOLAS Convention 1974; SOLAS Protocol 1978; LOAD LINES Convention 1966; TONNAGE Convention 1969; COLREG Convention 1972; STCW Convention 1978; SAR Convention 1979; INMARSAT Convention 1976; INMARSAT OA 1976; LC Convention 1972; INTERVENTION Convention 1969; CLC Convention 1969; CLC Protocol 1976; CLC Protocol 1992; FUND Convention 1971; FUND Protocol 1992; LLMC Convention 1976; and SALVAGE Convention 1989.

140. To register a vessel in the UAE with a UAE flag, the vessel must be 51% owned by a UAE national or a company with its management based in the UAE. Exceptions to the management rule are allowed in the case of companies based in Arab League countries. Foreign owners may register their vessels in the UAE with a maximum of 49% (foreign) ownership. If a UAE vessel is sold to a foreign entity that is located outside the UAE and owns over 49% of the vessel, the UAE registration must cancelled.

141. The authorities indicated that the restrictions noted above would be phased out through new legislation currently under consideration. In early 2011, the Federal National Council approved major amendments to Federal Law No. 26 of 1981 (Maritime Law). Under the draft law, foreign vessels with 100% ownership would be allowed to register under the UAE flag and benefit from, *inter alia*, zero taxation and easier movement between ports, and be part of the International Maritime Organization's white list as UAE vessels.[42]

142. According to the authorities, the UAE aims to have its maritime sector among the top five in the world. In its strategic plan 2011-2013, the National Transport Authority aims to, *inter alia*, increase the size of the marine fleet registered under the UAE's flag and to increase the rate at which marine vessels are inspected so as to support both the security and environmental aspects of maritime transport.

143. The UAE's fleet comprises all ships registered in the UAE with 100% ownership by UAE nationals or by companies with at least 51% of "national capital". Only ships registered in the UAE may conduct cargo or passenger cabotage operations.

144. Foreign flag vessels may operate in UAE territorial waters, mainly in the context of offshore projects (ex. Dubai Maritime City and Palm Island). Unless they obtain a waiver, at the discretion of the NTA Chairman, foreign flag vessels must have a contract with one of the federal or local governments to operate in UAE waters, and may not carry out cabotage on their own account. Crews working on ships servicing the territorial waters must have residency visas. Foreign companies must obtain approval from the NTA in the form of a licence. All UAE flag ships operating must be classed under one of the recognized organizations of the International Association of Classification Societies (IACS).[43] In addition, foreign ships must not be older than 25 years, and local ships must receive IACS approval issued within five years.

[42] The so-called White List of countries comprises IMO members deemed to be giving "full and complete effect" to the revised STCW Convention (International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW 95)).

[43] The classification process requires the periodic evaluation of a vessel to determine its compliance with the applicable rules to ensure the safety of life, property, and the environment. For a vessel to remain 'in class' it must meet the applicable requirements.

145. The United Arab Shipping Company (UASC) is the largest container carrier operating from the Middle East. It was established jointly by the six GCC states; the UAE Federal Government owns 10.96%. A number of other domestic shipping companies are partly or fully owned by the Federal Government or by the governments of the emirates, including: the Abu Dhabi National Tanker Company (ADNATCO), the National Petroleum Construction Company, and the National Marine Dredging Company (all owned by the Federal Government); Etisalat and Delma Cooperative Society (owned by the Abu Dhabi Government); and the Arab Maritime Petroleum Transport Company which is owned by the Abu Dhabi Government, the Dubai Government, and nine other Arab countries.

146. The UAE's shipping agency and freight forwarding market comprises several companies. One of the world's largest shipping agencies, the Gulf Agency Company (GAC), is based in the Jebel Ali Free Zone.

Ports

147. UAE ports are mostly regulated and run by the respective emirate authorities. Most services are provided by the managing company, although outsourcing is also used. Foreign participation remains limited except in free zones, which is one of the reasons why many main ports have an adjacent free zone.

148. DP World's flagship terminal, Jebel Ali, was the world's 9th largest container port in 2010. It has a current capacity of 14 million TEU (twenty-foot equivalent container units) and work is under way to construct a 400 metre quay extension at Jebel Ali Port, increasing capacity at the facility by an additional one million TEU. The expansion, expected to be concluded by the end of 2012, will permit Jebel Ali to handle up to six vessels of 15,000 TEU simultaneously, hence improving efficiency and reducing turn-around times.

149. The port of Fujairah is one of the top three bunkering ports in the world alongside Singapore and Rotterdam. Private tank storage, principally for refined petroleum products, is due to increase from 3 million cubic metres (121 tanks), to 8 million cubic metres (262 tanks) by the end of 2012. There are 2,340 metres of fully-equipped oil berths already operational, with a further 1,000 metres going to tender. Further expansion is planned: to the north of the port, the Abu Dhabi Crude Oil Pipeline (ADCOP) project, which involves the transport of crude oil through a 360-kilometre land pipeline, is expected to cater for 60% of the UAE's total crude oil exports. For the completion of future projects, including a new refinery to complement the ADCOP project, an additional 225 hectare of land has been reclaimed from the sea.

150. Port Zayed is the main gateway for container and general cargo vessels in Abu Dhabi. Other ports in Abu Dhabi, include: Mussafah Port, which services mainly smaller vessels, tugs, barges and service craft; and Khalifa Port and Industrial Zone (KPIZ), which is under construction and expected to be completed by 2013. The Khalifa Port and Industrial Zone will be developed in five phases and will include a container-handling terminal and piers for handling raw and bulk cargos. The KPIZ will replace Abu Dhabi's largest existing port, Port Zayed by 2013. The KPIZ will offer 100% foreign ownership to companies and individuals.

151. Responsibility for the regulation and operation of Abu Dhabi's ports, previously held by the Sea Ports Authority, has been devolved to the Department of Transport (Maritime) and the Abu Dhabi Ports Company (ADPC) respectively. Port terminal operations in Abu Dhabi are the responsibility of Abu Dhabi Terminals, a joint-venture company owned by ADPC and Mubadala of Abu Dhabi. DP World, which has a management agreement with Abu Dhabi Terminals is the de facto operator of Port Zayed.

152. The main ports in Sharjah are Port Khalid, Al Hamariah Port, and Khorfokan, on the east coast. Sharjah's ports are regulated and run by the Sharjah Port Authority (Sharjah's Department of Seaports and Customs). Port operations are governed by the (Sharjah) Port Act of 1977. In 1976, the Authority established the company Gulftainer to manage and operate the container terminals in Port Khalid and Khorfakkan. The port of Ajman, which also services the Ajman Free Zone situated in the port, has eight berths designed to handle both container and general cargoes. The port is regulated and managed by the Ajman Port Authority, which has also set up two dry docks to provide maintenance and repair services. Port Saqr, in Ra's al-Khaimah, specializes in the transportation of cement, marble, and gravel from nearby quarries and factories. In 2004, Ra's al-Khaimah Port Authority awarded the Kuwaiti firm KGL a US$45 million contract to build, operate, and manage its container terminal at Port Saqr for 21 years.

(d) Road and railway transport

153. The UAE land transport sector, including highways and railways is regulated by the National Transport Authority (NTA), formed under Federal Law No. 1 of 2006. The NTA is the Federal Authority in charge of developing land transport regulations and for granting licences to relevant transport bodies, land transport infrastructure companies and operators relating to highways, railways, and all modes of land transport for federal inter-emirates transport and international transport movements. The NTA also issues safety certificates, reviews and accepts safety management systems (SMSs) and develops railway standards for the UAE. Federal Law No. 9 of 2011 was enacted to strengthen the governance of the overall land transport sector. According to the NTA's strategic plan 2011-2013, the Authority aims to raise the efficiency of land and railway transport and guarantee its sustainability by developing federal legislation according to international best practices.

154. The UAE encourages international competition in land transport to achieve cost-effectiveness, use best practices, follow international standards, and promote technology transfer to the UAE. This approach supports the UAE Vision 2021 objective to be one of the best countries in the world by 2021. Under its 2030 plan, Abu Dhabi seeks to transform itself into "Greater Abu Dhabi" by linking the city to the large-scale mixed-use developments currently under construction on the mainland as well as offshore. The Government of Abu Dhabi has earmarked AED 98 billion for infrastructure, tourism, and economic development in the Western Region.

155. Within Abu Dhabi, the Department of Transport is responsible for: regulating the Abu Dhabi public transport systems and infrastructure; the maintenance and construction of the main roads; and the operation of public buses. The Department also has plans to implement rail projects within the emirate. On the basis of the Abu Dhabi 2030 plan, the Department of Transport prepared the Abu Dhabi Surface Transportation Master Plan (STMP) and a strategic transport plan for 2012-2016. This is expected to help Abu Dhabi develop a metro system and on-street light-rail transit for the city. Under the STMP, together with the introduction and expansion of bus services, the role of public transport in Abu Dhabi and Dubai will be substantially enhanced. The investment plans seeks to involve the private sector in the funding, implementation, and operation.

156. The UAE's highway network comprises about 4,000 km of asphalt paved roads. Road and other public transport, including inter-emirate roads are regulated by the NTA and by each emirate transport entity. All road transport companies must be majority-owned by UAE nationals, although they may employ foreign drivers.

157. Federal Law No. 2 of 2009, established the Etihad Rail Company (formerly known as Union Railway Company) with a mandate to manage the development, construction, and operation of the UAE's national railway, with capital of AED 1 billion (US$272m). The railway will link the principal centres of the UAE, covering a network of 1,200 km stretching across all seven emirates. Initially, it will cater to freight transport, with passenger services being added at a later stage.

158. The Dubai metro was launched in September 2009; the cost of the project was US$7.6 billion. The first two lines of the Dubai metro are operational, and expansion of the system is planned. The Abu Dhabi and Dubai metro systems are to be integrated eventually, into a railway network that will link up to a GCC railway system. By 2017, the GCC railway system will help connect the six GCC countries, with a total of 2,117 km of railway, and will be mixed traffic use (freight and passenger) with priority given to freight.

(iv) Tourism

159. For the past decade, tourism has become a cornerstone of the UAE's plan for a diversified economy. In 2009, tourism capital investment was around AED 69 billion. Travel and tourism contributed an estimated 7.4% of GDP in 2009, and 11.7% of UAE non-oil GDP, and employed some 158,262 people, despite the sector being greatly affected by the global financial crisis, with revenues plunging by 16% in 2009.

160. The UAE is an attractive destination for travel and tourism, with good infrastructure. The WEF ranked the UAE first in the Middle East region in terms of tourism receipts, fourth in terms of its air transport infrastructure, and eighth in terms of the Government prioritizing the travel and tourism sector.[44] However, there is room for improvement with respect to market access and policy rules and regulations.

161. Dubai has positioned itself as a regional tourism hub, accounting for around two thirds of total tourism revenue in the UAE, followed by Abu Dhabi (16%) and Sharjah (10%) (Table IV.10). Fujairah and Ras Al Khaimah represent the remainder. Most tourists to the UAE are Europeans, with around one third from GCC countries.

162. Until 2008, the tourism sector in the UAE was regulated at the emirate level only. Currently, it is regulated at both the emirate and federal levels. The UAE National Council for Tourism and Antiquities (NCTA) was established under Federal Law No. 6 of 2008 and became operational as a federal entity in 2009. The Council's main role is to promote the UAE's tourism sector within the country and overseas, and help coordinate the UAE tourism-related policies at the federal level. However, policy-making and issuing tourism licences in the UAE is at emirate level.[45]

[44] World Economic Forum (2011).

[45] National Council for Tourism and Antiquities online information. Viewed at: http://www.uaetourism.ae/en/.

163. Planning, supervision, and development of the tourism sector in Dubai is under the Dubai Department of Tourism and Commerce Marketing (DTCM).[46] This includes licensing and classification of hotels, hotel apartments, tour operators, travel agents, and all other tourism services. However, Federal Law No. 6 of 2006 regulates licensing procedures in the tourism sector. There are four types of tourism activities in Dubai, each requiring a licence: general sales agent, travel agent, outbound tour operator and inbound tour operator.

Table IV.10
Hotel indicators, 2000, 2005, and 2010

				Average annual percentage change over the period	
	2000	**2005**	**2010**	**2000-05**	**2005-10**
Number of hotels					
Dubai	265	407	573	54%	41%
Abu Dhabi	49	55	115	135%	109%
Sharjah	23	57	102	148%	79%
Ras Al Khaimah	..	6	42	..	600%
Fujairah	..	..	13	..	..
Ajman	..	..	22	..	..
Hotel revenues (US$ million)					
Dubai	715	2,403	3,613	236%	50%
Abu Dhabi	..	..	1,151	..	..
Sharjah	43.5	88	131	102%	49%
Ras Al Khaimah	..	..	55	..	..
Fujairah	..	..	..	..	..
Ajman	..	..	38	..	..

.. Not available.

Source: Information provided by the authorities.

164. Dubai's traditional niche tourism activities have been in shopping, leisure, and business tourism. More recently, its market has been expanding to include sports, eco, healthcare, and cruise tourism. More than 30 entertainment resorts and theme parks are being developed in Dubai with a projected investment of AED 228 billion; they include the Dubai metro; Dubailand; Dubai Sports City; Burj Dubai; and the World.[47]

165. Abu Dhabi Tourism Authority (ADTA) has been responsible for the development and promotion of Abu Dhabi's tourism industry since 2004.[48] The ADTA's activities include: the regulation and monitoring of the tourism industry; infrastructure upgrade and product development; destination marketing; the issuance of tourism licences; and the setting up of classification standards. Tourism in Abu Dhabi is regulated by Law No. 13 of 2006, which requires tourism business providers to obtain a licence from the ADTA in order to set up any tourist-related business.

[46] Dubai Department of Tourism and Commerce Marketing online information. Viewed at: http://www.dubaitourism.ae/.

[47] For a detailed account of Dubai's resorts and theme parks, see WTO (2006), p. 71. Also see: http://www.definitelydubai.com/.

[48] Abu Dhabi Tourism Authority online information. Viewed at: http://www.visitabudhabi.ae/en/adta.

166. Business tourism remains a vitally important market segment for Abu Dhabi, and the ADTA is engaged in increasing the significance of leisure tourism and establishing Abu Dhabi as a regional culture hub. The emirate's culture focus is centred on Saadiyat Island (the Island of Happiness), an AED 99.3 billion commercial, residential, and leisure project off the coast of Abu Dhabi. The project is developed by the Tourism Development and Investment Company (TDIC), a large developer of major tourism destinations in Abu Dhabi. The project will house the first branch of the Louvre Museum outside Paris, a Guggenheim Museum, and the Sheikh Zayed National museum. The island is expected to attract 1.5 million visitors a year when completed by 2018 and will be home to around 160,000 people.

167. Sharjah, Ras Al Khaimah, Ajman, Um Alquain, and Fujairah have been promoting 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.

168. Most tourism advertising campaigns are launched individually by the emirates. The UAE Government has started to raise awareness of the country by promoting the complementary tourist attractions of its emirates through a campaign of "seven emirates, one destination". The main markets for visitors to the UAE continue to cover traditional countries in Western Europe and the GCC, while new markets are being explored in North America, China, and the Asian sub-continent. The UAE aims to expand its tourist base through the development of budget and mid-range hotels as well as luxury hotels.

169. In its GATS commitments, the UAE has bound without limitations, provision of hotel and restaurant services through modes 1 to 3. Commercial presence is permitted with a maximum foreign equity participation of 49%.

(v) Construction services

170. The UAE's private construction sector suffered a major downturn as a result of the 2008-09 global financial crisis.[49] In particular, Dubai's real estate sector suffered a major price correction from the previous real estate bubble and values dropped by 50%.[50] The crisis was exacerbated by the large number of new units on the market, coupled with a slowdown in residential and business demand. In Abu Dhabi, real estate prices have fallen by 40% on average since peaking in June 2008. The tightness of supply of all types of property in Abu Dhabi had resulted in sky-high prices and rents.

171. Prior to the crisis, the UAE has witnessed a proliferation in property development and a construction boom, which helped garner the emergence of conglomerates in this sector. During 2007-08, Dubai had more than 30% of the world's cranes working on its ambitious mega-developments. By the end of 2009, there were more than 750 sky scrapers in Dubai.

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[49] In the course of this Review, the UAE authorities indicated that federal government construction projects has not been affected by the crisis.

[50] *Financial Times*, "Economy: Recession exposes need for reform", by Simeon Kerr, 20 July 2009. Viewed at: http://www.ft.com/cms/s/0/5bfacef4-7270-11de-ba94-00144feabdc0.html#ixzz1Vqqs7LiE.

172. The UAE boasts some world-renowned buildings and developments, such as: Burj Khalifa, the world's tallest building by EMAAR, the region's largest developer; Palm Jumeirah, the world's largest man-made island by Nakheel; Masdar, the world's first carbon-free city; the Dubai Mall, the world's largest shopping mall; and Ski Dubai, the world's first indoor ski resort. In addition, fully-integrated communities like Jumeirah Lake Towers by Nakheel, Downtown Dubai by EMAAR, Al Raha Gardens by Aldar properties in Abu Dhabi, and Al Hamra Village in Ras Al Khaimah have been created.

173. One of the largest Dubai-based developers, Dubai World (DW)'s subsidiary Nakheel has been hard hit by the financial crisis. The Government of Dubai enacted a special insolvency regime for Nakheel through the Dubai Financial Support Fund (DFSF). Created in July 2009, the DFSF provided Nakheel US$8 billion in new equity and converted the company's existing debt into equity. In order to protect DW's non-real-estate assets, the Government of Dubai currently owns Nakheel directly. More recently, Nakheel announced a comprehensive recapitalization plan of its debt and liabilities. The plan enables Nakheel to offer creditors 100% of agreed amounts owed and to fulfil its obligations to customers through the prompt completion of near-term projects.

174. Established in 2007, the Real Estate Regulatory Authority (RERA) has full legal authority to regulate the real estate sector in Dubai, and is part of Dubai's Land Department. The RERA's main responsibilities include: licensing real estate agents; and regulating and registering rental agreements and owners associations. To boost the UAE's real estate industry, the RERA has embarked on a code of governance for the real estate development industry, to promote transparency and disclosure, investor protection, performance optimization, and risk management practices in the industry. Under the RERA's ambit, the Real Estate Investment Promotion Center encourages investments in Dubai's real estate sector through its Tanmia and Tayseer programmes, which provide investors with financial facilities.[51]

175. As a result of the crisis, the construction sector has been affected by disputes between investors, developers, and contractors. The disputes range from disgruntled retail investors in planned developments that are unlikely to materialize, to contractors complaining of missing payments. According to the Dubai Chamber of Commerce, its arbitration centre handled 280 dispute cases in the first ten months of the 2010. From January until end September 2011, the centre handled 315 dispute cases. Major state-linked developers have reportedly offered only 65% of money owed and no payment was made until 2010.

176. The deflating real-estate bubble continues to restrain prospects for recovery, particularly in Dubai. Nevertheless, construction has been identified as a vertical building block in the Dubai strategic plan for 2015. A series of measures have been put in place to improve the real estate sector in the UAE. In Dubai, for example, the Ruler promulgated Decree No. 22 of 2011 waiving up to AED 300,000 in mortgage repayments for borrowers that repay home loans ahead of their maturity date. However, as a counterpart to this incentive, as of January 2011, Dubai imposes a mandatory 5% housing tax on all residential units. In Abu Dhabi, an allocation of AED 7 billion from the emirate's 2011 budget is to be distributed to citizens in the form of housing loans.[52]

[51] For more information see: http://www.dubailand.gov.ae
[52] Arabian Business, "Home loan fees waived on early settlement", 17 July 2011.

177. While construction remains depressed in Dubai, it has been growing rapidly in Abu Dhabi, where the target is to triple the size and population of the city by 2030. To achieve this goal and accommodate the population increase, real estate projects in excess of US$140 billion are in the pipeline. These include Sowwah Island, which is intended to be Abu Dhabi's new central business district.[53] Other emirates, like Ajman, Ras Al Khaimah and Sharjah, have also undertaken large-scale construction projects.

(vi) Trade in business and professional services

178. In its GATS Schedule of specific commitments, the UAE bound measures affecting the cross-border supply, consumption abroad, and commercial presence (modes 1-3) of: accounting, auditing and book-keeping services; certain taxation services; architectural, engineering, urban planning and landscape services; and veterinary services.

179. The UAE's labour market is generally open to foreigners, and it is estimated that over 90% of the UAE workforce is foreign. However, although the exercise of several professions is allowed provided a licence is obtained, the use of a local service agent is required, which adds to the cost and, to a certain extent, discourages market entry. In this respect, foreign professionals are allowed to practice business services and professions such as auditing, medical services, engineering, legal practice and consultancies, computer consultancies and similar services only by setting up "sole proprietorship" businesses. To obtain a licence applicants require: a valid UAE residence permit; a professional licence from the government of the emirate in which they intend to operate; and a service agency contract with a local services agent that is a UAE national. The agent's duties and obligations towards the foreign professional are limited to facilitating the practice of an activity in the emirate, including assisting in obtaining and renewing work permits issued by the Ministry of Labour, and other government authorities. The local service agent holds no share in the "sole proprietorship" firm and does not participate in its management.

(a) Legal services

180. Legal services are regulated both at the emirate and federal levels. Federal Law No. 23 of 1991, concerning the Lawyers Ordinance and amendments thereof, regulates the law profession in five of the seven emirates. Under this law, lawyers are licensed federally and are free to move within the UAE, except for the emirates of Dubai and Ra's al Khaimah. A local licence is required to practice law in these two emirates. Dubai requires lawyers to have an office in Dubai in order to appear in a Dubai Court.

181. The request for a licence is presented to the Ministry of Justice through a local law firm. If all procedural conditions are met, the Ministry of Justice registers the applicant as a lawyer and allows him to practice, but only as an employee of the local law firm. Licences for both foreign and local lawyers must be renewed annually. In principle, they may be revoked only for professional reasons. The UAE does not have a Bar Association.

182. Establishment of a law firm, which must be 100% owned by UAE nationals, is regulated at the federal level. In the five emirates applying Federal Law No. 23 of 1991, foreign lawyers may offer legal advice on foreign, international, and local law, and may represent clients in a court of appeal for a maximum of four years, and in a court of first instance for a maximum of eight years. To represent a client in court, a foreign lawyer must obtain a permit from the Ministry of Justice, which

[53] *Financial Times*, "Real estate: Congested city hopes for relief in vast construction projects", by James Drummond, 28 October 2009. Viewed at: http://www.ft.com/cms/s/0/8c4dc7c2-c28f-11de-be3a-00144feab49a.html#ixzz1VqAxhlzW.

requires a diploma from a foreign professional body recognized by the Ministry of Education. The foreign lawyer must be registered in the bar of his home country, have 15 years of experience, and meet conditions of good reputation. There is no prior residency requirement. Firms of legal consultants may not represent clients in courts. Foreign lawyers may not appear in the Supreme Federal Court and in courts of cassation.

183. In Abu Dhabi, international law firms are regulated under Decree No. 30 of 2006. International law firms may open a branch in Abu Dhabi subject to several requirements: practicing law for at least 15 years outside the UAE; having at least 50 partners across the board in all its offices; and obtaining approval of the Executive Council of Abu Dhabi. The request for a licence must be filed with the Department of Development and Planning in Abu Dhabi.

(b) Accounting and auditing services

184. Accounting services are regulated at federal level. Federal Law No. 22 of 1995 and the relevant ministerial decisions regulate auditors and certified accountants, firms and individuals. Accountants must be registered in a particular emirate. They may exercise throughout the UAE, but must obtain a professional licence from the relevant authorities of the emirate where they wish to practice. A licence is granted for each activity, rather than for each individual.

185. The Accountants and Auditors Association (AAA), established by Resolution of the Ministry of Labour and Social Affairs No. 227/97, is the professional body for accountants in the UAE. Auditors are not obliged to register with the AAA.

186. Foreign accounting firms have traditionally been able to practice audit and accounting services in the UAE. In 2008 (the latest available information), some 263 foreign individual auditors, 264 local (or GCC) individual auditors, 65 local firms, and 12 foreign firms were operating in the UAE. These firms were established before 1995. No new firms have been established since as a consequence of the introduction of the emiratization policy in 1997, by which foreign ownership in new foreign firms established in the UAE was limited to 75%. This requirement was also made applicable to firms established before 1995, which were given a transition period, until 2010, to find local partners for the remaining 25% participation in the firm.

187. Foreign accounting firms operating in the UAE may do so by opening a branch. Branches established before 1997 were allowed to be 100% foreign-owned, until 2010, and have several sub-branches operating in the various emirates. After 2010, they are obliged to take a local partner and may retain maximum ownership of 75% of property. As noted, foreign firms must have a local services agent.

188. The Register of Auditors includes local, GCC, and other foreign natural persons and firms. There are three categories in the Register: practising auditors; non-practising auditors; and trainees (only for nationals). Registration conditions for foreigners include: a university degree in accounting or an equivalent degree; three years of experience in accounting; five years of registration with an auditing professional body recognized by the Ministry of Economy; and evidence of a partnership with a UAE citizen or company or a certificate of employment.

189. One partner or manager in every auditing firm must be a UAE national, registered as a practicing auditor in the Registry; all other partners must be registered as practicing auditors. If one of the partners is a firm established outside the UAE, that foreign firm must hold a certified licence for practicing as an auditor in its country of registration.

(c) Engineering services

190. The engineering profession is regulated at emirate level. A foreign engineering consultant or contractor may operate in the UAE through a joint-venture with a local firm; a partnership with a local engineering firm; or a foreign branch with a local service agent. In some cases, particularly those concerning large engineering projects, foreign engineering contractors may be invited to tender without having to incorporate locally.

191. Licences of foreign branches are generally limited to the fields of specialization not commonly provided by local engineering firms. The head office of the foreign firm must have existed for not less than 15 years, and carried out a number of projects of large technical and financial value. The firm's manager must be registered in the Engineers Society of the UAE and have no less than 15 years of experience in the practice of the profession. The foreign branch must have technical staff for each of the licensed fields of activity to be practiced; it must be led by an engineer with no less than 15 years in the specialization, assisted by a number of assistant engineers (consistent with the volume of the current works assigned to the firm) with no less than seven-years' experience. The head office must also undertake to appoint the required staff to reside in the emirate granting the licence.

192. All engineers, local and foreign, must be registered with the Engineers Society of the UAE. Typically, a licence for the practice of engineering consultancy requires the applicant: to be a UAE national of good conduct and reputation; to hold a BSc. in engineering from a recognized university in one of the engineering fields; to have at least three years of experience in the specialized field after obtaining the university degree; and to be a member of the engineers' association of the country of study.

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