

Part III

Investment and business opportunities:

There are many options open to international companies seeking to establish business in the UAE. Apart from forming a trading relationship through commercial agencies, for many companies there are distinct advantages in having an on-the-spot presence. This makes it easier to research market prospects, make contacts, liaise with customers and see through the details of any transactions and orders secured. Having a presence is also important in the context of the commercial culture of the Middle East. Businessmen in the region prefer to deal with someone they know and trust and personal relationship is generally more important in doing business in the Arab world than they are in Europe or America. Another regional factor that adds to the importance of having a physical presence is that the buying patterns of some countries served by the UAE are unpredictable, creating a need for first class market intelligence and information.

In my analysis of the opportunities for investment in trade, industry and services, I would like to concentrate on Dubai in particular and highlight the following:

- Standing at the crossroad of the world's busiest trading routes, the Emirate of Dubai has created a city that ranks as the commercial and tourist heart of the Gulf region. From its origin as a small trading and fishing community, Dubai is now a modern city with strong infrastructure, sophisticated telecommunications and highly developed transport facilities and has established itself as a regional centre for trade and commerce and services.
- Dubai's strategic geographical location gives businesses access to a market of over two billion people, covering the member states of the AGCC and other countries in the Arab world, Iran, the Asian sub-continent and parts of Africa, the Eastern Mediterranean and the Commonwealth of Independent States (CIS).
- Liberal commercial regulations and the Government's support to business have encouraged an increasing number of international firms to choose Dubai or its Free Trade Zones as the base for their regional headquarters and for industrial and trading operations.
- Dubai presents international businesses with a wide range of opportunities for different activities and operations. The incentives include:

- Free enterprise system;
 - No personal or withholding taxes on income or capital, corporate tax limited to foreign banks and foreign oil companies;
 - No foreign exchange controls and a stable, freely convertible currency;
 - Sophisticated services sector – major international hotels, banks, accountancy and legal firms, advertising agencies, consultants etc;
 - High quality office and residential accommodation;
 - Major regional conference and exhibition venue;
 - Air links to over 140 destinations worldwide via some 100 airlines;
 - Time zone bridge between the Far East and Europe, with efficient local and global telecommunications;
 - Leading centre for tourism and leisure activities in the Middle East;
 - Cosmopolitan lifestyle, tolerant, virtually crime-free environment.
- Dubai's superb location and infrastructure makes it ideally suited for the role of a key centre in the global transport and distribution system, particularly when you consider that the Dubai Ports Authority, combining Port Rashid (35 berths) and Jebel Ali Port (67 berths), ranks among the world's top ten in terms of berths and top twenty in terms of container throughput.
 - International interest in Dubai has been heightened by the potential of the conferences and exhibition business which has witnessed a boom in recent years. With growing confidence in the region, tourism in Dubai is also on the rise and the Department of Tourism and Commerce Marketing is vigorously pursuing an investment and tourism promotion drive through its network of offices in various key locations in the world.

Thus, Dubai economy enjoys a competitive combination of cost, market and environmental advantages that create an ideal and attractive investment climate for local and expatriate businesses alike. In fact, these advantages not only rank Dubai as the Arabian Gulf's leading multi-purpose business center and regional hub city, but they place it at the forefront of the globe's dynamic and emerging market economies.

Referring to the operating technicalities, the basic requirement for all business activity in Dubai is to secure one of the following three categories of licences:

- Commercial licenses covering all kinds of trading activity;
- Industrial licenses for establishing industrial or manufacturing activity.
- Professional licenses covering professions, services, craftsmen and artisans;

These licenses are issued by the Dubai Department of Economic Development with the exception of licenses for hotels and other tourism related businesses which are issued by the Department of Tourism and Commerce marketing. However, licenses for some categories of business require prior approval from certain ministries and other authorities: for example, banks, financial institutions and financial service providers - from the Central Bank of the UAE; insurance companies and related agencies - from the Ministry of Economy and Commerce; manufacturing companies - from Ministry of Finance and Industry; pharmaceutical and medical products - from the Ministry of Health; printing, publishing, advertising and related activities - from the Ministry of Information; building contractors and engineering consultants - from the Municipal Authority and travel agents and the air transport operators - from the Civil Aviation Department. More detailed procedures apply to businesses engaged in oil or gas production and related industries.

In general, all commercial and industrial businesses in Dubai should be registered with the Chamber of Commerce and Industry.

Direct trade:

International companies wishing to trade directly with the UAE by supplying goods and services from abroad should appoint a commercial agent who is already established in the market. The agent must be a UAE National, or a company wholly owned by UAE Nationals. The foreign principal and the agent in the UAE are required to enter into a commercial agency agreement specifying the products and the territories to be covered by the contract. They should also comply with the relevant provisions of the Federal Commercial Agency Law and the procedures and conditions prescribed therein. It should be noted that a commercial agent can not carry out activities in the UAE unless its name is entered in the Commercial Agency Register maintained at the Ministry of Economy and Commerce.

Taxation:

With regard to direct taxation, there are decrees covering corporate tax but their enforcement has been limited to foreign banks and foreign oil companies only. To date, there has been no personal taxation in the UAE and there are no indications of a change in this policy in the foreseeable future.

Indirect taxes/charges are levied by the Government and local authorities on annual rents and for certain services including immigration and related services, medical facilities, hotel and entertainment activities.

Customs Duties:

Recently, AGGC countries have agreed to implement Unified Customs Law and Single Customs Tariff. The customs union is based on the principle of a single entry point, upon which customs duty on imported goods would be collected. This will make operations very smooth and no double duties will have to be paid when moving goods from one GCC country to another GCC country nor will they have to customs clear their goods at every point of entry into another GCC country. The UAE Department of Ports and Customs has also modified its tariff structure with effect from January 1, 2003, in accordance with single customs tariff agreed by AGGC Countries. Accordingly, the customs duty, at the rate of 5% of the CIF value of the goods, is charged on all the goods and commodities originating from sources outside AGCC countries on the basis of its delivery at the UAE port of destination.

However, there is no change in relation to tariff rate applicable on import of tobacco products which are subject to duty at the rate of 100% and alcoholic beverages which are subject to duty at the rate of 50%. Goods listed for duty exemption, as per unified customs tariff agreed by the GCC countries, are exempted from customs duty. Exemption of customs duty by virtue of Unified Customs Law also applies to imports of: diplomatic and consular missions, international organizations and their heads and members; military and internal security forces; personal effects and used household items; accompanied passenger baggage and gifts; charitable societies' requirements and returned goods. Industrial inputs required directly for manufacturing process, imported by industrial firms and approved by the concerned authority, are exempt from customs duty as agreed by the GCC Financial and Economic Cooperation Committee.