

NEWSLETTER

INTERNATIONAL

 ENGLISH VERSION

UNITED ARABIC EMIRATES
(UAE)



UAE – GROWTH THROUGH DIVERSIFICATION?



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Why do so many international companies choose to locate their MENA headquarters in Dubai?

The region of the Middle East, and especially the Gulf, has experienced a tremendous economic boom in recent decades.

The United Arab Emirates (UAE), and especially Dubai and Abu Dhabi, have quickly recognized this trend and attracted international firms through liberal investment legislation and the establishment of extensive free zones.

In addition, massive investments have been made in infrastructure - airports, ports, road and rail networks - and the strategically advantageous position of the UAE has been consolidated. Thus, the UAE has established itself as a hub in international passenger and goods traffic.

How do you assess the ambitions of the Emirates and other Gulf states to diversify their economies?

The states of the region rightly proclaimed this goal several years ago. Implementation is at different stages at the moment, which is also due to the current situation in the individual states.

Fossil resources have brought great wealth to the region, but they are ultimately finite. Therefore, economic diversification is essential. However, this should not only develop new industrial and economic sectors, but also anchor larger parts of the oil and gas production value chain locally.

What economic development do you expect for the coming years in the UAE?

Overall, the UAE will be able to further their economic development. Dubai and Abu Dhabi will increase their competitive advantage through additional investments in infrastructure and the expansion of industrial and commercial space in both cities and the free zones.

But the other five emirates Ajman, Fujairah, Ra's al-Khaimah, Sharjah and Umm al-Qaiwain will also gain in importance - supported by the government of the UAE.

In future sectors such as renewable energy, digitization, e-government or e-commerce, the UAE is already a regional leader and investments in education and research have been considerably increased in recent years.



Helene Rang

CEO, German Near and Middle East Association, Berlin

What speaks for manufacturing in the UAE?

The UAE offers very good conditions for international companies. The level of bureaucracy is low by regional standards and the UAE is always striving to further reduce it and minimize the barriers to successful business and investment.

Taxes and labor, transportation and energy costs are low. From the UAE, regional destinations can be reached in less than four hours and destinations in Europe, Asia and Africa in less than eight hours by plane.

All of this makes them an attractive destination for international companies who want to expand their activities in the region - and beyond.

“VAT INTRODUCTION IS ADMINISTRATIVE CHALLENGE”

Which of the services offered by MENA Legal are currently in particularly high demand?

MENA LEGAL continues to focus on business setups and M&A in the Middle East. In recent months, we have seen an increase in inquiries for Saudi Arabia, but Egypt and Iran are also still in demand.

For the United Arab Emirates, our focus is currently on tax law, as VAT was introduced here on 1 January 2018.

In addition, our global FINTECH / BLOCKCHAIN Practice Group is worth mentioning. For about two years, we have seen a surge in advisory needs in this sector. Thus, we look after numerous so-called initial coin/token offerings from the initial phase to the global implementation of the projects.

From which sectors or countries do these clients come from? For which industries do you currently see particular potential in the region?

A majority of our clients are already based in the UAE, but the influx of mainly South and Eastern European companies as well as Chinese and American businesses is still remarkable.

The range of industries is still very broad and ranges from the automotive industry through logistics to the construction industry.



Alexander Brexendorff
Managing Partner MENA
LEGAL, Dubai

How does the introduction of VAT in the UAE affect the business of foreign companies in the country?

While there is a great deal of understanding for this measure, introducing VAT for most companies in the UAE is, above all, an administrative challenge.

The relevant regulations were adopted only a few months before the introduction on 1 January 2018, and not all aspects are still sufficiently regulated.

This is currently causing considerable uncertainty and the additional cost is not conducive to a positive investment climate in the already tense local and international economic situation. In the long term, however, companies will be able to adjust accordingly and be able to appreciate the benefits of tax collection.

How has the embargo on Qatar affected your work? How is it noticeable in everyday life in Dubai?

We are still very active in Qatar and even feel an increased demand from the local market itself. In Dubai, apart from the unfavorable flight connections to Qatar, the disappearance of the Qatar Airlines and the shutdown of the TV station Al Jazeera, the embargo is not noticeable in everyday life. However, it is best to abstain from any political statements relating to the current conflicts anyway.

“CANDIDATES CONSIDER THE EMIRATES AN ATTRACTIVE LOCATION”

What special qualities characterize the Emirati labor market?

The most striking feature is certainly the very high proportion of foreigners in the Emirati workforce, which is around 80 percent. Almost all positions outside the public sector are held by expatriates. Apart from French, British and other Europeans, it is above all people from South Asia and the Middle East who live and work in the UAE.

The high proportion of expatriates has led the government to take a number of “emiratisation” measures. For example, companies registered outside the free zones must employ a minimum number of Emirati citizens, with the actual quota depending on the industry and the respective position. Particularly in the banking and insurance sector, the trend towards emigration is palpable.

Due to the large number of subsidiaries of international companies, especially in Dubai and Abu Dhabi, there is a large pool of candidates who are suitable for work in multinational organizations. The business language in these circles is English, which is spoken by virtually every inhabitant of the Emirates.



Christian Tegethoff

Managing Director
CT Executive Search

The metropolises of the United Arab Emirates are regarded as attractive locations by many Europeans, Arabs and Asians alike. In addition to the warm climate and the cosmopolitan attitude to life in cities like Abu Dhabi or Dubai, the tax legislation is appealing to many: incomes are not taxed in the Emirates.

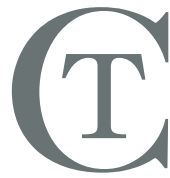
The UAE are well set to welcoming and hosting international professionals. There are high-quality (albeit expensive) living space, top-class shopping possibilities and a wide range of international schools. Non-Muslim foreigners are faced with only relatively small limitations of their lifestyle.

What should be considered when recruiting in the UAE?

Emirati labor law is closely interwoven with aspects of immigration law. Foreigners can only work in the UAE with a valid work permit and visa, which must be applied for through a local legal entity (sponsor).

Citizens of the UAE and other GCC states (Bahrain, Kuwait, Oman, Qatar and Saudi Arabia) do not need a visa to stay in the UAE, but must also apply for a work permit. It should be noted at present that Qatari citizens are not allowed to enter the UAE under the existing embargo.

Residence and work permits are valid for two or three years, depending on whether they are applied for in a special economic zone or not. In any case, the work permit is company-related. In the case of an employer change, therefore, a sponsorship transfer is necessary, which normally takes place within a few weeks.



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