

# EU statement at the Trade Policy Review of United Arab Emirates, 01/06/16

*Statement by EU Deputy Ambassador Detlev Brauns*

I would like to welcome the Delegation of the United Arab Emirates, led by H.E. Sultan Bin Saeed Al Mansoori (Minister of Economy). I would also like to thank the WTO Secretariat for their report and the Discussant, H.E. Mr. Francisco Alberto Lima Mena (El Salvador) for introducing us to the 3rd Trade Policy Review of the United Arab Emirates.

Since their last review in 2012, the UAE successfully continued their diversification strategy which enabled the economy to grow at a relatively high rate, despite the fall in oil prices. Also, attracting Foreign Direct Investment is important for diversification and for the promotion of innovation, which are key objectives for the UAE. In this context, the EU notes that, as noted by the Secretariat, the economy remains in many respects a State matter. In several sectors, the state-owned entities play a major role locally (in the financial sector, for example) and internationally (on oil markets and transportation). An example here is the 100% government owned Emirates Airlines corporation, which is now the third largest international carrier in the world.

Trade plays a crucial role in the UAE economies with total trade in goods and services equivalent to nearly 176% of the GDP in 2015. For the EU the UAE is one of most important markets for goods and services, currently 8th largest export market and 3<sup>rd</sup> largest in terms of trade surplus. Regarding investment, several of the EU Member States have important positions among the foreign investors. Today more than 6.000 companies from the EU have established their regional base in the UAE. Considering the relatively small size and population of the country and in absence of major trade related agreements with the EU, this is remarkable and the result of a very liberal and open economic development model, which the UAE have benefited from



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since inception of the country 45 years ago. Let me also highlight in this context the recent ratification of the TFA and the notification of category A commitments.

Looking forward, as the regulatory framework for economic activities in the UAE is undergoing rapid changes in line with the move from an oil-based to a diversified economy, there is a need for new legislation and rules. The continuation of the success story of the UAE will depend on the skilful management of those new regulatory efforts while maintaining the spirit of the liberal economic model.

In this context, and beyond the overall positive picture, please allow me to make a few specific comments:

1) Labour forces. The WTO Secretariat report does not give figures on employment but one can note that national citizens represent only about 10 to 15% of the workforce. This is an important feature of the economy that has to be taken into account. The EU has noted the ongoing initiatives taken by the authorities to reform labour conditions and would welcome further information regarding conditions of work and the rights of migrant workers.

2) Transparency and inclusiveness. The EU has learnt from experience that the drafting of legislation benefits from consultation of industry and services' representatives and of stakeholders of all kinds. We believe that for the UAE as well this could help in attracting investors and ensuring high quality legislation.

3) "Emiratisation". The EU has concerns that certain new developments are discriminatory and have the potential to undermine trade. The UAEs' goal to give preference to nationals over expatriates in management positions in UAE corporations, the national preferences in public procurement, the access to credit for SMEs and the export promotion activities are creating a difficult environment for foreign actors. UAE nationals are also treated differently to foreigners when it comes to bounced cheques or privacy violations under the UAE cybercrime law. Those practices are harmful and not conducive to equal conditions for all economic operators. Rigid employment quotas to hire UAE nationals could also impact on foreign companies' investment decisions.

4) Restricted access to capital. The recently issued UAE Company Law maintained the 49% shareholding limit for foreigners and foreign companies in the UAE. Decreasing this threshold would contribute to further improve the attractiveness of the UAE as an investment location.

In conclusion, we hope that the UAE will use our discussion today to consider the trade concerns expressed and wish the UAE best success in this Trade Policy Review.

Thank you.