

United Arab Emirates

An overview on economy and business environment



The United Arab Emirates (UAE) is in the Southeast of the Arabian Peninsula. In December 1971, it became a federation of six emirates - Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al-Quwain, and Fujairah, while the seventh emirate, Ras Al Khaimah, joined the federation one year later. The capital city is Abu Dhabi, located in the largest and wealthiest of the seven emirates.

Since its formation, the UAE has undergone a rapid development and thanks to the discovery of oil and natural gas, both on land and in the sea, the country moved from an economy dependent on pearl diving, fishing and agriculture, to an economy based on natural resources. Today, the UAE has moved again into a diversified economy based on internationally-emerging expertise and future renewable and nuclear energy. The UAE has also become one of the most important financial and economic centers of the world and it is the Middle East's second largest economy, after Saudi Arabia.

The UAE has six per cent of the world's oil reserves and the seventh largest natural gas reserves. In the medium term, oil and gas will continue to sustain the country's economy. However, as mentioned above, important diversification steps have already been taken, with approximately 70 per cent of GDP now generated by sectors other than oil and gas.

Abu Dhabi is the largest emirate in the United Arab Emirates, occupying 84 per cent of the national territory. It has 200 islands and a long coastline stretching 700km. Abu Dhabi, which has the largest majority of oil and gas reserves in the federation, has significantly invested in aerospace, nuclear energy, defense, information technology, petrochemical and clean-tech industries.



Outside Abu Dhabi it has created a zero-carbon city, Masdar. Abu Dhabi is also investing in educational institutions, and cultural and sports attractions (Formula One racing track, Ferrari theme park, and the Louvre Abu Dhabi) to boost tourism.



Dubai is the second largest emirate with an area of 4,114sq. km.

Dubai has also diversified into the exhibitions, events, ICT, re-export and financial sectors. It also has developed luxury hotels, large port facilities (including Jebel Ali) and a range of free trade zones to attract both manufacturing and services industries.

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The UAE government has invested in job creation and infrastructure expansion, including the preparation of the world expo in Dubai which was postponed to October 2021 due to the Covid 19 pandemic.



The UAE population of approximately 11 million depends mainly on its expatriate workforce, which makes up about 88 per cent of the population. The UAE is also opening up utilities to greater private sector involvement. Several free trade zones across the country attract foreign investors, by offering full ownership and zero taxes.

The COVID-19 pandemic has had a significant impact on the UAE's economy, but in 2021, the UAE's economy recovered from the deep but temporary recession and the country promptly put in place supportive measures to mitigate the effects of the crisis. The successful vaccination program boosted domestic consumption, and the construction and tourism sectors were stimulated by activities related to Dubai Expo.

Let's have a more in depth look at the economic sectors.

UAE position is not favorable for agriculture and according to the latest information from the World Bank, agriculture contributes only to 0.9% of GDP and employs 1% of the local workforce. As a consequence, 85% of UAE's food is imported. Fishing and date-growing are the main activities of the sector which was the most resilient to the COVID-19 pandemic.

Manufacturing has seen an important growth in the last years, especially in metal processing, furniture, industrial preparation of food stuffs, aluminium production, construction materials, fertilizers, petrochemicals, fiberglass and real estate. Industry now represents approximately 41% of GDP and employs 34% of the workforce.

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The portion of GDP from oil and gas sector has slowly diminished (30% of GDP according to latest estimates) due to the successful diversification policy. The United Arab Emirates is the world's 8th largest oil producer with significant reserves. Its oil and gas reserves are estimated to last approximately 100 years at the current rate of consumption. Also this sector has suffered from the consequences of the COVID-19 pandemic, but it is expected to recover in 2022.

The tertiary sector contributes 58.2% of GDP and employs 64% of the workforce. The main sub-sectors are international trade, air transport, financial activities and tourism. The travel and tourism sector, in particular, has a total contribution of around 12% of GDP, mainly driven by the emirate of Dubai (UAE Official Portal). Due to the COVID-19 pandemic, this sector contracted in 2020, as tourism, international transport and trade decreased sharply. The lifting of lockdown measures and the Dubai Expo to be held from October 2021 to March 2022 have stimulated the sector in 2022.



The United Arab Emirates is among the world's most dynamic markets in terms of foreign trade and is one of the world's top 20 largest exporters and importers of commodities and the largest trading nation of the Middle East. Oil products are by far the largest item of exports (the country is the world's 5th oil exporter), followed by radio-telephony transmission tools, gold, jewelry and diamonds.

Petroleum oils and gold are also among major imports, along with radio-telephony transmission tools, jewelry, transport equipment (mostly cars), diamonds, machinery and foodstuffs. Due to the COVID-19 pandemic, the volume of trade dropped sharply in 2020, but recovered in 2021. According to IMF estimates, the volume of exports of goods and services increased by 2.2% compared to 2020, while the volume of imports increased by 1.1%. The IMF forecast a rebound in the volume of trade in 2022, with exports increasing by 4.5% and imports by 5.3%.

Saudi Arabia is the top destination of Emirati exports, followed by Iraq, India, Switzerland, Oman and China, Kuwait, Turkey, Italy and US. China, the United States, India, Japan and Germany, Saudi Arabia, Vietnam, UK are among United Arab Emirates' main suppliers of goods and services. The recent UAE-Israel normalization deal, which comprises trade and technology cooperation and allows UAE oil to be sent directly to Europe via an Israeli pipeline, will positively impact trade.

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UAE is an ideal place for foreign investor thanks to all the government incentives and facilitations. However, these facilitations also include poor company information disclosure requirements. That means that it is difficult to get business information on UAE companies and only the most reliable business local providers like can help you to retrieve valuable information. On SkyMinder you can access the best local provider in the UAE giving you an excellent support in retrieving information on your commercial partners.



The main sources used by our local provider to compile reports are the following ones:

- 1) Official company registries - Economic Development Departments
- 2) Freezone Registries
- 3) Federal Tax Authority
- 4) Chamber of Commerce
- 5) Ministry of Human Resource & Emiratization
- 6) Primary contact with Subject Company

Regarding the Free Trade Zones, in the UAE there are more than 40 Free Trade Zones and company incorporated in these zones are not obliged to publicly disclose anything, except for the company name. A free zone is a designated area within the country in which businesses are subject to minimal or no taxation in order to boost economic activity. Free zones that are trade specific are allowed to receive, handle, manufacture, process, or re-export goods without the intervention of customs authorities. In the UAE, free zones may be industry specific or may be attached to a port. Therefore, the business activities for a free zone registered company are confined to the type of free zone in which the company has been set up. For example, a business set up in Dubai Internet City, one of the emirate's leading technology hubs will need to restrict its activities to technology based activities. Companies set up in free zones are treated as offshore companies. Free zones are best suited to companies that intend to use the UAE for regional manufacturing or as a distribution base with the bulk of their business outside the UAE.

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A free zone company is restricted to conducting its business within the free zone itself, and cannot expand into other markets within the UAE. They can undertake local business only through appointed local distributors. Custom duty of 5% is applicable to all goods brought in for the local business. This is a huge restriction particularly if the business intent is to service the entire UAE market. Since companies based in Free Trade Zones are not obliged to publicly disclose any data, the primary contact with Subject Company for these companies is very important in order to get information.

One of the most complete products available on SkyMinder is the Full Reports. The details usually included in SkyMinder Full Reports are the following ones:

- Identification and contact details
- Company registry information
- Management
- Ownership and related companies
- Company activity and operation
- Purchase, sales, payment terms
- Import/export, supplier/customer details
- Credit rating and credit limit
- Litigation check
- Compliance check
- Bank details
- auditors/solicitors and investigation comments



Of course the single availability strictly depends on the area of incorporation, the type of company and the cooperation of the company to disclose its data.

In addition to the Full Report including all complete details on UAE companies, on SkyMinder it is possible to order other type of reports depending on your specific needs:

- Verification Report focusing on the shareholding structure of a company.
- Patent Due Diligence Report: a report with an in-depth analysis of the patents owned by a company
- Cyber Risk Report: thanks to the test performed to a company website and related domains and emails, you can understand in advance if a partner or potential partner is vulnerable to a cyber-attack.
- Due Diligence Field Visit Report: this report is compiled after visiting the company and usually includes pictures of the premises.

Sources: <https://international.groupecreditagricole.com/>; <https://www.cpc.gov.ae/>; <https://www.focus-economics.com/>; <https://www.livingindubai.org/>