

NEWSLETTER

INTERNATIONAL

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UNITED ARAB EMIRATES

DUBAI & UAE –
GATEWAY TO THE GULF REGION



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Why do that many international companies choose Dubai or Abu Dhabi as regional hubs for their sales activities in the GCC and MENA region?

In the past two decades, the United Arab Emirates have indeed succeeded in establishing themselves as a location for international companies' Middle East and MENA hub offices.

There are several reasons for this. Above all, policies are traditionally favorable of international business, there is legal certainty and an excellent infrastructure compared to other countries.

The positive Dubai brand plays an important role, as it is generally associated with economic success and cosmopolitanism, from which the other emirates also benefit.

In addition to tourists, this also attracts many expatriates, who form a rich pool of local candidates. While the fluctuation among expatriates was high ten years ago, more and more foreign workers came to consider the emirates as their second home.

Finally, the UAE are excellently located from a logistical perspective. From the numerous international airports, the important locations in the region can be reached within a few hours. Two-thirds of world markets are within a radius of eight hours of flight time.

What type of legal entity should companies select when registering a sales and service subsidiary in the UAE? How does registration work and how long does the procedure take?

In their numerous free trade zones, the UAE offer, in addition to the legal forms provided for by the company law, a variety of options for establishing a foreign company or investor in accordance with the respective trade and service requirements.

There is no general secret recipe in the right choice, but it is indeed important to select the appropriate legal form for the respective business model. A quick shot at the beginning often avenges itself very quickly and then involves lengthy and complicated restructuring.

It is therefore important to discuss local, regional and international business models with local consultants and then to establish a suitable company structure together. Some simplified examples shall be mentioned shortly.

With the so-called "offshore companies", no commercial and service activities for the local market can be operated. By the popular free-trade zone companies, it is possible to leave the business shares up to 100% in foreign hands, but they are cut off from direct and full access to the local market.



Dr. Alexander Brexendorff

Managing Partner
MENA LEGAL, Dubai

Market access is possible for companies with a 51% share of local partners. However, the problem of the minority participation of foreign companies exists in these cases.

The registration of companies is actually clearly structured and, when accompanied by experienced consultants, also quite quickly to accomplish. However, the prerequisites and requirements differ as much as there are company structures and licenses. Therefore, it is impossible to make generalizing statements.

However, the times are over in which a company and bank account could be opened in a few days. Since the last global financial crisis, one has learned from mistakes, but has also committed to international standards, such as the fight against money laundering.

This, of course, was good for the UAE's reputation as a business location regulated according to international standards, but has led to more extensive procedures regarding the establishment of start-ups and company accounts – as everywhere in the world.

What do companies have to consider when hiring foreign employees? What is the procedure?

Companies must first decide whether they want to hire from the local labor market or recruit a supposedly better qualified candidate from abroad.

To be clear: the local labor market consists mainly of foreign workers who already live and work in the UAE. It has sometimes been difficult for Western companies to find adequately qualified employees in the local market. That is why companies often have headhunters and recruitment firms identify candidates abroad.

However, companies should always carefully consider whether an allegedly less qualified local candidate is perhaps not better suited to a concrete role. He may bring very relevant local experiences and a local attachment which is important for employers.

The work and business environment in the UAE and even more in the region differs considerably from European standards. Acquainting with the environment, language and the style of doing business may take years – most companies cannot afford that much time.

The actual employment process is relatively unproblematic. Prerequisites are the successful completion of a health check, fully legalized qualification certificates and a thorough background check. Since the employment law and the relevant case law in the UAE are now to be assessed as being quite friendly to the employee, a contract of employment which satisfies all legal and regulatory requirements should be established. Both sides should not rely on the available standard employment contracts.

The UAE are widely considered a country with a very favourable business environment. What hidden pitfalls should companies be aware of?

The UAE are still in development in many respects. The country has achieved successes within decades that have taken centuries elsewhere.

Nevertheless, you should be aware of the remaining risks and legal uncertainties below the beautiful surface. Anyone who is arrogant or ignorant of the local peculiarities and the still very distinctive traditions hidden behind the apparent modernity, can very quickly experience unpleasant surprises.

Companies should, in any case, operate a sensitive risk management system. This should not always lead automatically to a negative decision, but help to weigh risks against the often considerable opportunities. It is important to be prepared for difficult situations.

The UAE also depend very much on the economic development in the whole region. Therefore, geopolitical developments should always be analyzed well.

Finally, business partners, customers and trade representatives in the UAE should always be given the best possible review. The UAE are a country with a generally high fluctuation, fast-paced nature and only limited auditing capabilities, e.g. regarding creditworthiness. The possibility of enforcement in the event of a debt recovery is limited. Therefore a sufficient contractual and, above all, enforceable protection should be sought.

Judicial and court rulings often do not consider the fact that debtors in the UAE can simply "disappear". The successfully passed judgments of the local courts abroad, possibly against the parent company and co-debtor, are not enforceable. An arbitration clause agreed from the beginning could have helped in such a case.

„THOSE WHO LIVE IN DUBAI KNOW THE WORLD“

Which products do you market and what are your most important target industries in your region?

As Director Industrial at Schaeffler Middle East, I am responsible for eleven countries on the Arabian Peninsula and in the neighboring regions. We sell rolling bearings for industrial applications, mainly in the aftermarket business - to replace worn out bearings. We are mainly concentrating on cement, steel, aluminum and refineries.

What impact does the low oil price have on your business in the Middle East?

The cautiousness of distribution partner and direct customers is noticeable. Companies stock less than usually. The uncertain political situation, mainly caused by Saudi



Elmar Sachsenhauser
Director Industrial at Schaeffler
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Arabia, and the recent conflicts around Qatar reduce planning security for traders and manufacturing.

For companies from which sectors do you see potential in the region?

This question must, of course, be considered country-specific. After the industrialization phase in the areas of raw material production and heavy industry, the United Arab Emirates would like to become a manufacturing country.

A focus is on the aluminum sector. Semi-finished products are to be processed within the country, up to the consumer product.

In the maritime sector, the country wants to build larger ships and establish the associated machine production. Logistics and logistics-related areas will continue to generate growth. Also interesting are pharmacy and medical technology. Relatively well developed are various innovative start-ups in the aerospace sector as well as the food industry.

Oman's economy is in a slow but steady diversification process, which already shows tangible results. Other countries, such as Qatar and Saudi Arabia, are struggling more and are still heavily dependent on oil and gas revenues.

How do you like Dubai as a place to live and work? What are the advantages and disadvantages of the location?

My employer certainly chose Dubai because of the infrastructure in the free trade zones and the open society. However, the city also offers a lot as a place to live and work, for example in terms of the possibilities for recreation and leisure. Probably the most remarkable about Dubai is the coexistence of so many different nationalities and cultures.

Dubai as a global melting pot is an inexhaustible source of information and experience. My motto is, „Who lives in Dubai knows the world because the world is in Dubai.“ The film „City of Life“ authentically describes this place that is full of life.

EXECUTIVE SEARCH ON THE ARABIAN PENINSULA

Executive search in the individual countries of the Arabian Peninsula differs in various aspects, but it also has a number of commonalities. For instance, most companies assign senior positions with expatriates because there are not too many suitable local candidates.

ANALYSIS



Christian Tegethoff
Managing Director,
CT Executive Search

United Arab Emirates (UAE)

The UAE has the largest reservoir of well-qualified executives in the region, mostly foreigners. Many positions can therefore be assigned with "local" candidates - ie with domestic or foreign candidates already living in the country.

At the same time, the emirate cities are regarded as attractive locations by potential expatriates. In addition to the hot climate, the high degree of personal security and the very international environment, it is the tax legislation that attracts: Employees pay no income tax in the UAE. Bringing international managers to the UAE is thus relatively easy.

The UAE is well positioned for the reception and accommodation of international specialists. There is high-quality (albeit expensive) housing, top-class shopping and a wide range of international schools and colleges. Non-Muslim foreigners expect relatively limited restrictions on their lifestyle.

The UAE's candidate pool is especially large for the sales and marketing functions as well as in the administrative areas, such as finance and HR. Due to the relatively low number of manufacturing companies, finding production-related staff is more difficult. Companies will have to send either their own specialists or to conduct a search in both the UAE and the neighboring countries.

With regard to the recruitment and retention of employees, the UAE is the most unproblematic location in the Gulf region.

Qatar

Although Qatar maintains 16 higher education institutions, they are not able to meet companies' demand for qualified specialists and executives. Accordingly, many executive positions are filled with expatriates.

The Qatar working and residence law presents a number of challenges for employers and employees. Legal regulations make changing employers difficult for foreigners. Consequently, the local labor market is extremely inflexible and specialists often have to be found abroad.

However, Doha appears to be less popular as a location than Dubai among European candidates. This is linked to the negative press coverage that has been going on for years, and to some rigid legislation.

The political tensions with the other GCC states and the resulting uncertainties further undermined the attractiveness of Qatar in the eyes of many potential candidates. These factors make recruitment for Qatar more challenging.



United Arab Emirates (UAE)



Qatar

Saudi Arabia

The Saudi education system currently does not provide a sufficient quantity of local candidates qualified to work in international companies. At the same time, employing managers from outside Saudi Arabia is associated with considerable challenges due to restrictive legislation.

Foreigners employed in Saudi Arabia are tied to their respective employers and cannot simply change jobs. The local labor market is thus not very dynamic and hardly able to adapt to changing needs. These factors hamper the work of foreign companies in the country and make HR planning complex.

Added to this is the country's negative image among many potential candidates, especially from "Western" countries. Dressing and behavior regulations for women, the prohibition of alcohol, and the omnipresence of religiously-based behavior rules have a deterrent effect, even if life for foreigners in their neighborhoods is less restricted than in the streets of Riyadh.

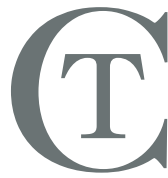
As a result, the recruitment of executives for Saudi Arabia is generally more demanding than for the other countries of the Arabian Peninsula.

Companies should consider the following aspects:

1. A thorough consultation with a labor lawyer regarding the current residence and employment law situation should be scheduled at the beginning of any search.
2. Companies need to budget not only salary and bonus, but also the considerable additional expenses for expatriates: relocation costs, housing, car (possibly with driver), schooling allowances, insurances.
3. Searches for Saudi Arabia need to be executed multi-tracked, taking into account both local and international candidate markets. Potential candidates should be identified mainly in the surrounding Gulf States - managers with no experience in the Arab world will usually not consider a position in Saudi Arabia.



Saudi Arabia



EXECUTIVE SEARCH



EXECUTIVE SEARCH EXPERTS IN ASIA, RUSSIA&CIS AND THE MIDDLE EAST

CT Executive Search assists international companies in recruitment for key positions in middle and senior management. We set ourselves apart through a clear focus on the economic areas of the Middle East, Asia, Russia and the other countries of the former Soviet Union, and on sectors in which our consultants feel perfectly at home due to many years of experience.

Via structured and documented searches processes, our consultants ensure access to the best candidates on the market. They are experts in cross-border recruitment processes and familiar with the characteristics that candidates require in order to work successfully in multinational companies.

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