

UNITED ARAB EMIRATES /DUBAI

Trade Profile

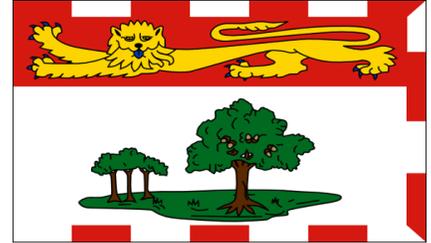


**Atlantic Canada
Opportunities
Agency**

**Agence de
promotion économique
du Canada atlantique**

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United Arab Emirates and Dubai Emirates Trade Profile



Overview

The United Arab Emirates (UAE) is a federation of seven states that has grown from a quiet backwater to one of the Middle East's most important economic centres.

Though traditionally conservative, the UAE is one of the most liberal countries in the Gulf, with other cultures and beliefs generally tolerated. Politically it remains authoritarian, however. Relations with neighbouring Iran have been tense because of an ongoing territorial dispute over Gulf islands. The UAE was one of only three countries to recognize Taliban rule in Afghanistan.

Before oil was discovered in the 1950s the UAE's economy was dependent on fishing and a declining pearl industry. But since oil exports began in 1962, the country's society and economy have been transformed. The UAE has diversified and has become a regional trading and tourism hub. UAE firms have invested heavily abroad. FDI into Canada is approximately \$12 billion, while CDI is only \$45 million.

Dubai is the most populous city in the United Arab Emirates (UAE). It is located on the southeast coast of the Persian Gulf and is the capital of the Emirate of Dubai, one of the seven emirates that make up the country. Abu Dhabi and Dubai are the only two emirates to have veto power over critical matters of national importance in the country's legislature. The city of Dubai is located on the emirate's northern coastline and heads up the Dubai-Sharjah-Ajman metropolitan area. Dubai is to host World Expo 2020.

Dubai has emerged as a global city and business hub of the Middle East. It is also a major transport hub for passengers and cargo. By the 1960s, Dubai's economy was based on revenues from trade and, to a smaller extent, oil exploration concessions, but oil was not discovered until 1966. Oil revenue first started to flow in 1969. Dubai's oil revenue helped accelerate the early development of the city, but its reserves are limited and production levels are low: today, less than 5% of the emirate's revenue comes from oil. The emirate's Western-style model of business drives its economy with the main revenues now coming from tourism, aviation, real estate, and financial services. Dubai has recently attracted world attention through many innovative large construction projects and sports events.

Governance (UAE)

The UAE is an absolute monarchy.

Form of state

Federation of seven emirates: Abu Dhabi, Dubai, Sharjah, Ajman, Ras al-Khaimah, Umm al-Qaiwain and Fujairah

Legal system

Based on the 1971 constitution

National legislature

Unicameral Federal National Council of 20 appointed and 20 elected members representing the separate emirates; it has a consultative role only

Head of state

The Supreme Council, comprising the seven emirs, elects the president from among its members; on the death of his father in November 2004, Sheikh Khalifa bin Zayed al-Nahyan became ruler of Abu Dhabi and was elected president of the UAE

National government

The Council of Ministers (cabinet), led by the prime minister, is appointed by the Supreme Council of Rulers; each state is represented by at least one minister, with senior posts allocated to the larger emirates; the Council of Ministers initiates legislation for ratification by the Supreme Council of Rulers, which is also a policymaking body and meets formally about once a year; the most recent cabinet reshuffle was in February 2016

Main political parties

Political parties are not permitted

Geographical and Climate (Dubai)

Dubai is situated on the Persian Gulf coast of the United Arab Emirates and is roughly at sea level. The emirate of Dubai shares borders with Abu Dhabi in the south, Sharjah in the northeast, and the Sultanate of Oman in the southeast.

Dubai has a hot desert climate. Summers in Dubai are extremely hot, windy, and humid, with an average high around 41 °C and overnight lows around 30 °C in the hottest month, August. Most days are sunny throughout the year. Winters are warm with an average high of 24 °C and overnight lows of 14 °C (57 °F) in January, the coldest month. Precipitation, however, has been increasing in the last few decades, with accumulated rain reaching 94.3 mm per year. Dubai summers are also known for the moderate to high humidity level, which can make it uncomfortable for many. The highest recorded temperature in Dubai is 52.1 °C, reached in July 2002.

Religion

Islam is the official state religion in the United Arab Emirates and business practices follow religious protocols. The work week is generally Sunday to Thursday. However, retail and some other businesses are open six days a week, closing on Friday, which is an official day off.

During the annual observance of Ramadan, the working day may be shorter. The UAE Labour Law requires that the work day be reduced by two hours during Ramadan. It is common during this time period for businesses to adjust their operational hours to accommodate the required fasting of their

employees. The Ramadan month lasts 29–30 days based on the visual sightings of the crescent moon, typically starting in May and ending in June.

Population and Demographics (Dubai)

- Dubai has the lowest unemployment rate in the world at 0.3% (2015)
- Number of Permanent Residents Population 2.4 M (2016)
- Workers in the Emirate of Dubai who reside outside of the city 1.1 M (2016)
- Average age of Dubai residents is 27
- Average annual salary in Dubai \$78,000 CDN (2016)

Population and Demographics (UAE)

- Number of permanent residents in United Arab Emirates 9.2 M (2015)
- Immigrants make up approximately 90% of the population
- 35% of UAE residents are under the age of 24
- 1% of UAE residents are above the age of 65
- Average age of UAE residents is 30
- Average annual salary of \$47,000 USD
- Unemployment rate of 2%

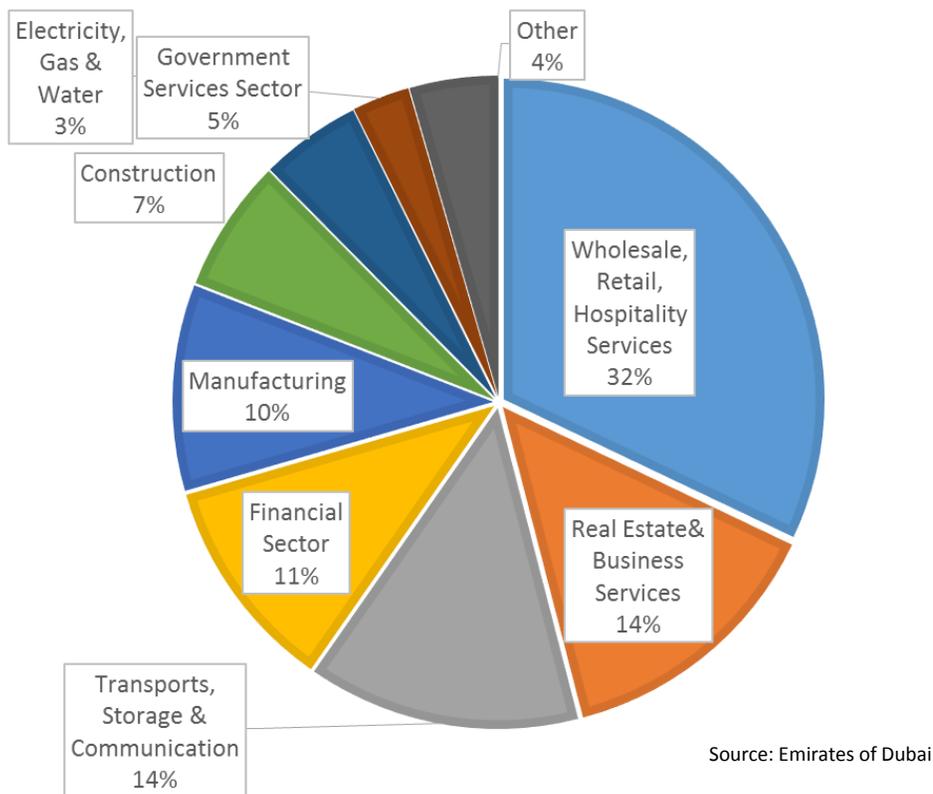
Economy (Dubai excluding UAE)

Dubai's economy is heavily structured around hospitality, retail, trade, and professional services including financial and real estate. In 2015 Dubai's GDP grew 4% to a value of \$99 Billion USD. Dubai is the busiest port and in the Middle East and is the key distribution centre for imported goods into the region. Centered on 2020 growth plan, Dubai has become of the world's premier tourism destination with its high end retail and accommodations sector and spectacular beaches. Although UAE is a Muslim country, access to alcohol beverages is available at all major hotels and restaurants. A vibrant hospitality industry (<http://www.visitdubai.com/en/>) focused on western visitors is fostering unprecedented growth. Dubai attracted over 14.2 million overnight visitors in 2015, a 7.5 percent increase over 2014, according to annual figures released by Dubai's Department of Tourism and Commerce Marketing.

Dubai was the fourth most visited city in the world in 2015. Western European visitation to Dubai increased by 6 percent to over 3.2 million. Dubai has targeted 20 million annual visitation by 2020. In order to achieve this they will need to experience annual growth rates of 7 to 8 percent.

In order to accommodate this rapid influx of high end visitation Dubai has been experiencing rapid growth in construction and professional services. Real Estate and construction accounted for 21% of GDP or approximately \$20 Billion USD to the economy in 2015. Retail and hospitality services (including food services) accounted for almost \$32 Billion in economic activity.

Dubai GDP \$99 Billion USD 2015



Food Sector (UAE)

Highlights

- The United Arab Emirates (UAE) had a gross domestic product (GDP) of US\$402 billion in 2015, which is expected to grow by 2.5 percent in 2016. The UAE is a diversified economy with a high standard of living.
- The United Arab Emirates is the 94th-most populous country in the world with 8.4 million people, of which almost 88% are foreign citizens. There are twice as many men as women. The population exceeded 9 million in 2015.

- Annual per capita consumer expenditure was US\$21,823 in 2012, with food and non-alcoholic beverages representing US\$3,111 or 14.2% of that total.
- The consumer foodservice industry is expanding alongside a rising middle-class population, and is forecast to reach total value sales of US\$9.5 billion by 2014.
- With growing disposable incomes, Emirati consumers are seeking products that offer convenience. Packaged food sales continue to grow rapidly, with a value of US\$3.2 billion in 2014.
- The top packaged food company in the market is currently Masafi Co LLC with a 7.3% value share, followed by Al Rawabi Co (5.3%) and Red Bull GmbH (4.0%).
- The agriculture sector employs 7% of the work force and is estimated at 0.8% of GDP.
- The United Arab Emirates is a net importer of agri-food and seafood products. In 2011, the United Arab Emirates' agri-food and seafood trade deficit was US\$8.5 billion with imports valued at US\$13.9 billion, and US\$5.4 billion in exports. Emirati agri-food and seafood imports have been growing at an average rate of 9.5% over the last three years.
- The United Arab Emirates' top agri-food and seafood imports in 2011 were canola, barley, butter, tomatoes, and eggs. Key supplying countries were India, the United States, Canada, Brazil, and Australia. Canada was the United Arab Emirates' third-largest supplier of total agri-food and seafood products in 2011, with a 6.3% share.

Source: AAFC

The United Arab Emirates (UAE) is home to a unique and profitable consumer foodservice industry, valued at just under US\$8.5 billion in 2013. Between 2009 and 2013, the market recorded a compound annual growth rate (CAGR) of 10.4% and is expected to continue expanding, although at a slightly slower rate, with a CAGR of 7.7% until 2018, to reach total sales of US\$12.3 billion. With one of the highest standards of living and largest proportion of expatriates in the world (90% in 2013), coupled with an increasing number of incoming tourists, this country's population is very diverse, wealthy and well-travelled, creating ample demand for foodservice options that suit a myriad of tastes as well as busy schedules.

Foodservice is a fundamental piece of the Emirati lifestyle, with consumers regularly eating out or visiting a café to gather with family and friends, or hold a business meeting with colleagues. Even during the economic downturn, the convenience, indulgence and social opportunities found in foodservice outweighed the cost savings of cooking at home. Euromonitor predicts that by the end of 2017, as affluence grows, most Emirati consumers will turn to foodservice options for more than half of their weekly meal occasions, with the lunch hour proving particularly profitable. Consumers are also trading up to chained establishments in increasing numbers, seeking new and exciting food experiences, as well as the familiarity and quality of internationally recognized brands, which are largely franchised by local operators.

Cafés/bars was the dominant subsector in 2013 in terms of both value sales and growth, representing 40% of the total market. While full-service restaurants and fast food are not far behind (with 30.2% and 27.8%), their proportions of the overall market are expected to decline over the forecast period to 2018, by 3.9 and 1.2 percentage points, respectively. Over the same period, the cafés/bars category is expected to capture the entire market share lost by other subsectors, to represent 45.3% of the total foodservice market by 2018.

Furthermore, as local operators continue to seek franchise opportunities with international chains to diversify their portfolios and bring familiar brands to the forefront of the UAE, consumer expectations of foodservice establishments in terms of quality and variety will only heighten. According to Euromonitor, Emirati foodies are already trading up, and the desire for new and unique eating experiences will continue to extend beyond typical fast-casual options. This desire will include demand for healthier and better-for-you options, including gluten-free concepts, as the UAE Ministry of Health invests in methods to combat the growing obesity rate. Foodservice operators that can offer appealing, healthy, interesting and convenient options, while maintaining the social ambiance that Emirati consumers appreciate as part of their daily lifestyle, will find favour into the future.

Construction

Dubai's construction sector has finally started to recover from its last financial crisis in 2006. They have seen a drastic increase in buildings on the rise as they are hosting the World Expo in 2020. The Expo is expected to bring in roughly 25 million visitors throughout the six month hosting period. Construction loans have increased by 40.1% since 2013, which in turn will have created approximately 277,000 jobs and will double the amount of hotel rooms in advance of the World Expo 2020.

Other notable construction investments in preparation for the Expo will include renovating and redesigning the Al Maktoum International Airport to increase the annual capacity from 5 million passengers to 120 million passengers by 2022 as well as a 15km extension of the Metro Network which will add an additional 33 stations. Dubai is also in the process of creating a giant canal through the city which will require several new bridges and other major structural renovations to be made to the city.

Dubai has also announced major plans to construct the world's tallest twin towers in the same development of the world's tallest tower which opened in 2015. In these same plans they have also introduced an underwater hotel and a climate controlled mega resort.

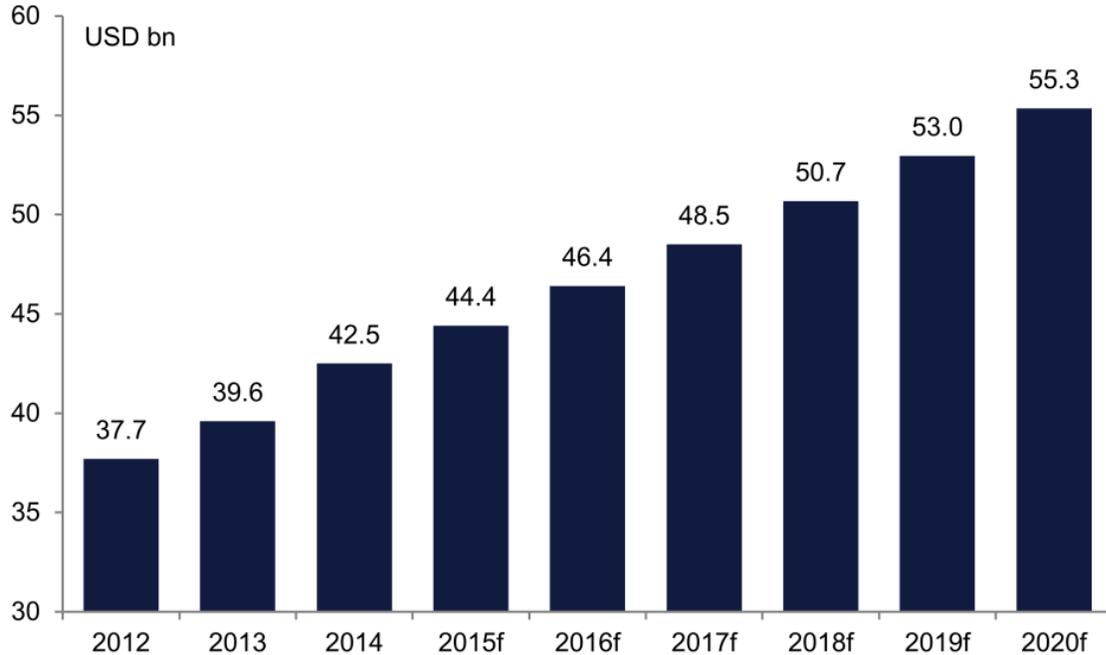
Wholesale & Retail Trade

Dubai has established itself as the top retail destination in the Middle East and has also found itself in the top 5 of the most popular retail destinations in the world. Not only are they one of the world's leading retail destinations but they also are home to 35% of the world's luxury retailers in the world's largest shopping mall (The Dubai Mall).

Dubai's wholesale and retail trade sector is the largest sector employing approximately 25% of Dubai's current workforce. Sales in 2014 were estimated to be \$42.5 billion USD an increase of 7.3% from the previous year. Sales forecasts estimate an annual 5% GDP increase until 2020 approaching sales figures of approximately \$55.3 billion USD. With the approaching World Expo retail licenses have increased by approximately 15.3%.

In 2016 Dubai will be hosting the Gulfood food and trade exhibition. The site boasts 127,000m² of event space while bringing in tens of thousands of prospecting suppliers, wholesalers and exporters of fresh, frozen, dry and processed food and beverage products.

Dubai's retail sales turnover, USD Bn



Source: A.T. Kearney, Emirates NBD Research

Manufacturing

The manufacturing sector rounded out 2014 as the fourth largest GDP category in Dubai's economy with a share of roughly 14% and accounting for approximately 15% of their total workforce. Manufacturing licenses have grown on average 5% since 2010 as companies continue to express interest in establishing operations in Dubai.

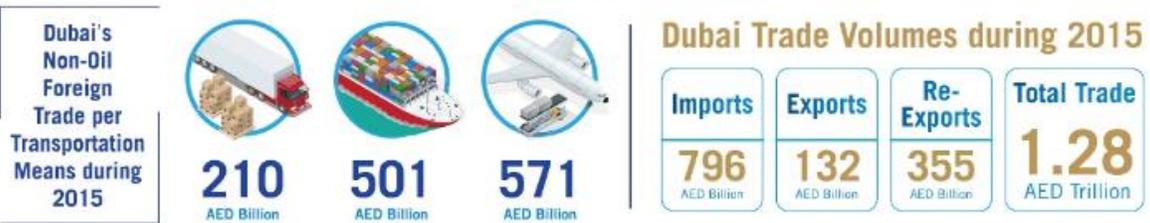
Dubai's major manufactured goods continue to be dominated by Ducab a major producer of low, medium and high voltage cables and wire. These wires voltage cables make up most of the electrical machinery being exported. As seen in the diagram below Pearls, other precious stones and metals still dominate among some of Dubai's most exported goods.

Although UAE'S oil production has decreased over the years they remain sixth in the world in total production and the second largest producer of petroleum and other liquids in the Organization of the Petroleum Exporting Countries (OPEC). UAE's potential for oil discovery is drying up so they have introduced themselves to enhanced oil recovery techniques (EOR) in used drilling sites to maintain production. They plan to expand EOR production by 30% by 2020.

Dubai Non-Oil Foreign Trade in 2015

Direct Trade + Free Zones Trade + Customs Warehouses Trade

1.28
AED Trillion



Although Dubai's exports are considerable totaling more than \$36Bn USD it is heavily relied on an import economy and re-export economy. **Imports were valued at \$217Bn USD** and re-exports were \$97Bn USD. Interesting was that air cargo was the mode of transport used for most shipments.

Potential University Opportunities

Dubai is the home to some of the world's finest culinary institutions. Among these institutions they are well known for the International Centre for Culinary Arts as well as School of Culinary and Finishing Arts Dubai (SCAFA). These schools have found themselves in the top 30 catering schools in the world.

Dubai also houses a number of well recognized post-secondary engineering institutions. Many of these schools specialize in mechanical engineering with one specific college (Higher College of Technology) offering a specialization in Aircraft technology.

Dubai has an average age population of 27 which creates opportunities to recruit students or explore further opportunities with not only PEI'S Culinary Institute and UPEI's Engineering School but also potential for highly trained aerospace employees.

Infrastructure and Water Technologies

The Middle East is the world's driest region, as a result of high temperatures and low precipitation levels. The United Nations Food and Agriculture Organization (FAO) have determined that long-term average precipitation rates in the United Arab Emirates (UAE) are just 78 mm yearly (*Source: FAO Aquastat Survey 2013*).

The UAE government is increasing the development of water infrastructure projects and alternative water technologies in order to curb demand. Most Gulf Cooperation Council (GCC) states, including the UAE, prioritize infrastructure projects and capacity building over encouraging behavioral change to reduce consumption. However, the UAE Government is taking some measures to ensure that future projects will encourage a more 'resource-conscious and resource-efficient government and society'.

The Global Water authority has revealed that the UAE Government spends annually in excess of US\$800 million on maintaining desalination plants with estimates suggesting this will continue to grow to over US\$3.22 billion by 2016, reflecting a 300 per cent increase. (Source: Omar Saif, *The Future Outlook of Desalination in the Gulf*, December 2012).

Due to the lack of fresh water available in the region, the UAE is the world's largest consumer of bottled water. Abu Dhabi has developed a project to establish a large underground reservoir, containing 26 million cubic meters of desalinated water to be used for emergency purposes. With a population growth rate of approximately two per cent per year, it is evident that significant attention is required to further develop the water sector. (Source: World Bank, *Development Indicators 2014*).

Opportunities

According to the Chairman of the Emirates Energy Awards, the UAE water sector requires in excess of US\$12 billion worth of investment from 2009 to 2019 to sustain projected growth rates.

The waste and water treatment chemicals market in the GCC region is set to increase to over US\$568.2 million by 2017 according to Frost & Sullivan's 2013 forecast. It is estimated that the current water capacity in the UAE would last for approximately two days if desalination plants were to stop operating. The UAE and various other GCC states are undertaking measures to research and invest in water storage technologies including manmade reservoirs and aquifer storage and recovery.

To date, the region lacks storage facilities, as plants operate at the same capacity 24 hours a day due to the minimization of operational costs with much of the processed water being dumped back into the sea unused.

Potential areas identified with significant opportunities include:

- water management
- green building expertise
- facility management
- project management
- building materials and products.

Canadian Trade

Canada's export trade with the United Arab Emirates has grown by over 43% since 2011. In 2015, Canada exported over \$2B CDN worth of goods. The leading industries for export include the following (in thousands):

- | | |
|---|-----------|
| • Oilseed (except Soybean) Farming | \$245,379 |
| • Dry Pea and Bean Farming | \$223,942 |
| • Aerospace Product and Parts Manufacturing | \$185,677 |

- Gold and Silver Ore Mining \$171,254
- Radio & Television Broadcasting and Wireless Comms Equipment Manufacturing \$162,492
- New and Used Automobile and Light-Duty Truck Wholesaler-Distributors \$130,540
- Wheat Farming \$103,679

UAE provides easy access to 2.5 billion consumers within 5 hour flights and flies to more than 160 destinations, connecting it to the globe. That is partly why over 150 Canadian companies have based their regional operations in the UAE and approximately 45,000 Canadians live and work in the Emirates. Canadian Business Councils are active in Abu Dhabi and Dubai; business links are also fostered by a Canada-UAE Business Council made up of leading executives from both countries.

Canada has an active Memorandum of Understanding between the Ministry of Economy of United Arab Emirates and the Department of Foreign Affairs and International Trade of Canada on Economic Cooperation, Trade and Investment.

The key principles are:

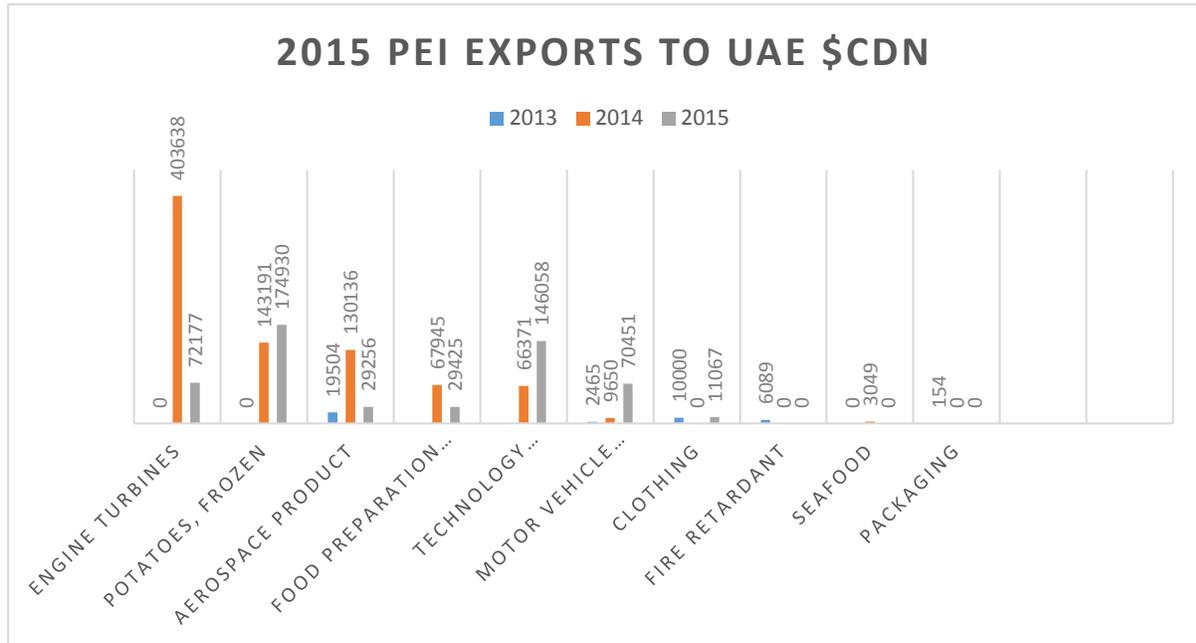
1. Encourage the private sectors in both countries to explore and expand commercial ties and investments;
2. Encourage and support symposia, trade missions and exchange visits and business delegations;
3. Exchange information on regional and global trade in goods and services;
4. Identify possible areas of trade and investment that will help generate trade flows between the Participants and to other markets.

The enterprises located in the Province of Ontario account for over 30% of international exports of goods to the UAE. Atlantic Canadian provinces have minimal trade activity with the country (2015).

1. Ontario	\$554.2	32%
2. Saskatchewan	\$407.1	24%
3. Quebec	\$338.2	20%
4. Alberta	\$268.7	16%
5. British Columbia	\$80.9	5%
6. Manitoba	\$59.2	3%
7. New Brunswick	\$7.9	0%
8. Nova Scotia	\$7.6	0%
9. Newfoundland & Lab.	\$1.4	0%
10. Prince Edward Is.	\$0.5	0%
Canada Total (Source BC Government)	\$1.8Bn USD	100%

Prince Edward Island Exports

International exports of goods originating from Prince Edward Island can best be described as minimal and single contract dependent. In 2014, two products of exports were introduced: a single work order on an aircraft contract and a French fry contract increased export value by 316% to \$1.45M from \$348,000 in 2013. However, in 2015 exports plummeted 56% to a value of \$644,000 as a result of the aircraft work contract being completed.



Opportunities

Frozen food manufacturing continues to drive PEI exports of goods internationally and UAE and Dubai are no exceptions. Established PEI based suppliers continue to maintain and explore opportunities in the growing fast food and restaurant industry in the UAE and Dubai. New contracts may provide a beachhead to open up opportunities for increased trade in seafood and high value beef both of which are currently and statistically non-existent.

Other areas of trade opportunities identified include professional services (architecture, engineering, tourism consulting, and financial/legal) and educational services. Dubai is experiencing exponential growth in real estate development, and a booming hospitality industry. As a result, there is an influx of 14 million additional visitors per year to the region (with plans to reach 20 million in the next 3 years). The net result is the immediate need for new and upgraded infrastructure (water, waste, transport, etc) and accommodations. PEI's professional and educational service sector is well placed to compete for contracts to address these opportunities.

Clearly, UPEI is well positioned with its new School of Sustainable Design Engineering to recruit from the young population to prepare them for the challenging and rewarding careers in addressing on-going infrastructure and growth design. As demonstrated in this overview, one of the most pressing issues for infrastructure design is a sustainable fresh water system. The UAE and Dubai governments have earmarked hundreds of \$USD billions toward the on-going expansion of a water treatment and delivery

systems. This may also present an opportunity for ACOA PEI and Tourism's clients in selling products and services.

Holland College and its Culinary and Hospitality Institutes are also well positioned to address the growth in the demand for high end culinary restaurant services and tourism related services.

As demonstrated by the export data from 2014, aerospace and defence sector in PEI does have potential for obtaining contracts; however, there was little analytical information to suggest the potential for sustained growth opportunities is strong.

The UAE has a significant investment portfolio in Canada with assets totaling approximately \$12B. Prince Edward Island could explore opportunities for increased investment by UAE firms.

Challenges

Currently the UAE and Dubai are not established marketplaces for PEI exports. Successful penetration will rely on aggressive public sector backed marketing, exploration activities, and substantial enterprise participation. As listed above, current PEI exports are single order sales or one time contracts. There is no dominant industrial or service sector penetration within the Dubai or UAE domestic markets.

Additional Information

Annexed:

- Food Service Profile (The United Arab Emirates) May 2015, Agriculture and Agri-food Canada
- Dubai's Manufacturing Sector Overview – Sector Economics, May 2015, Emirates NBD
- Awaiting Trade Profiles from Canadian Consulate in Dubai