The United Arab Emirates

RISK & COMPLIANCE REPORT

DATE: March 2018

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Executive Summary - United Arab Emirates	
Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions Compliance of OECD Global Forum's information exchange standard Offshore Finance Centre
Medium Risk Areas:	Compliance with FATF 40 + 9 Recommendations Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.)) World Governance Indicators (Average Score) Failed States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

dates, vegetables, watermelons; poultry, eggs, dairy products; fish

Industries:

petroleum and petrochemicals; fishing, aluminum, cement, fertilizers, commercial ship repair, construction materials, some boat building, handicrafts, textiles

Exports - commodities:

crude oil 45%, natural gas, reexports, dried fish, dates

Exports - partners:

Japan 15.4%, India 13.4%, Iran 10.7%, Thailand 5.5%, Singapore 5.5%, South Korea 5.3% (2012)

Imports - commodities:

machinery and transport equipment, chemicals, food

Imports - partners:

India 17%, China 13.7%, US 10.5%, Germany 5.1%, Japan 4.2% (2012)
Investment Restrictions: Investment laws and regulations are evolving in the United Arab Emirates (UAE) and are expected to become more conducive to foreign investment. At present, the regulatory and legal framework favors local over foreign investors. There is no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. Foreign investors may purchase 108 of the 135 issues on the UAE stock markets, the Abu Dhabi Securities Market (ADX) and Dubai Financial Market(DFM). Companies on the exchanges are subject to the Federal Companies Law, thus foreign investors are allowed to own up to 49 percent of a company. The federal Industry Law stipulates that industrial projects must have 51percent UAE national ownership. The law also requires that projects either be managed by a UAE national or have a board of directors with a majority of UAE nationals. Exemptions from the law are provided for projects related to extraction and refining of oil, natural gas, and other raw materials. Additionally, projects with a small capital investment or projects governed by special laws or agreements are exempt from the industry law. The UAE restricts foreign ownership of land, with rules varying from emirate to emirate. Individual emirate policies allow non-GCC nationals to have freehold or leasehold rights in designated areas, but do not give property owners permanent residence visas or an automatic right to work in the emirate. In 2006, the UAE Cabinet amended the law regarding ownership of insurance companies to state that insurance companies must be 75 percent owned by a UAE national or 100 percent by UAE legal persons, i.e., a UAE corporation.

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Section 1 - Background

The Trucial States of the Persian Gulf coast granted the UK control of their defense and foreign affairs in 19th century treaties. In 1971, six of these states - Abu Dhabi, 'Ajman, Al Fujayrah, Ash Shariqah, Dubayy, and Umm al Qaywayn - merged to form the United Arab Emirates (UAE). They were joined in 1972 by Ra's al Khaymah. The UAE's per capita GDP is on par with those of leading West European nations. Its high oil revenues and its moderate foreign policy stance have allowed the UAE to play a vital role in the affairs of the region. For more than three decades, oil and global finance drove the UAE's economy. However, in 2008-09, the confluence of falling oil prices, collapsing real estate prices, and the international banking crisis hit the UAE especially hard. The UAE has essentially avoided the "Arab Spring" unrest seen elsewhere in the Middle East, though in March 2011, political activists and intellectuals signed a petition calling for greater public participation in governance that was widely circulated on the Internet. In an effort to stem potential further unrest, the government announced a multi-year, $1.6-billion infrastructure investment plan for the poorer northern Emirates.

Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

The United Arab Emirates is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in The United Arab Emirates was undertaken by the Financial Action Task Force (FATF) in 2008. According to that Evaluation, The United Arab Emirates was deemed Compliant for 5 and Largely Compliant for 15 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for 4 of the 6 Core Recommendations.

Key Findings from latest Mutual Evaluation Report (2008):

A basic legal framework for combating money laundering and terrorist financing is in place in the UAE, but that framework needs further strengthening in a number of areas. The AML law needs to be amended to expand the range of predicate offences and to provide greater powers for the financial intelligence unit. The FIU should also increase its own staffing so that it may operate as an autonomous unit, rather than relying on the resources of the Central Bank's Supervision Department and other regulatory agencies.

The legal framework for the financial sector preventive measures in the domestic sector provides a basic grounding, but it mostly predates the revision of the FATF Recommendations in 2003, which have now imposed much more detailed requirements. While the central bank has taken various administrative measures to strengthen the regime within the domestic sector, these require a more solid basis in the legal and regulatory framework, especially with respect to the customer due diligence (CDD) and related obligations. The regime applied to financial institutions operating within the Dubai International Financial Centre2 tends overall to be relatively close to the FATF standards.

The suspicious transactions reporting system delivers a lower number of reports than might be expected within a financial market of the size and nature of that within the UAE, and greater clarity is required about the basis on which institutions are expected to report transactions suspected of being linked to either money laundering or terrorist financing.

The authorities have taken positive initiatives to address the issue of Hawala dealers, and have introduced a voluntary system of registration and reporting. The central bank intends progressively to formalize its oversight regime for this sector, which is to be welcomed.

The basic AML legislation captures some of the DNFBP sectors, but no specific customer due diligence or related obligations have been extended to these entities, and there is no AML/CFT regulatory framework within the domestic sector. At the time of the onsite visit, Dubai International Financial Centre Authority (DIFCA) had drafted regulations for DNFBPs.3 Measures taken within the various free zones vary substantially.

US Department of State Money Laundering assessment (INCSR)

The United Arab Emirates was deemed a Jurisdiction of Primary Concern by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

OVERVIEW

The United Arab Emirates (UAE) is a regional hub for transportation, trade, and financial activity and has aggressively expanded its financial services sector and FTZs. Illicit actors exploit the UAE's relatively open business environment, multitude of global banks and exchange houses, and global transportation links to undertake illicit financial activity.

The UAE government is enhancing its AML program and has demonstrated both a willingness and capability to take action against illicit financial actors if those actors pose a direct national security threat or present a reputational risk to the UAE's role as the leading regional financial hub. However, the UAE needs to continue increasing the resources devoted to investigating, prosecuting, and disrupting money laundering.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The large number of exchange houses, MSBs, and general trading companies in the UAE, coupled with the UAE's complex and uneven regulatory environment, presents a substantial challenge to tackling money laundering. There are occurrences of TBML, including through commodities used as counter-valuation in hawala transactions. Bulk cash smuggling and general trading companies illegally operating as exchange houses or remittance providers also pose significant systemic money laundering risks. Such activity might support sanctions-evasion networks and terrorist groups in Afghanistan, Iran, Iraq, Pakistan, Somalia, Syria, and Yemen.

Other money laundering vulnerabilities in the UAE include the real estate sector, access to the international gold and diamond trade, and the use of couriers to transfer illicit funds. A portion of the money laundering activity in the UAE is likely related to proceeds from illegal narcotics produced in Southwest Asia.

The UAE has an extensive offshore financial center, with 45 FTZs, including two financial free zones. There are over 5,000 multinational companies located in the FTZs and thousands more individual trading companies. Companies located in the FTZs are considered offshore or foreign entities for legal purposes. UAE law prohibits the establishment of shell companies and trusts; however, the operation of financial entities in FTZs that are not identified, regulated, or supervised for financial activity presents a significant gap in regulatory oversight. Therefore, there is significant opportunity for illicit actors to engage in regulatory arbitrage and avoid the controls and supervision put in place by the Central Bank of the UAE (CBUAE) and the regulators of the two financial free zones.

The UAE government is showing progress in its ability to investigate suspected money laundering activity, although the government should increase the capacity and resources it devotes to investigating money laundering, both federally in the Anti-Money Laundering Suspicious Cases Unit, the FIU, and in emirate level law enforcement. The FIU needs to enhance its tactical and strategic analytical capability to be able to process large and complex financial intelligence and handle foreign information sharing requests.

KEY AML LAWS AND REGULATIONS

The UAE is a party to relevant multilateral conventions that have mutual legal assistance provisions. AML law permits the CBUAE to freeze the assets of suspicious institutions or individuals. There are comprehensive KYC and STR regulations and enhanced due diligence procedures for both foreign and domestic PEPs.

The UAE is a member of the MENAFATF, a FATF-style regional body. Its most recent mutual evaluation report can be found at: http://www.menafatf.org/information-center/menafatf-publications/mutual-evaluation-report-united-arab-emirates.

AML DEFICIENCES

On a technical level, the UAE does not have any major AML deficiencies. However, the monitoring of financial institutions for AML purposes, particularly in the area of CDD, could be improved, and exchange houses and general trading companies should be more tightly regulated and supervised. The UAE should release the names of operating exchange houses, MSBs, and general trading companies, and annual statistics of AML prosecutions and convictions to better gauge the effectiveness of its regime.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

The UAE government continues to enhance its AML program. Following the CBUAE’s 2016 closure of Al Zarooni Exchange, a UAE-based money services business, the CBUAE and Dubai Police General Headquarters continued to cooperate with the U.S. government on the investigation, resulting in the designation of six additional Dubai-based individuals and entities engaged in money laundering activity associated with a designated transnational criminal organization. The UAE has sought to increase its compliance with international standards by expanding the scope of its money laundering offenses, verifying client identities, and enhancing the level of cooperation with equivalent regulatory authorities.

Several areas of AML implementation and enforcement require ongoing action by the UAE. Proactively developing money laundering cases and establishing appropriate policies and procedures regarding all aspects of asset forfeiture would strengthen the local enforcement regime. Additionally, enforcement of cash declaration regulations is weak. Officials should conduct more thorough inquiries into large amounts of declared and undeclared cash imported into the country, and enforce outbound declarations of cash and gold utilizing existing smuggling and AML laws. TBML also deserves greater scrutiny, including customs fraud, the trade in gold and precious gems, commodities used as counter-valuation in hawala transactions, and the abuse of trade to launder narcotics proceeds.

EU Tax Blacklist

The United Arab Emirates was removed from EU Tax Blacklist on 23 January 2018 following "commitments made at a high political level to remedy EU concerns".

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, The United Arab Emirates does not conform with regard to the following government legislation: -

Arrangements for Asset Sharing - By law, regulation or bilateral agreement, the jurisdiction permits sharing of seized assets with third party jurisdictions that assisted in the conduct of the underlying investigation.

Criminalised Tipping Off - By law, disclosure of the reporting of suspicious or unusual activity to an individual who is the subject of such a report, or to a third party, is a criminal offense.

EU White list of Equivalent Jurisdictions

The United Arab Emirates is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

To view historic Governance Indicators Ctrl + Click here and then select country

Failed States Index

To view Failed States Index Ctrl + Click here

Offshore Financial Centre

The United Arab Emirates is considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017:

The United Arab Emirates' (UAE) proximity to Afghanistan, Pakistan, and Iran, and its role as a sea and air transportation hub, has made the country a transshipment point for heroin and other illegal drugs. International drug trafficking organizations have sought to exploit Dubai's role as a global crossroads by using it as a command and control center for facilitating the movement of narcotics through the region and beyond. Drug seizures in the last several years indicate traffickers increasingly use the UAE as a staging point to warehouse, stockpile, and distribute narcotics. Dubai International Airport has become a staging area for cocaine couriers from Brazil bound to various countries in Africa and Asia. There is no evidence of major drug cultivation or production in the UAE.

UAE authorities continue to target drug trafficking networks operating through the country, including through cooperation between the Dubai Police Department of Anti-Narcotics and law enforcement from other countries, as well as awareness campaigns that have resulted in strong collaboration with residents. The UAE has a zero tolerance policy towards illegal drug use, and drug trafficking is treated as a severe crime. The UAE is a transit point and market for fenethylline, an amphetamine-type stimulant that may be the most widely available drug in the Gulf region. The rate of illegal drug use in the UAE remains low by international standards, though use of new psychoactive substances (such as the synthetic cannabinoid known as "spice"), pharmaceutical drugs, and hashish continues to increase. Hashish and controlled pharmaceutical drugs remain the most commonly used drugs within the country, though heroin is also available to a much lesser extent.

The UAE government has made significant commitments of personnel and funding towards building new drug control institutions and conducting counternarcotics law enforcement operations. The UAE funds a UN Office on Drug and Crime (UNODC) semi-regional office. The U.S. Drug Enforcement Administration (DEA) coordinates with UAE authorities in combating UAE- and regionally-based drug trafficking organizations. During the first 10 months of 2016, UAE authorities passed 216 drug leads to DEA on drug couriers, the majority of whom were arrested when they landed at their final destination because of law enforcement coordination between the involved countries. DEA works with Dubai Police on awareness efforts in schools, and U.S. Department of Homeland Security offices in Abu Dhabi and Dubai coordinate with UAE law enforcement officials to investigate smuggling crimes in the UAE and the region. The U.S. Coast Guard is working with the UAE's Critical Infrastructure and Coastal Protection Authority to support its efforts to strengthen the UAE's maritime border security.

The UAE does not have a mutual legal assistance treaty with the United States, though it is party to multilateral conventions that enable such cooperation. There is no extradition treaty between the UAE and the United States.

US State Dept Trafficking in Persons Report 2016 (introduction):

The United Arab Emirates is classified a Tier 2 country - A country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

The United Arab Emirates (UAE) is a destination and transit country for men and women predominantly from South, Southeast, and Central Asia and Eastern Europe subjected to labor and sex trafficking. Migrant workers, who comprise more than 95 percent of UAE's private sector workforce, are recruited globally, with a majority from South and Southeast Asia, the Middle East, and a small percentage from East Africa; some of these workers are subjected to forced labor in UAE. Women from some of these countries travel willingly to UAE to work as domestic workers, massage therapists, beauticians, hotel cleaners, or elsewhere in the service sector, but some are subjected to forced labor through unlawful passport withholding, restrictions on movement, non-payment of wages, threats, and physical or sexual abuse. Sponsorship laws restrict the ability to leave an existing employer and often give employers power to control foreign domestic workers' movements, cancel residence permits, deny workers the ability to change employers, deny permission to leave the country, and threaten employees with abuse of legal processes, making them vulnerable to exploitation. To address longstanding problems with source-country labor recruitment companies charging workers exorbitant fees and hiring them with false employment contracts, effectively forcing workers into involuntary servitude and debt bondage, UAE issued decrees in 2015 specifically to combat contract switching and make contracts enacted in source countries enforceable under UAE law. Though under UAE laws employers must cover the cost of recruitment, many source-country labor recruitment companies continue to charge workers high fees in home countries outside of UAE jurisdiction causing them to enter UAE owing debts in their countries of origin. Some women from Eastern Europe, Central Asia, East and Southeast Asia, East Africa, Iraq, Iran, and Morocco are subjected to forced prostitution in UAE.

The Government of the United Arab Emirates does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. In January 2016, the government implemented three new labor reforms intended to reduce forced labor practices among foreign workers in the private sector by ensuring consistency between initial job offers and final contracts and increasing the ability of employees to leave their jobs and seek new ones. In March 2015, the government put into effect amendments to victim protection clauses of Federal Law 51 of 2006 on Combating Human Trafficking Crimes, including non-penalization of victims for crimes committed as a direct result of being subjected to trafficking. The government's anti-trafficking criminal prosecutions continued to largely focus on sex trafficking. The government prosecuted 17 sex trafficking cases involving 54 traffickers, compared to 15 sex trafficking cases involving 46 traffickers in 2014. It also referred two labor trafficking cases for prosecution involving 10 laborers, in comparison to none the previous year. The government convicted six traffickers and reported sentences were up to five years' imprisonment. The government provided assistance to at least 42 trafficking victims during the reporting year. With regard to domestic employees, who fall under the jurisdiction of the interior ministry and who are not covered by most labor protections afforded to private sector workers including the newly penned laws enacted January 2016, the government did not enforce a prohibition on withholding workers' passports by employers, which remained a problem. The government provided avenues to settle migrant workers' complaints of abuse through hotlines and a formal process for registering disputes. The government continued to implement numerous awareness campaigns and held trainings for labor recruitment agencies and police. The National Committee to Combat Human Trafficking (NCCHT) continued to implement the national action plan.

US State Dept Terrorism Report 2016

Overview: The Government of the United Arab Emirates (UAE) increased its counterterrorism prosecutions in the last year, with the Federal Supreme Court's State Security Court hearing more than three dozen separate terrorism-related cases. Most cases involved defendants accused of promoting or affiliating with UAE-designated terrorist organizations, including ISIS, al-Qa'ida in the Arabian Peninsula (AQAP), al-Nusrah Front, Hizballah, and the Muslim Brotherhood. The court applied the UAE's strict counterterrorism laws, together with its Cyber Crime and Anti-Discrimination legislation, in the adjudication of these national security cases. International human rights non-governmental organizations and activists have claimed that the UAE uses the counterterrorism and cyber crime laws as cover to pursue cases against political dissidents and activists.

In line with previous years, the UAE government maintained a robust counterterrorism and countering violent extremism (CVE) partnership with the United States through its collaboration with U.S. law enforcement; support of the Global Coalition to Defeat ISIS; and counter-messaging initiatives, such as the Sawab and Hedayah Centers. It also hosted the Sunnylands Conference where key stakeholders discussed counter-messaging strategies. The UAE government remained co-chair of the Coalition Communications Working Group along with the United States and the United Kingdom (UK), and also co-chaired the Global Counterterrorism Forum (GCTF) CVE working group with the UK.

The UAE deployed forces in Yemen to counter the spread of AQAP and ISIS in Yemen at the same time as it partnered with the Saudi-led Islamic Military Alliance to Fight Terrorism. Along with its Yemeni partners, the UAE military successfully ejected AQAP from the port city of Mukalla in April – depriving AQAP from millions in monthly income – and from the coastal towns of Balhaf and Bir Ali in December. UAE forces remained in Yemen to support local forces in counterterrorism operations.

The government's security apparatus continued monitoring suspected terrorists in the UAE, and successfully foiled terrorist attacks within its borders. UAE Customs, police, and other security agencies improved border security and worked together with financial authorities to counter terrorist finance. UAE-based think tanks and research institutions – including the Emirates Policy Center, the Emirates Center for Strategic Studies and Research, the Tabah Foundation, the Future Institute for Advanced Research and Studies, B'huth, and Hedayah – held conferences, seminars, and roundtables on countering terrorism and violent extremism. UAE government officials worked closely with their U.S. law enforcement counterparts to increase the UAE's counterterrorism capabilities.

Legislation, Law Enforcement, and Border Security: In 2016, the UAE increased prosecutions in terrorism-related cases using its existing Counterterrorism Law (Federal Law No. 7) of 2014, Cybercrime Law of 2012 (Federal Law No. 5), and Anti-Hatred and Discrimination Law of 2015 (Federal Law No. 2). The president of the UAE recently decreed a number of amendments, however, intended to impact these types of cases. For example, the government issued Federal Law No. 11 of 2016, amending Federal Law No. 3 of 1983, which specified that all cases involving the UAE's national security would be referred directly to the Federal Supreme Court. The amendment provides that the Federal Supreme Court will no longer hear national security cases in the first instance, but that the Federal Court of Appeal (located in Abu Dhabi) will have primary jurisdiction. This change in the law is significant because it now allows both the prosecution and defense to appeal verdicts to the Federal Supreme Court. Prior to the change, the Federal Supreme Court was the court of first and last instance in such cases, as verdicts could not be appealed by either party.

In October, the president of the UAE issued Federal Decree No. 7 of 2016, amending certain provisions of the penal code as provided in Federal Law No. 3 of 1987. Capital punishment or life sentences will be given to individuals who set up, run, or join any organization, group, or gang plotting to overthrow the government and seize power in the UAE. Promoting these organizations verbally, in writing, or by any other means, will carry a jail term ranging between 15 and 25 years. Furthermore, deliberate acts against a foreign country intending to harm diplomatic relations of the country or endanger its citizens, employees, money, or interests, will be punishable with a life sentence.

The State Security Directorate (SSD) in Abu Dhabi and Dubai State Security (DSS) remained primarily responsible for counterterrorism law enforcement efforts. Local, emirate-level police forces, especially Abu Dhabi Police and Dubai Police, were frequently the first responders in such cases and often provided technical assistance to SSD and DSS, respectively. Overall, the UAE security apparatus demonstrated capability in investigations, crisis response, and border security, and forces were trained and equipped to detect, deter, and respond to terrorist incidents.

According to official press, the Federal Supreme Court's State Security Court heard more than three dozen terrorism-related cases in 2016, making it the most active year to date in terrorism prosecutions. The majority of prosecutions were against alleged affiliates of ISIS, AQAP, al-Nusrah Front (al-Qa'ida's affiliate in Syria), and Hizballah. Both locals and foreigners received sentences ranging from six months to death.

The most prominent terrorism trial of the year involved the Shabab al Manara group and included 41 defendants, 38 of whom were Emirati. The defendants were prosecuted for their association with terrorist groups, including ISIS and al-Qa'ida, and for planning terrorist attacks in the UAE. At the conclusion of the trial in March, the State Security Court sentenced 11 defendants (two in absentia) to life imprisonment, two defendants to 15 years imprisonment, 13 defendants to 10 years imprisonment, two defendants to five years imprisonment, six defendants to three years imprisonment, and four defendants to six months imprisonment. The Court acquitted seven defendants and ordered the deportation of four others after the completion of their sentences. Furthermore, the Court ordered the dissolution of the Shabab al Manara Group, the closure of its headquarters, the confiscation of electronic devices used in cybercrimes, weapons, ammunition, materials used in making explosives, and wireless devices, and the closure of any websites affiliated with the group.

In May, Mohammed al Habashi, the husband of Ala'a al Hashemi, who was executed for killing an American teacher on Reem Island in 2014, was sentenced to life in prison for a string of terrorist offenses, including plotting to blow up Yas Marina Circuit and a local IKEA store. Al Habashi was also found guilty of planning an assassination and making bombs.

As in previous years, the Government of the UAE worked closely with the United States, through the U.S. Department of Homeland Security (DHS), to improve its border security posture. Abu Dhabi Police's Criminal Investigations Division's robust law enforcement information sharing with DHS Homeland Security Investigations helped counter transnational criminal organizations and terrorist groups. In an effort to meet the growing demands associated with the massive increase in international travel, Abu Dhabi Police continued to adapt its law enforcement programs to counter related transnational crimes. The UAE Federal Customs Authority (FCA) also received a mandate from the Government of the UAE to federalize the seven emirate Customs agencies. The FCA requested DHS assistance to standardize all aspects of the new Federal Customs, to include training, uniforms, equipment, non-intrusive inspection equipment, hiring, techniques, policies, etc.

UAE points of entry utilized an internal name-based watchlist system which was populated by local immigration, deportation, corrections, and security agencies to identify individuals who were prohibited from entering the country or were sought by UAE authorities; some NGOs and human rights activists claimed that political dissidents, academics, and journalists who had written critically about UAE policy were included on such lists and barred from entry. INTERPOL and Gulf Cooperation Council (GCC) watchlists were incorporated into the UAE's internal watchlist.

Countering the Financing of Terrorism: The UAE is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force-style regional body. The UAE's financial intelligence unit, the Anti-Money Laundering and Suspicious Cases Unit, is a member of the Egmont Group of Financial Intelligence Units. The UAE also participated in the Coalition's Counter-ISIS Finance Group.

The UAE remained a regional and global financial and transportation hub, and terrorist organizations exploited it to send and receive financial support. Operational capability constraints and political considerations sometimes prevented the UAE government from immediately freezing and confiscating terrorist assets absent multilateral assistance. The UAE requires financial institutions and designated non-financial businesses and professions to review and implement the UN Security Council ISIL (Da'esh) and al-Qa'ida sanctions regime on a continuous basis.

Except for those specifically established for financial activities, which were well-regulated, the UAE's numerous free trade zones varied in their compliance with and supervision of anti-money laundering/countering the financing of terrorism (AML/CFT) international best practices. Exploitation by illicit actors of money transmitters, including licensed exchange houses, *hawalas*, and trading firms acting as money transmitters, remained of significant concern.

The UAE continued its efforts to enhance its regulatory measures to strengthen its domestic AML/CFT regime and was increasingly willing and able to implement its laws and regulations. In November, the UAE government cooperated with the U.S. Department of the Treasury to disrupt the activities of a Yemeni exchange house supporting and facilitating financing for AQAP. According to media reports in May, however, the late UN-designated Taliban leader Mullah Mansour frequently traveled to Dubai for fundraising purposes.

International Sanctions

Arab League

November 28, 2011 - The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

* Cutting off transactions with the Syrian central bank
* Halting funding by Arab governments for projects in Syria * A ban on senior Syrian officials travelling to other Arab countries
* A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has also boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states..

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	71
World Governance Indicator – Control of Corruption	89

Corruption is a low risk for companies in the United Arab Emirates, the least corrupt country in the Arab world. The UAE offers a business-friendly environment, with an effective and efficient public administration. However, foreign companies must rely on local sponsorship if they want to succeed, and ruling families' involvement in the economy creates an uneven playing field. The UAE Penal Code criminalizes active and passive bribery, embezzlement and abuse of functions. Anti-corruption and anti-fraud legislation is enforced, and practices of bribery and petty corruption are uncommon. Gifts and hospitality are regulated under the UAE's anti-corruption framework. Facilitation payments are treated as bribes and are thereby illegal. It should be noted that information on business and political corruption in the United Arab Emirates is scarce due to severe censorship in the country, making it difficult to estimate the extent of corruption. **Information provided by GAN Integrity.**

US State Department

Transparency International's 2013 report ranks the UAE 26th globally in the perception of corruption by its population, There is no evidence that corruption of public officials is a systemic problem. However, in February 2012 (the most recent public announcement of bribery cases), the UAE's anti-corruption body said it uncovered 10 cases in which more than 1 billion dirhams of public funds were misappropriated. The State Audit Institution (SAI) said that the cases had been referred to the public prosecution. It said irregularities were discovered during audits that took place over the prior two years, including acts of forgery, bribery and fraud. No verdicts have been rendered so far in these investigations. During 2008-2010, UAE authorities investigated several high-profile embezzlement cases, including three cases involving two former ministers and the former governor of the DIFC. Several senior Emirati and foreign nationals were dismissed and detained. Ahmed Abdullah Al Hammadi, Chief of Public Funds Prosecution told media outlets that the number of bribery cases registered in all federal courts in UAE between 2012 and 2013 was 47. Numerous bribery cases at the junior level were also reported in 2010. The law stipulates that a public servant convicted of embezzlement shall be subject to imprisonment for a minimum of five years if the crime is connected to counterfeiting.

Article 237 imposes a minimum term of one year for accepting a bribe, while anyone convicted of attempting to bribe a public servant may be imprisoned for up to five years. In August 2005, the UAE signed the UN Anticorruption Convention and ratified it in February 2006.

Corruption and Government Transparency - Report by Global Security

Political Climate

The United Arab Emirates (UAE) comprises seven emirates. Within each emirate, both the executive and legislative power is strictly controlled by the ruling families. Political parties do not exist in the UAE, therefore, all government posts are chosen on the basis of tribal connection and economic power.

The US Department of State 2013 reports that today corruption is not a systematic problem in the UAE. The Bertelsmann Foundation 2012 states that the government has effective measures to carry out investigations and to stamp out corruption, and in practice, several cases exposed in recent years indicate the government's willingness to combat corruption. For example, in 2009, the UAE authorities investigated several high profile cases, including a case involving two former ministers and the former governor of the Dubai International Financial Centre. The UNDP Programme of Governance in the Arab Region reports that a case from 2001 involving the director of UAE customs services sparked a debate with the State Audit Institution complaining about widespread corruption and the Ministry of Justice maintaining that the case was an exception. As a consequence of the scandal, a commission was formed to assess the effectiveness of the anti-corruption legal framework and propose a reform if necessary. In 2005, corruption resurfaced on the government agenda as the Abu Dhabi police published a report describing corruption in various forms as rampant within the local administration. As a response, the Penal Code was amended in 2005 to increase penalties for corruption-related offences.

A majority of corruption cases in the UAE include attempts of bribery by citizens caught in illegal practices. Cases of officials actually accepting bribes reportedly 'represent only 1% of total cases'. The police also maintains that only 1% of the complaints are made anonymously, showing that the population has a high degree of trust in the police. The overall picture is that of a quasi-corruption-free country. However, corruption is reportedly a problem within the higher echelons of emirate society. These cases usually involve fraud or embezzlement, and bribery. Several senior Emirati and foreign nationals were dismissed and detained, while numerous bribery cases involving lower-ranking officials were reported in 2010. In 2012, the country's anti-corruption body uncovered 10 cases in which more than USD 272 million public funds were misappropriated. In 2009, the CEO of the government-owned bank, the Dubai Islamic Bank, was arrested for fraud and sentenced to 3 years in prison and a fine of USD 30 million the following year. These scandals have highlighted what the business community had complained about for a long time, namely UAE's lack of transparency. The government had indeed already made some efforts to improve UAE's reputation in this regard and in a September 2009 interview, the Sheik of Dubai reiterated that his government will fight corruption and restrict the rules that allowed for these corrupt practices to occur. According to a June 2012 article by Emirates 24/7, the State Audit Institution, the country's sole anti-corruption authority, has played a major role in safeguarding public funds and curbing financial malpractices. The State Audit Institution has drawn up an anti-corruption law. The law will be discussed in the cabinet as well as in the Federal National Council and then submitted to the Federal Supreme Council for ratification.

Business and Corruption

UAE leaders are committed to attracting FDI to the country and becoming an economic hub in line with Hong Kong, London or New York. The UAE government is aware of the importance of transparency and accountability to business development, and to that end, the government has established the Department for Foreign Investment at the Ministry of Economy. The Department provides investors with information about regulation, investment opportunities and also provides direct customer service. Companies wishing to invest in the UAE can therefore gather information about investment policies and regulations, as well as information about the country in general on the Ministry of Economy's website. According to an October 2011 article by Corporate Law and Governance, the Department of Economic Development together with the Institute for Corporate Governance, Hawkamah, published a Corporate Governance Code for small and medium sized companies. The new code is part of a wider program of awareness raising and compliance training, which will be developed by Dubai SME in partnership with other organisations, as reported by another September 2012 article by Out-Law. Moreover, the federal government has plans to privatise some sectors of the economy to rationalise expenses and attract foreign investors. The UAE operates 38 free trade zones, where national ownership requirements as well as every import and export tariff are waived if the goods are only processed in these zones and do not enter other parts of the country. The government also offers support services to foreign firms working in the free zones. According to the Heritage Foundation 2013, the UAE has demonstrated important improvements in the level of economic freedom. This is thanks to the government's efforts to strengthen the business climate, boost investment and foster the emergence of a more vibrant private sector. Nevertheless, the report notes that economic freedom is curbed by a burdensome investment framework.

Business executives interviewed in the World Economic Forum Global Competitiveness Report 2012-2013 cite corruption amongst the least problematic factors to doing business in the UAE. Instead, access to financing, the lack of skilled labour force and restrictive labour regulations constitute some of the largest obstacles. In addition, the UAE's low degree of good governance, which is especially prevalent in the private sector, also represents a major obstacle. Allegedly, the fast paced economic development undergone in the UAE in recent years has not resulted in modernisation in company management styles. Corruption in the private sector takes the form of fraud or embezzlement rather than bribery. After the global economic crunch, corruption cases surfaced in the UAE, yet in general, companies in the UAE rank well in the Global Competitiveness Report 2012-2013 in terms of their ethical behaviour in the interaction with public officials, politicians and other companies. In the same report, UAE also ranks well in terms of the irregular payment of bribes, suggesting that these situations rarely occur. This is backed up by the US Department of State 2013, which states that there is no evidence showing corruption of public officials to be a systematic problem.

Personal relationships still play a huge role in obtaining and retaining business, and in company hiring processes, as well as overcoming legal issues, hasten administrative processes, or avoid lines in government agencies. According to a February 2012 article by Gulf News, the use of 'wasta' (connections and favouritism) in the UAE represents a challenge as it can affect hiring and promotion policies. The Bertelsmann Foundation 2012 reports that market competition in the UAE has to improve, as foreign companies still have to rely on local sponsorship if they want to succeed in their business. Moreover ruling families' involvement in the economy provides for an uneven playing field and conflict of interests is a major area of concern since the same person can cover governmental as well as business positions at the same time.

Regulatory Environment

Government regulation is not a big constraint for companies doing business in the UAE, according to the business executives interviewed in the World Economic Forum Global Competitiveness Report 2012-2013. Companies have to be registered to operate in the country and the authorities uphold this requirement strictly. The government has cut red tape to facilitate the establishment of new investors, and is expected to continue fostering a more conducive environment for foreign investment, according to the US Department of State 2013. The procedures to get an operating licence are now reportedly straightforward and publicly available in all emirates. This fact is confirmed by the results obtained under the 'starting a business' criteria in the World Bank & IFC Doing Business 2013, according to which, it now takes an average of 12 days and 7 procedural steps with no minimum cost to launch a business. Building permits can also be obtained faster now compared to previous years due to improvements in an online system for processing applications. Furthermore, the Doing Business 2013 report notes that the UAE has made paying taxes easier for companies by establishing an online filling and payment system for social security contributions. According to the United Nation's E-Government Survey 2012, the UAE is amongst a few countries that have come close to a pure one-stop-shop portal with information, services, and participation services integrated on one site.

Investment laws have improved according to the US Department of State 2013 and the environment is now more conducive for business. Investment by foreign nationals is still restricted by law and home companies are favoured over foreign ones, but the regulatory environment is being reviewed to mitigate this discrimination. Currently the Federal Companies Law requires that UAE nationals own at least 51% of commercial companies operating in the country. Moreover, foreign products can only be distributed by fully state-owned companies. According to a December 2011 article by guide2dubai, the UAE Cabinet has approved the draft Companies Law which will allow foreign investors to hold more than 49% of the capital in specific sectors; these include tourism, education and healthcare. The article further explains that if a foreign company is adding value to the UAE economy and is bringing in large capital investments, it could qualify for 100% ownership. As for public procurement, the Tenders Law only allows bids by UAE nationals or companies with 51% UAE national ownership. Consequently, international companies wishing to bid for a project have to enter into joint ventures with national companies. The US Department of State 2013 reports that government tendering is not conducted according to generally accepted international standards, and retendering is the norm. The UAE government continues to lead the region in protecting intellectual property rights (IPR), even though some argue that it could do more to stop transhipping of counterfeit goods.

Dispute resolution can be difficult and uncertain, as reported by the US Department of State 2013. Arbitration is a commonly used measure to resolve commercial disputes, but it is reportedly difficult to enforce the awarding, as it must be endorsed by the courts. Court proceedings may reportedly continue for several years. The UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards has been effective in the UAE since 2006. Any award issued in other member states will consequently be directly enforceable in the UAE. Moreover, UAE is member to the International Centre for Settlement of Investment Disputes (ICSID). The judiciary is not independent from the government, as judges at the federal level are appointed by the Ministry of Justice and in some emirates by the ruling families. The majority of the judges are foreign nationals. Commercial disputes are normally heard by civil courts, but in the emirate of Abu Dhabi, they are first brought before the Abu Dhabi Conciliation Department. In Dubai and Abu Dhabi, the Chambers of Commerce have established arbitration centres to expedite commercial disputes. The award of such arbitration centres have still to be certified by courts and their enforcement can therefore face considerable delays. Access the Lexadin World Law Guide for a collection of legislation in UAE.

Section 3 - Economy

The UAE has an open economy with a high per capita income and a sizable annual trade surplus. Successful efforts at economic diversification have reduced the portion of GDP based on oil and gas output to 25%.

Since the discovery of oil in the UAE more than 30 years ago, the country has undergone a profound transformation from an impoverished region of small desert principalities to a modern state with a high standard of living. The government has increased spending on job creation and infrastructure expansion and is opening up utilities to greater private sector involvement. The country's free trade zones - offering 100% foreign ownership and zero taxes - are helping to attract foreign investors.

The global financial crisis of 2008-09, tight international credit, and deflated asset prices constricted the economy in 2009. UAE authorities tried to blunt the crisis by increasing spending and boosting liquidity in the banking sector. The crisis hit Dubai hardest, as it was heavily exposed to depressed real estate prices. Dubai lacked sufficient cash to meet its debt obligations, prompting global concern about its solvency and ultimately a $20 billion bailout from the UAE Central Bank and Abu Dhabi Government that was refinanced in March 2014.

Dependence on oil, a large expatriate workforce, and growing inflation pressures are significant long-term challenges. Low oil prices have prompted the UAE to take steps to reduce its social spending, including eliminating fuel subsidies in August 2015, but the UAE has sufficient assets to cover its deficits with money from its sovereign investment funds. The UAE's strategic plan for the next few years focuses on economic diversification and creating more job opportunities for nationals through improved education and increased private sector employment.

Agriculture - products:

dates, vegetables, watermelons; poultry, eggs, dairy products; fish

Industries:

petroleum and petrochemicals; fishing, aluminium, cement, fertilizers, commercial ship repair, construction materials, handicrafts, textiles

Exports - commodities:

crude oil 45%, natural gas, reexports, dried fish, dates (2012 est.)

Exports - partners:

Iran 14.5%, Japan 9.8%, India 9.2%, China 4.7%, Oman 4.3% (2015)

Imports - commodities:

machinery and transport equipment, chemicals, food

Imports - partners:

China 15.7%, India 12.8%, US 9.7%, Germany 6.8%, UK 4.4% (2015)

Banking

Banks in the UAE fall in four broad categories: commercial banks, merchant or investment banks, Islamic banks, and industrial banks. In 2008, the Central Bank allowed several foreign banks operating in the UAE to set up new branches. Local banks are exempted from any type of taxation whereas foreign banks pay a 20 percent tax on their profit.

The UAE Central Bank prohibits lending an amount greater than seven percent of a bank's capital base to any single customer. The bank defines a customer as an individual, a company, or a group of companies under common ownership, and capital base as local capital. Foreign banks with branches in the UAE are not permitted to calculate loans as a percentage of their global capital (which may however be used to calculate the capital adequacy ratio). In a revision to the rule in 1993, the Central Bank decided to exclude non-funded exposures, such as letters of credit and guarantees from the requirement. The Central Bank has also announced implementation of internationally recognized and accepted accounting principles, in the form of International Accounting Standard (IAS) number 30 on disclosure.

The consumer and retail banking in the country is considered by some analysts to be overcrowded, with banking services and products reaching near saturation in the economy. Islamic banking has expanded considerably in recent years, with conventional banks offering such services, besides the dedicated Islamic banks.

Banks have come under strain in the wake of the global economic downturn, and non-performing loans have become a burden for a number of Emirati banks. Mortgage lending has been weak due to an increase in non-performing loans. In some cases, expatriate borrowers have defaulted and fled the country. This has limited new mortgage lending, which in turn has limited the recovery of the real estate market. The federal government, through the Central Bank stepped in to guarantee the deposits in all local banks.

Islamic banking has become an important element in the U.A.E. banking industry. The number of dedicated Islamic banks in the country has now risen to at least six. In addition, a number of conventional banks offer Islamic banking and financial services. Industry estimates put the share of Islamic banking at around 20% of the total banking business, but with a much higher share in retail banking.

Traditionally, trade and building sectors receive a major share of bank loans. Banks lend to the services, trade, and building sectors due to the scarcity of major investment scope in other productive sectors.

Stock Exchange

There are three stock exchanges in the United Arab Emirates. The Abu Dhabi Securities Market was established on 15 November 2000 to trade shares of UAE companies. The Dubai Financial Market is a different exchange that trades shares of other public UAE companies.

The NASDAQ Dubai began operations in September, 2005, in Dubai, and aims to establish itself as the leading stock exchange between Western Europe and East Asia.

Section 4 - Investment Climate

Executive Summary

The Government of the United Arab Emirates (UAE) is pursuing an economic agenda that focuses on diversification and seeks to promote the development of the private sector as a complement to the historical economic dominance of the state. There have been numerous initiatives, laws and regulations throughout the seven emirates of the UAE that aim to develop a more conducive environment for foreign investment.

The UAE maintains a position as the major trade and investment hub for a large geographic region, which includes not only the Middle East and North Africa, but also South Asia, Central Asia, and Sub-Saharan Africa. The country ranked 17th of 143 economies in the World Economic Forum's 2015-2016 overall Global Competitiveness Index, and 31st of 189 on the World Bank's 2016 Ease of Doing Business report. Multinational companies cite the UAE's political and economic stability, rapid population and Gross Domestic Product (GDP) growth, fast growing capital markets, an absence of corporate and personal taxes, and the absence of evidence of systematic corruption, as positive factors contributing to the UAE's attractiveness to foreign investors.

The UAE continued to attract foreign direct investment (FDI), with inflows of FDI reaching USD 15 billion in 2014, largely focused on construction, finance, and wholesale and retail trade. FDI outflows from the UAE reached USD 2.7 billion in 2014 (the most recent information available). The FDI recovery coincided with economic growth driven by both oil and non-oil activities (including manufacturing), led by aluminum and petrochemicals; tourism and transportation; and real estate.

While foreign investment continued to grow, the regulatory and legal framework in the UAE favors local over foreign investors. There is no national treatment for investors in the UAE and foreign ownership of land and stocks remains restricted. The UAE maintains non-tariff barriers to investment in the form of restrictive agency, sponsorship, and distributorship requirements. In order to do business in the UAE outside one of the free zones, a foreign business in most cases must have a UAE national sponsor, agent or distributor, with at least a 51 percent ownership interest of the business. Foreign investors also expressed concern over weak dispute resolution mechanisms and insolvency laws, spotty intellectual property rights protection, and a lack of regulatory transparency. Labor rights and conditions, although improving, continue to be an area of concern as the UAE prohibits both labor unions and worker strikes.

The UAE is home to a large number of free zones, and U.S. and multinational companies report that these zones tend to have stronger and more equitable frameworks. For example, in the free zones, foreigners may own up to 100 percent of the equity in an enterprise; have 100 percent import and export tax exemption; have 100 percent exemption from commercial levies; and repatriate 100 percent of capital and profits. These free zones form a vital component of the local economy, and serve as major re-export centers to the Gulf region.

Table 1

Measure	Year	Index or Rank	Website Address

TI Corruption Perceptions index	2015	23 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	31 of 189	doingbusiness.org/rankings
Global Innovation Index	2015	47 of 143	globalinnovationindex.org/content/page/data-analysis
U.S. FDI in partner country ($M USD, stock positions)	2014	15,035	http://www.bea.gov/scb/pdf/2015/09%20September/0915_outward_ direct_investment_detailed_historical_cost_positions.pdf
World Bank GNI per capita	2014	USD 44,600	data.worldbank.org/indicator/NY.GNP.PCAP.CD

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

The UAE generally is open to FDI, citing it as a key part of its long term economic plans. The UAE Vision 2021 strategic plan aims to achieve FDI flows to the UAE of five percent of Gross National Product (GNP), a number one rank for the UAE in the global index for ease of doing business, and a place among the top 10 countries worldwide in the Global Competitiveness Index. UAE investment laws and regulations are evolving in support of these goals. However, current frameworks still favor local over foreign investors. While recently updated UAE laws validate the practice of foreign owned free zone companies operating "onshore" in some instances, and permit majority-Gulf Cooperation Council (GCC) ownership of public joint stock companies, there remains no national treatment for investors in the UAE and foreign ownership of land and stocks is restricted. Non-tariff barriers to investment persist in the form of restrictive agency, sponsorship, and distributorship requirements.

Other Investment Policy Reviews

The UAE government (UAEG) hosted the IMF for an Article IV Consultation in 2015, but has not conducted an investment policy review through the Organization for Economic Cooperation and Development (OECD), the WTO, or the United Nations Conference on Trade and Development (UNCTAD).

Laws/Regulations on Foreign Direct Investment

There are four major federal laws affecting foreign investment in the UAE: the Companies Law, the Commercial Agencies Law, the Industry Law, and the Government Tenders Law. In 2011, the Ministry of Economy announced that 19 federal laws were in draft status to address a number of concerns historically discouraging foreign investment in the UAE. Today, the laws include an updated commercial agencies law, an insolvency law, an arbitration law, and a draft foreign investment law under review.

The Federal Commercial Companies Law (Law No. 02, 2015) was issued in April 2015 and applies to commercial companies operating in the UAE. The new law, with which all companies must come into compliance by July 1, 2016, provides a stronger, more up to date basis for corporate regulation. Companies established in the UAE are currently required to have a minimum of 51 percent UAE national ownership. Profits and management control may be apportioned differently and often are negotiated at fixed amounts. Branch offices of foreign companies are required to have a national agent with 100 percent UAE national ownership, unless the foreign company has established its office pursuant to an agreement with the federal or an emirate-level government. The new commercial law allows companies to offer between 30 and 70 percent of shares upon undertaking an initial public offering (IPO) and eliminates the requirement to issue new shares at the time of IPO. The law also eases the process for forming a limited liability company by requiring between 1 to 75 shareholders (the prior requirement was between 2 to 50 shareholders). Under the new law, when a public joint stock company lists, there is a 51 percent GCC ownership requirement. UAE nationals must chair and be the majority of board members of any public joint stock company.

Provisions in the commercial law that would have relaxed the foreign ownership limit were rejected by the UAE Federal National Council (FNC), but might be addressed in a separate investment law that is currently still in draft form, according to a statement made in 2015 by the FNC spokesperson. A provision to allow 100 percent foreign ownership outside of free zones would reportedly be restricted to certain sectors, such as high technology projects, and would require Cabinet approval on a case-by-case basis. For example, in 2015, a prominent American technology company secured permission to open stores outside free zones without any local partners, having secured permission to do so on an exceptional basis via a decree from the Dubai Ruler.

The Commercial Agencies Law's provisions are collectively set out in Federal Law No. 18 of 1981 on the Organization of Commercial Agencies as amended by Federal Law No. 14 of 1988 (the Agency Law), and apply to all registered commercial agents. Federal Law No. 18 of 1993 (Commercial) and Federal Law No. 5 of 1985 (Civil Code) govern unregistered commercial agencies. The Commercial Agencies Law requires that foreign principals distribute their products in the UAE only through exclusive commercial agents who are either UAE nationals or companies wholly owned by UAE nationals. The foreign principal can appoint one agent for the entire UAE or for a particular emirate or group of emirates. The Ministry of Economy handles registration of commercial agents. It remains difficult, if not impossible, to sell in UAE markets without a local agent. Only UAE nationals or companies wholly owned by UAE nationals can register with the Ministry of Economy as local agents.

The Federal Industry Law stipulates that industrial projects must have 51 percent UAE national ownership. The law also requires that projects either be managed by a UAE national or have a board of directors with a majority of UAE nationals. Exemptions from the law are provided for projects related to extraction and refining of oil, natural gas, and other raw materials. Additionally, projects with a small capital investment or projects governed by special laws or agreements are exempt from the industry law.

To obtain an investor number from the Abu Dhabi Securities Exchange, go to:
http://www.adx.ae/FormsAndApplications/InvestorNumberApplication.pdf

To obtain an investor number for trading on the Dubai Exchanges, go to:
http://www.nasdaqdubai.com/assets/docs/NIN-Form.pdf

Business Registration

The UAE's business registration process varies based on the emirate. The business registration process is not available online. Generally registration happens through the particular emirate's Department of Economic Development. At a minimum, a company must generally register with the Department of Economic Development, the Ministry of Labor, and the General Authority for Pension and Social Security with a required notary in the process. The time it takes to start a business was eight days in 2015, according to the World Bank.

Investment promotion agencies exist based on the emirate. For example, the Sharjah Investment and Development Authority, or Shurooq, is an independent government agency that assists investors in finding partnerships in the emirate.

The definitions of micro, small and medium-sized enterprises (MSMEs) vary by emirate. In Dubai, for example, MSMEs are defined as companies with fewer than 75 employees and less than AED 250 million (USD 68 million) in annual turnover in the trade sector; fewer than 250 employees and less than AED 250 million (USD 68 million) in annual turnover in the manufacturing sector; and fewer than 250 employees and less than AED 150 million (USD 41 million) in annual turnover in the service sector. The government of Dubai provides business support and information to MSMEs fully owned and managed by UAE nationals.

Industrial Promotion

The Abu Dhabi Government in early 2015 formed the Abu Dhabi Investment Attraction Committee to achieve sustainable economic development and develop an attractive investment environment. The committee started the process of forming a foreign investment attraction strategy in March 2015, focusing on the sectors that Abu Dhabi's strategic plan—Abu Dhabi Economic Vision 2030—targeted as engines for non-oil sector growth. These sectors include industry, tourism, transport and logistics, financial services, insurance, media, energy, construction, real estate, telecommunications, information technology, health and education.

Limits on Foreign Control and Right to Private Ownership and Establishment

Foreign companies or individuals are limited to 49 percent ownership/control in any part of the UAE not in a free trade zone, pursuant to law. There have been waivers of the application of this law granted on a case-by-case basis. The 2015 Commercial Companies Law allows for full ownership by GCC nationals.

Except as detailed elsewhere in this report, there are no restrictions on the right of private entities to establish and own business enterprises and engage in all forms of remunerative activity.

Privatization Program

There has been no privatization program in the UAE. There have been several listings of portions of state owned enterprises (SOEs), which are referred to locally as government related entities (GREs), on local UAE stock exchanges, as well as some "greenfield" IPOs that are focused on priority government projects.

Screening of FDI

The UAE does not have a formal FDI review process; however, as noted elsewhere in this report, there is no national treatment for investors in the UAE and restrictions on foreign ownership of land and stocks are common. Non-tariff barriers to investment persist in the form of restrictive agency, sponsorship, and distributorship requirements.

Competition Law

The Ministry of Economy reviews transactions for competition-related concerns.

2. Conversion and Transfer Policies

Foreign Exchange

The UAE has no restriction on the making of payments and transfers for current international transactions, according to the IMF, except for those restrictions for security reasons that have been notified by authorities. There are no restrictions on the transfer of funds into or out of the UAE and currencies are traded freely at market-determined prices.

The UAE dirham has been de jure pegged to the dollar since 2002. The mid-point between the official buying and selling rate for the dirham (AED or Dhs) is fixed at AED 3.6725 per 1 USD.

Remittance Policies

The UAE Central Bank initiated the creation of the Foreign Exchange & Remittance Group (FERG), made up of various exchange companies, which is registered with the Dubai Chamber of Commerce & Industry. Unlike their counterparts across the world that deal mainly in money exchange, exchange companies in the UAE are the primary channels for transferring large volumes of remittances through official channels. It is estimated that more than USD 30 billion (AED 110 billion) is transferred annually by expatriate workers in the UAE to home markets. Exchange companies are important partners in a unique Wages Protection System of the UAE Government. They also handle various ancillary services ranging from credit card payments, national bonds, and traveler's checks.

The various free zones, including the Dubai International Financial Center (DIFC), are subject to the federal anti-money laundering (AML) law. Free zone licensing authorities have the ability to set their own AML rules and regulations consistent with the federal law, resulting in variance among the free zones. Federal authorities continue to examine ways to expand their regulatory reach on AML/CFT. The UAE is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force (FATF)-style regional body.

3. Expropriation and Compensation

The Mission is not aware of foreign investors involved in any expropriations in the UAE for at least the last five years. There are no set federal rules governing compensation if expropriations were to occur, and individual emirates would likely treat expropriations differently. In practice, authorities in the UAE would be unlikely to expropriate unless there was a compelling development or public interest need to do so, and in such cases compensation would likely be generous in order to maintain foreign investor confidence.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

French and Egyptian legal systems heavily influence the UAE legal structure, but its foundation is in Islamic (Shari'a) law. In the constitution, Islam is identified as the state religion, as well as the principal source of law. The legal system of the country is generally divided between off shore free trade zones, which use a British-based system of common law, and domestic law cases, which are governed by Shari'a – the majority of which has been codified into black letter law. The mechanism for enforcing ownership of property through either court system is generally considered to be both predictable and fair. As is the case with civil law systems, common law principles, such as adopting previous court judgments as legal precedents, are generally not recognized in the UAE – though lower courts typically apply higher court judgments. Judgments of foreign civil courts are generally recognized and enforceable under the local courts.

Although the principles of Shari'a influence criminal and civil laws (i.e., judges rely on Shari'a in the rare absence of clear black letter law), the direct influence of Shari'a is primarily confined to family law cases where Shari'a law has been codified. Non-Muslims who are tried in Shari'a law cases may receive civil penalties at the discretion of the judge. A higher court may also overturn a Shari'a penalty imposed on a non-Muslim.

In April 2015, Dubai International Financial Center (DIFC) courts announced a wills and probate registry, making it the first jurisdiction in the region where a non-Muslim individual can register a will under internationally recognized common law principles. The United States District Court for the Southern District of New York signed a memorandum with the DIFC courts that provides companies operating in Dubai and New York with procedures for the mutual enforcement of money judgments. A properly executed last will and testament will take precedence over Shari'a law, however, and is recommended by local attorneys as the best way for expatriates to ensure that the default inheritance laws of the UAE are not applied unless so desired.

The UAE constitution stipulates that each emirate can decide whether to set up its own judicial system (local courts) or use federal courts (courts administered by the federal government) exclusively for cases involving both federal and non-federal cases. The UAE Federal Judicial Authority has jurisdiction for all cases involving a "federal person," with the Federal Supreme Court in Abu Dhabi, the highest court at the federal-level, having exclusive jurisdiction in seven types of cases: disputes between emirates, disputes between an emirate and the federal government, cases involving national security, interpretation of the constitution, questions over the constitutionality of a law, and cases involving the actions of appointed ministers and senior officials while performing their official duties. Although the UAE federal constitution permits each emirate to have its own judicial authority, all emirates except Dubai, Ras Al Khaimah, and Abu Dhabi have incorporated their local judicial systems into the UAE Federal Judicial Authority. In doing so, the federal government administers the courts in Ajman, Fujairah, Um al Quwain, and Sharjah, including the vetting and hiring of judges there, and payment of salaries. Judges in these courts apply both local and federal law as warranted by the case. Dubai, Ras Al Khaimah, and Abu Dhabi emirates, on the other hand, administer their own local courts, hiring, vetting, and paying their own judges and attorneys. A slight anomaly, however, is that Abu Dhabi is the only emirate that operates both local (the Abu Dhabi Judicial Department) and federal courts in parallel. The local courts in Dubai, Ras al Khaimah, and Abu Dhabi have jurisdiction over all matters that the constitution does not specifically reserve for the federal system.

Bankruptcy

There have been reports that a bankruptcy (insolvency) law is under consideration. However, at present, a chapter in the UAE federal commercial code, promulgated in 1993, is the only comprehensive legal guidance on the subject. The commercial code chapter on bankruptcy governs the procedures and effects of bankruptcy in the UAE, but does not provide a mechanism for the orderly evaluation and distribution of assets of a bankrupt entity. Monetary judgments in bankruptcy cases are made in the local currency, and UAE courts enforce the judgments of foreign courts if there is reciprocity based on bilateral or international treaties. A debtor may be sent to jail for failure to make payments.

Investment Disputes

The Mission is aware of a few substantial investment disputes during the past few years involving U.S. or other foreign investors and government and/or local businesses. There have also been several contractor/payment disputes, with the government as well as local businesses. Some observers have characterized dispute resolution as difficult and uncertain.

Disputes generally are resolved by direct negotiation and settlement between the parties themselves, recourse to the legal system, or arbitration. Small, medium, and some larger enterprises continue to fear being frozen out of the UAE market for escalating payment issues through civil or arbitral courts, particularly when politically influential local parties are involved. Some firms may feel compelled to exit the UAE market as they are unable to sustain pursuit of legal or dispute resolution mechanisms that can add months or years to the dispute resolution process. Arbitration may commence by petition to the UAE federal courts on the basis of mutual consent (a written arbitration agreement), independently (by nomination of arbitrators), or through a referral to an appointing authority without recourse to judicial proceedings. There have been no confirmed reports of government interference in the court system that could affect foreign investors, but there is a widespread perception that domestic courts are likely to find in the favor of Emirati nationals over foreigners.

International Arbitration

The UAEG's accession to the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards became effective in November 2006. An arbitration award issued in the UAE is now enforceable in all 138 states that have acceded to the Convention, and any award issued in another member state is directly enforceable in the UAE. The Convention supersedes all incompatible legislation and rulings in the UAE. The Mission does not yet have any experience with U.S. firms attempting to use arbitration under the UN convention on the recognition and enforcement of foreign arbitral awards. Concerns have been raised about delays and other obstacles encountered by firms seeking to enforce their arbitration awards in the UAE despite the recognition of progress in compliance with this convention.

ICSID Convention and New York Convention

The United Arab Emirates is a contracting state to the International Centre for the Settlement of Investment Disputes (ICSID convention) and a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral awards (1958 New York Convention).

Duration of Dispute Resolution – Local Courts

Enforcing arbitration judgments rendered in the UAE requires court certification and can be a lengthy process. Judicial proceedings may continue for several years and can be invalidated for procedural considerations.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

According to the WTO, UAE procurement gives preference to local companies and suppliers, as foreign participation is limited by nationality requirements. There is a strong reliance on foreign companies, however, particularly with major projects for which local expertise is not always available. An offset program is in place for defense contracts.

Government tendering is not conducted according to generally accepted international standards, and re-tendering is the norm. To bid on federal projects, a supplier or contractor must be either a UAE national or a company in which UAE nationals own at least 51 percent of the capital or have a local agent or distributor. Federal tenders must be accompanied by a bid bond in the form of an unconditional bank guarantee for five percent of the value of the bid. UAE federal government entities can tender internationally since foreign companies sometimes are the only suppliers of specialized goods or services that are not widely available.

The UAE's offset program requires that defense contractors awarded contracts valued at more than USD 10 million in any five-year period establish a commercially viable joint venture with local business partners or provide capabilities and supply contracts to established UAE companies, yielding profits equivalent to 60 percent of the contract value within a specified period.

Investment Incentives

Incentives are given to foreign investors in the free zones. Outside the free zones, no incentives are given, although the ability to purchase property as freehold in certain favored projects in Dubai could be considered an incentive aimed at attracting foreign investment. The federal government and the governments of the individual emirates promote a business environment largely free of taxation and exchange controls, although the UAEG has recently announced it will introduce a Value Added Tax (VAT) in 2018.

Research and Development

There are no reports of formal restrictions on investment or involvement with official research and development projects.

Performance Requirements

There is a federal incentive program called Emiratization that aims to increase the number of jobs available for Emirati citizens within the private sector. Exact requirements vary by industry, but the Vision 2021 national strategic plan aims to increase the percentage of Emiratis working in the private sector from 5% in 2014 to 8% by 2021. Most Emirati citizens are employed by the UAE government or one of its many GREs. There is a guest worker system in place, which generally guarantees transportation back to country of origin at conclusion of employment. There have been no reports of excessively onerous visa, residence, work permit, or similar requirements inhibiting mobility of foreign investors and their employees. There are government/authority-imposed conditions on permission to invest, in the form of a general 49 percent limitation of ownership/control by foreign individuals or corporations.

Data Storage

The UAE does not force foreign investors to use domestic content in goods or technology or compel foreign IT providers to turn over source code.

6. Protection of Property Rights

Real Property

The UAE allows each individual emirate to decide on the form in which ownership of land may be transferred within its borders. Generally, Abu Dhabi has limited ownership to Emirati or other GCC citizens, who may then lease out the land to foreigners. The property reverts back to the owner at the conclusion of the lease. Although Dubai has identified such restricted areas within its borders, traditional freeholds, also known as outright ownership, are also available. Freeholders of land own the land. Subject to very few regulations, freehold owners may sell on the open market. The contract rights of lienholders, as well as ownership rights of freeholders, are generally respected and enforced throughout the UAE, which in some cases has employed specialized courts for this purpose.

Mortgages and liens are permitted, with restrictions. Each emirate has its own system of recordkeeping. In Dubai, for example, the system is considered extremely reliable, being mainly centralized within the Dubai Land Department. Land not otherwise allocated or owned is the property of the emirate, and may be disposed of at the will of its ruler, who generally consults with his advisors prior to disposition.

Intellectual Property Rights

With respect to intellectual property rights (IPR), the UAE's legal regime is generally considered fair and in compliance with international obligations. Enforcement of IPR takes place generally at the emirate level. In 2015, a Dubai government agency, the Intellectual Property Rights Protection Division of the Dubai Department of Economic Development (DED), reported that it had seized 63 million pieces of counterfeit goods worth over USD 300 million within the emirate of Dubai. The Dubai Police, Dubai Customs, and the Dubai Department of Economic Development share the power to search for and seize counterfeit products. Dubai Customs has authority to do so at the emirate's borders and in free trade zones, while Dubai Police and DED authority only applies to non-free trade zone areas. A draft of a new anti-commercial fraud law is still pending. Interested stakeholders are watching the draft law closely, especially due to a potential conflation of counterfeit goods with substandard and defective goods. Each emirate works with individual stakeholders regarding counterfeits of its brands, and the government publicly reports only the largest seizures of counterfeit goods. The UAE is not currently listed in the United States Trade Representative's (USTR) Special 301 report, or in its Notorious Markets report.

The two main challenges IPR holders face in the UAE are in the areas of counterfeit goods, and royalty payments for copyrighted music. The practice of fining shippers of counterfeit goods and permitting re-exportation of those goods subjectively deemed too hazardous to destroy has occurred regularly in the UAE during the reporting period, primarily in the emirate of Dubai. It is important to note that Dubai Customs officials continue to report that negotiations are underway to outsource destruction of counterfeit goods. As to royalty payments for copyrighted music, although the UAE has generally been responsive when encountering pirated physical CDs, DVDs, and software, the lack of a copyright collecting society, which is allowed for under UAE's existing copyright law, is a major obstacle to adequate protection of IPR.

Resources for Rights Holders

Officers with responsibility for IPR at Embassy Abu Dhabi: Mark Motley, +971-2-414-2595, motleyme@state.gov; at Consulate Dubai: Joseph Giblin, +971-4-309-4034, giblinjp@state.gov; and the Department of Commerce Middle East/North Africa Regional IP Attaché at Embassy Kuwait: Aisha Salem, +965-2259-1455, aisha.salem@trade.gov. The website of the American Chamber of Commerce in Abu Dhabi can be found at http://www.amchamabudhabi.org/ and the American Business Council of Dubai and the Northern Emirates at http://www.abcdubai.com/. The website of the U.S.-UAE Business Council is located at http://usuaebusiness.org/

7. Transparency of the Regulatory System

As indicated elsewhere in this report, the regulatory and legal framework in the UAE is generally more favorable for local investors than for foreign investors.

The Commercial Companies Law maintains the previous requirement that all companies apply international accounting standards and practices when preparing their accounts, generally International Financial Reporting Standards (IFRS). The UAE has never had local generally accepted accounting principles.

UAE legislation is only published when it has been enacted into law and is not available for public comment before that, although the press will occasionally report on some details of high-profile legislation. Final bills are published in an official register, usually only in Arabic, although there are private companies that specialize in translating laws into English. Although non-governmental organizations do not generally manage regulatory processes, there are many quasi-governmental advisory boards that participate in the setting of standards. The Mission has not received complaints about exclusion of foreigners from these boards.

8. Efficient Capital Markets and Portfolio Investment

The UAEG is focused on building infrastructure to create an environment conducive to economic growth and outside investment. It is also collaborating with its partners in the GCC to support ventures in the region. UAEG efforts to create such an environment for investments resulted in: i) no taxes or restrictions on the repatriation of capital; ii) free movement of labor and low barriers to entry (effective tariffs are five percent for most goods); and iii) an emphasis on diversifying the economy away from oil, which offers a broad array of investment options for FDI. Drivers for the economy include real estate, tourism, manufacturing, and financial services.

The UAE issued investment funds regulations in September 2012, known as the “twin peak” regulatory framework. The framework is designed to further govern the marketing of investment funds established outside the UAE to investors in the UAE and the establishment of local funds domiciled inside the UAE. This regulation set forth several key changes such as giving the Securities and Commodities Authority (SCA), rather than the Central Bank, authority over the licensing, regulation and oversight of the marketing of investment funds. The marketing of a foreign fund (including “offshore” UAE-based funds, such as those domiciled in the DIFC) now requires the appointment of a locally licensed placement agent. Other restrictions contained in the regulations, such as limitations on funds investing more than 15 percent in any one underlying issuer, have led fund managers to question whether the UAE is seeking to attract international or regionally focused investment funds to be domiciled in the country. The federal government has also encouraged certain high-profile projects to be undertaken via a public joint stock company in order to allow the issue of shares to the public. Further, any company carrying out banking, insurance or investment for a third party must be a public joint stock company.

Money and Banking System, Hostile Takeovers

The UAE has accepted the obligation of IMF Article VIII, Sections 2, 3, and 4. There are no restrictions on the making of payments and transfer for current international transactions, except for those restrictions for security reasons that have been notified to the Fund, by the authorities, in accordance with Executive Board Decision No. 144 (52/51).

The international financial crisis and foreign speculation contributed to significant declines in local equity valuations since 2008, but the markets rebounded strongly by 2013. UAE's regulatory body, the SCA, raised capital requirements to operate a brokerage house from AED 20 million (USD 5.5 million) to AED 30 million (USD 8.2 million) and in July 2014 classified brokerages into two groups: "those which engage in trading only while the clearance and settlement operations are conducted through clearance members" and "those which engage in trading clearance and settlement operations for their clients." Under the regulations, trading brokerages require paid-up capital of AED 3 million (USD 820k), whereas trading and clearance brokerages need AED 10 million (USD 2.7 million). Bank guarantees required for brokerages to trade on the bourses are AED 1 million (USD 367k).

9. Competition from State-Owned Enterprises

State-owned enterprises (SOEs) are a key component of the UAE economic model. Some SOEs, or GREs as they are referred to locally, such as the Abu Dhabi National Oil Company, are strategically important companies and a major source of fiscal revenues. Mubadala Development Company established Masdar in 2006 to develop renewable energy and sustainable technologies industries. A number of SOEs such as Emirates (the airline) and Etisalat (a large telecommunications firm) have in recent years emerged as internationally recognized brands. Some, but not all of these companies, compete, and in a number of cases against other state-owned firms (Emirates and Etihad airlines, for example, or Etisalat telecom against majority UAEG-owned du). While they are not granted full autonomy, they are integrated in a system where the state leverages synergies among entities it controls to foster national economic development. Perhaps the best example of such an economic ecosystem is Dubai, where SOEs have been used as a motor of diversification and are present in a number of sectors, including construction, hospitality, transport, banking and telecommunications.

Sectoral regulations in some cases address governance structures and practices of state-owned companies. For example, the Dubai Real Estate Regulatory Agency (RERA) developed a code of corporate governance for real estate developers in 2011. In doing so, RERA has considered that the peculiarity of the real estate sector, which includes many actors such as developers and promoters, merits specific guidelines. The UAE is not party to the WTO Government Procurement Agreement.

OECD Guidelines on Corporate Governance of SOEs

Corporate governance of most SOEs is largely comprised of ruling family members, the merchant class, and a variety of advisors, including foreigners. While the selection and allocation of board seats remains vague, the UAEG states it strives to follow guidelines consistent with OECD's guidelines for SOEs, with the state acting as an owner, and equitable treatment of shareholders. There is no centralized ownership entity. In 2009, the UAEG government established the Emirates Competitiveness Council (ECC) to address issues related to optimizing the efficiency and governance of SOEs, recognizing some SOEs are a fiscal burden while others can be a source of economic competitiveness. In September 2015, the ECC was replaced with the Federal Competitiveness and Statistics Authority and charged with improving the UAE's ranking in global competitiveness reports by defining and implementing reforms across various sectors of the economy, in addition to serving as a source for national statistics.

In disputes between SOEs and foreign investors, there is a widespread perception that domestic courts are likely to find in the SOEs' favor. The constitution provides for an independent judiciary, but court decisions are subject to review by the political leadership and influenced by nepotism; authorities often treat noncitizens differently from citizens.

Sovereign Wealth Funds

Abu Dhabi is home to four sovereign wealth funds—the Abu Dhabi Investment Authority (ADIA), the Abu Dhabi Investment Council (ADIC), the International Petroleum Investment Company (IPIC), and Mubadala Development Company (Mubadala)—with total assets of approximately USD 1 trillion. Each Abu Dhabi fund is comprised of a chair and board members who are appointed by a decree of the Ruler of Abu Dhabi. President Khalifa Bin Zayed Al Nahyan is the chair of ADIA, and Abu Dhabi Crown Prince Mohammed Bin Zayed Al Nahyan is the chair of ADIC, IPIC, and Mubadala. Emirates Investment Authority, the UAE's federal sovereign wealth fund, has assets of about USD 15 billion. The Investment Corporation of Dubai (ICD) is Dubai's primary sovereign wealth fund, with an estimated USD 70 billion of assets.

UAE funds are involved in their investments to varying degrees. ADIA does not actively seek to manage or take an operational role in the public companies in which it invests, while Mubadala tends to take a more active role in particular sectors, including oil and gas, aerospace, and infrastructure, among others. ADIA exercises its voting rights as a shareholder in certain circumstances to protect its interests or to oppose motions that may be detrimental to shareholders as a body. According to ADIA, the fund carries out its investment program independently and without reference to the government of Abu Dhabi.

ADIA in 2008 agreed to act alongside the IMF as co-chair of the International Working Group of sovereign wealth funds, which eventually became the International Forum of Sovereign Wealth Funds (IFSWF). The IFSWF, which is comprised of representatives from 28 countries, was created to demonstrate that sovereign wealth funds had robust internal frameworks and governance practices and that their investments were made only on an economic and financial basis.

10. Responsible Business Conduct

There is a general expectation that businesses in the UAE adhere to responsible business conduct (RBC) standards, and the UAE's Governance Rules and Corporate Discipline Standards (Ministerial Resolution No. 518 of 2009) encourage companies to apply social policy towards local society. Many companies in the UAE maintain corporate social responsibility (CSR) offices and participate in CSR initiatives, including mentorship and employment training; philanthropic donations to UAE-licensed humanitarian and charity organizations; and initiatives to promote environmental sustainability. The UAE's rulers actively support such efforts through official government partnerships, as well as their own private foundations.

The 2015 Commercial Companies Law requires managers and directors to act for the benefit of the company and makes any company provisions exempting a directors and managers from personal liability voidable.

In April 2015, the Pearl Initiative and the United Nations Global Compact (UNGC) held their inaugural Forum in Dubai. The Pearl Initiative is an independent private sector-led not-for-profit organization working across the Gulf region to encourage better business practices. The UAE has not subscribed to the OECD Guidelines for Multinational Enterprises and has not actively encouraged foreign or local enterprises to follow the specific United Nations Guiding Principles on Business and Human Rights. The UAE has not committed to adhering to the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Afflicted and High-Risk Areas nor does it participate in the Extractive Industries Transparency Initiative.

11. Political Violence

There have been no reported instances of politically motivated property damage in recent years.

12. Corruption

The UAE has stiff laws, regulations and enforcement against corruption, and has pursued several high profile cases. For example, the UAE federal penal code and the federal human resources law criminalize the acceptance of bribes by public and private sector workers and embezzlement. The Dubai financial fraud law applies to persons convicted of a crime in Dubai and criminalizes receipt of illicit monies or public funds. There is no evidence that corruption of public officials is a systemic problem. The State Audit Institution (SAI) and the Abu Dhabi Accountability Authority investigate corruption in the government.

The monitoring organizations GAN Integrity and Transparency International describe the corruption environment in the UAE as low-risk, and rate the UAE highly with regard to anti-corruption efforts both regionally and globally. Third-party organizations note, however, that the involvement of members of the ruling families in certain businesses can create economic disparities in the playing field, and most foreign companies outside the UAE's free zones must rely on an Emirati national partner who retains 51 percent ownership. There are no civil society organizations or NGOs investigating corruption within the UAE.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The UAE signed and ratified the UN Convention against Corruption in 2005 and 2006, respectively. The UAE has drafted, but not passed, legislation to implement the Convention. The UAE is not party to the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions.

Resources to Report Corruption

Resources to Report Corruption: Dr. Harib Al Amimi, President, State Audit Institution, 20th Floor, Tower C2, Aseel Building, Bainuna (34th) Street, Al Bateen, Abu Dhabi, United Arab Emirates; +971 2 635 9999; info@saiuae.gov.ae

13. Bilateral Investment Agreements

UNCTAD lists the UAE as currently having 48 bilateral investment treaties, of which 34 are in force, and 14 other international investment agreements (IIAs), of which seven are in force. There is currently no bilateral investment treaty between the United States and the UAE.

In March 2004, the United States signed a Trade and Investment Framework Agreement (TIFA) with the UAE to provide a formal framework for dialogue on economic reform and trade liberalization: https://ustr.gov/sites/default/files/uploads/agreements/tifa/asset_upload_file305_7741.pdf. As a member of the GCC, the UAE is also party to the U.S. - GCC framework agreement for trade, economic, investment, and technical cooperation, signed in September 2012.

The United States began negotiating an FTA with the UAE in March 2005. In early 2007, the United States and the UAE announced that they would not be able to complete FTA negotiations under the existing time frame for trade promotion authority. The United States and the UAE later initiated a "TIFA Plus" consultative process under the existing bilateral TIFA to advance trade liberalization in as many areas as possible. Incorporating a broader range of issues, the State Department negotiated and signed a Memorandum of Understanding creating an Economic Policy Dialogue (EPD) with the UAE Ministry of Foreign Affairs in 2012, to address a variety of topics, including but not limited to trade, investment, sector-specific cooperation, competitiveness, and entrepreneurship. A CEO Summit process for the EPD was established in 2013, bringing recommendations from the private sector directly into the EPD discussions.

Bilateral Taxation Treaties

There is currently no double taxation treaty between the United States and the UAE.

UAE has ratified 45 bilateral agreements for the promotion and protection of investments and 55 double taxation avoidance agreements.

14. Foreign Trade Zones/Free Ports/Trade Facilitation

There are numerous duty-free import zones throughout the UAE. Foreign companies generally enjoy the same investment opportunities within those zones as Emirati citizens. Free zones in the UAE are home to more than 20,000 companies. These free zones form a vital component of the local economy, and serve as major re-export centers to the Gulf region.

The chief attraction of the free zones is the waiver of the requirement for majority local ownership. In free zones, foreigners may own up to 100 percent of the equity in an enterprise. All free zones provide 100 percent import and export tax exemption, 100 percent exemption from commercial levies, 100 percent repatriation of capital and profits, multi-year leases, easy access to sea and airports, buildings for lease, energy connections (often at subsidized prices), and assistance in labor recruitment. In addition, free zone authorities provide significant support services, such as sponsorship, worker housing, dining facilities, recruitment, and security.

Free zones have their own independent authority with responsibility for licensing and helping companies establish their businesses. Investors can register new companies in a free zone, or license branch or representative offices. Free zones have limited liability and are governed by the laws and regulations of free zones. Companies in free trade zones seeking to operate within the UAE may be governed by the new Commercial Companies Law, if the laws of the relevant free zone permit companies to operate outside of the free zones.

15. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) ($M USD)	2014	$419,000	2014	$399,451	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country ($M USD, stock positions)	2014	$4359	2014	$15,035	http://www.bea.gov/international/factsheet/factsheet.cfm
Host country's FDI in the United States ($M USD, stock positions)	N/A		2014	$2,700	http://www.bea.gov/international/factsheet/factsheet.cfm
Total inbound stock of FDI as % host GDP	2014	1.04%	2014	3.76%	N/A

* UAE National Bureau of Statistics; UAE Ministry of Economy public statements.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data

From Top Five Sources/To Top Five Destinations *(US Dollars, Millions)*					
Inward Direct Investment			Outward Direct Investment		
Total Inward	73,107	100%	Total Outward	N/A	100%
United Kingdom	9,688	13.3%			
India	4,258	5.8%			
France	4,084	5.6%			
Japan	3,991	5.5%			
United States	3,110	4.3%			
"0" reflects amounts rounded to +/- USD 500,000.					

Source: IMF Coordinated Direct Investment Survey. Figures are from 2012.

Table 4: Sources of Portfolio Investment

The UAE does not report data to the IMF's Coordinated Portfolio Investment Survey and does not publish data on foreign portfolio investment sources or destinations. FPI in the UAE in 2012 was USD 15.1 billion, according to official government statistics.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments

Legal system:

mixed legal system of Islamic law and civil law

International organization participation:

ABEDA, AfDB (nonregional member), AFESD, AMF, BIS, CAEU, CICA, FAO, G-77, GCC, IAEA, IBRD, ICAO, ICC (national committees), ICRM, IDA, IDB, IFAD, IFC, IFRCS, IHO, ILO, IMF, IMO, IMSO, Interpol, IOC, IPU, ISO, ITSO, ITU, LAS, MIGA, NAM, OAPEC, OIC, OIF (observer), OPCW, OPEC, PCA, UN, UNCTAD, UNESCO, UNIDO, UPU, WCO, WHO, WIPO, WMO, WTO

Treaty and non-treaty withholding tax rates

Tax treaties signed by UAE may have little relevance from the UAE tax perspective as a UAE tax liability is predetermined. The taxes paid in UAE can be claimed as credit in the home country of the foreign company depending on the double taxation avoidance agreements (DTAA) and the domestic laws of that country.

United Arab Emirates has exchange of information relationships with 64 jurisdictions through 64 DTCs and 0 TIEAs.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5
Algeria	DTC	24 Apr 2001	28 Nov 2001	Unreviewed	No
Armenia	DTC	22 Apr 2002	29 Dec 2004	Unreviewed	No
Austria	DTC	22 Sep 2003	1 Sep 2004	No	No
Azerbaijan	DTC	20 Nov 2006	30 Apr 2007	Unreviewed	No
Belarus	DTC	27 Feb 2000	2 Jun 2001	Unreviewed	No
Belgium	DTC	30 Sep 1996	6 Jan 2004	Yes	No
Bosnia and Herzegovina	DTC	18 Sep 2006	30 Apr 2007	Unreviewed	No
Bulgaria	DTC	26 Jun 2007	22 Jan 2008	Unreviewed	No
Canada	DTC	9 Jun 2002	7 Jan 2004	Yes	No
China	DTC	1 Jul 1993	5 Jun 1994	Yes	No
Cyprus	DTC	27 Feb 2011	not yet in force	Yes	Yes
Czech Republic	DTC	30 Sep 1996	9 Aug 1997	No	No
Egypt	DTC	4 Dec 1994	26 Mar 1995	Unreviewed	No
Estonia	DTC	20 Apr 2011	29 Mar 2012	Yes	Yes
Finland	DTC	12 Mar 1996	24 Feb 1997	Yes	No
France	DTC	19 Jul 1989	15 Nov 1989	Yes	No
Georgia	DTC	25 Nov 2010	28 Apr 2011	Unreviewed	Yes
Germany	DTC	1 Jul 2010	1 Feb 2011	Yes	Yes
Greece	DTC	18 Jan 2010	not yet in force	Yes	Yes
Guinea	DTC	13 Nov 2011	not yet in force	Yes	Yes
India	DTC	29 Apr 1992	22 Sep 1993	Yes	Yes
Indonesia	DTC	30 Nov 1995	8 Nov 1996	No	No
Ireland	DTC	1 Jul 2010	2 Jun 2011	Yes	Yes
Italy	DTC	22 Jan 1995	5 Nov 1997	Yes	No
Kazakhstan	DTC	22 Dec 2008	30 Jun 2009	Unreviewed	Yes
Kenya	DTC	11 Nov 2011	not yet in force	Yes	Yes

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Korea, Republic of	DTC	22 Sep 2003	4 May 2004	Yes	No	
Latvia	DTC	11 Mar 2012	11 Jun 2013	Unreviewed	No	
Lebanon	DTC	17 May 1998	25 Oct 1998	No	No	
Lithuania	DTC	30 Jun 2013	not yet in force	Unreviewed	Yes	
Luxembourg	DTC	20 Nov 2005	19 Jun 2009	No	No	
Malaysia	DTC	28 Nov 1995	18 Sep 1996	No	No	
Malta	DTC	13 Mar 2006	18 May 2007	Yes	No	
Mauritius	DTC	18 Sep 2006	31 Jul 2007	Yes	No	
Mongolia	DTC	21 Feb 2001	29 Nov 2002	Unreviewed	No	
Montenegro	DTC	26 Mar 2012	not yet in force	Unreviewed	Yes	
Morocco	DTC	9 Feb 1999	26 Sep 1999	No	No	
Mozambique	DTC	24 Sep 2003	4 May 2004	No	No	
Netherlands	DTC	8 May 2007	2 Jun 2010	Yes	Yes	
New Zealand	DTC	22 Oct 2003	4 May 2004	Yes	No	
Pakistan	DTC	7 Feb 1993	29 Jan 1994	Unreviewed	No	
Panama	DTC	13 Oct 2012	not yet in force	Unreviewed	Yes	
Philippines	DTC	21 Sep 2003	2 Oct 2008	Yes	No	
Poland	DTC	31 Jan 1993	29 Jan 2004	No	No	
Portugal	DTC	17 Jan 2011	16 Jul 2011	Yes	Yes	
Romania	DTC	11 Apr 1993	9 Jan 1996	No	No	
Serbia	DTC	13 Jan 2013	2 Jul 2013	Unreviewed	Yes	
Seychelles	DTC	18 Sep 2006	23 Apr 2007	Yes	No	
Singapore	DTC	1 Dec 1995	30 Aug 1996	No	No	
Spain	DTC	4 Feb 2006	2 Apr 2007	Yes	Yes	
Sri Lanka	DTC	7 Jul 1992	4 May 2004	Unreviewed	No	
Sudan	DTC	15 Mar 2001	28 Nov 2001	Unreviewed	No	
Switzerland	DTC	6 Oct 2011	21 Oct 2012	Yes	Yes	
Syrian Arab Republic	DTC	26 Jan 2000	11 Jun 2000	Unreviewed	No	
Tajikistan	DTC	17 Dec 1995	29 Jan 2000	Unreviewed	No	
Thailand	DTC	1 Mar 2000	12 Nov 2000	No	No	
Tunisia	DTC	10 Apr 1996	24 Feb 1997	Unreviewed	No	
Turkey	DTC	29 Jan 1993	29 Jan 1994	Yes	No	
Turkmenistan	DTC	9 Jun 1998	24 Nov 1999	Unreviewed	No	
Ukraine	DTC	22 Jan 2003	8 Mar 2004	No	No	
Uzbekistan	DTC	26 Oct 2007	28 Sep 2008	Unreviewed	No	
Venezuela	DTC	11 Dec 2010	28 Mar 2011	Unreviewed	Yes	
Viet nam	DTC	16 Feb 2009	11 Oct 2009	Unreviewed	Yes	
Yemen	DTC	13 Feb 2001	25 Aug 2001	Unreviewed	No	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: CIA World Factbook)

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	**Medium Risk**	**Higher Risk**
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: CIA World Factbook)

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: US State Department)

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: CIA World Factbook / https://www.cia.gov/library/publications/world-leaders-1/index.html)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: OECD Global Forum on Transparency and Exchange of Information for Tax Purposes PKF International)

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