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THE UAE SUCCESS STORY

Never doubted for its financial strength and cultural wealth, the United Arab Emirates has made strong strides ahead in industries that have not been part of its core competencies so far. The kingdom's foreign assets have been growing steadily since 2008. UAE is the 10th largest foreign direct investor in India with the total cumulative investments of more than USD 6.5 billion

in India through FDI and FII routes.

A KEY COMMERCIAL AND TRADING HUB

The UAE has established itself as a regional strategic trade hub, known for its business-friendly environment and a rapidly growing economy that has experienced significant expansion and diversification over the last 10 years. The UAE has 10 per cent of the world's proven oil reserves and

the world's fifth largest proven natural gas reserves. While oil production contributes significantly to generating income and spending, diversification remains the key governmental policy in achieving sustainable growth. The government is focused on encouraging the private and non-oil sectors to maintain and grow their roles in the economy. This diversification policy can be traced to the founding of the UAE, in 1971, with revenue from oil and gas exports invested into hydrocarbon and other energy related industries. The policy led to the growth of related aluminum and petrochemical industries and as the UAE moved forward, the pure dependency on oil and gas exports decreased significantly.

EXPORTS AND IMPORTS

A member of the World Trade Organization since 1996, the UAE has successfully established itself as an influential player in the international trading system. This is the result of its focus on diversifying its economy through enhancing trade relationships and exchange in non-oil products with countries worldwide, while adopting an open economy with an attractive

According to the World Trade Organization the UAE today is a major trading partner of 32 countries including the US. The UAE's main export commodities are crude oil, natural gas, dried fish, dates and re-export products. Its main import commodities are machinery, transport equipment, chemicals and food.

FUELLING GROWTH

Consequently, oil exports now account for only 30 percent of the country's total gross domestic product (GDP). In addition to being an important supplier of energy, the UAE is now becoming an increasingly relevant consumer of energy. As the country further moves from dependency on oil exports, it will maintain its tradition of responsible energy stewardship as it develops its economy, accelerates the development of additional hydrocarbon reserves and emphasize the necessity of alternative sources of energy.

ABU DHABI AND DUBAI VISIONS

As an example, the UAE's two largest economies, Abu Dhabi and Dubai, have both put together local policy documents that complement the vision set by the UAE Federal Government Strategy. With over 90% of the UAE's oil reserves, Abu Dhabi nonetheless has launched several plans to move towards economic diversification. Such plans are laid out in the Abu Dhabi Policy Agenda 2007-2008, the Abu Dhabi Strategic Plan 2008-2012 and the Abu Dhabi 2030 Plan. These plans are not simply aimed at moving away from the oil and gas sectors, but are mechanisms by which profits generated through these industries are used strategically to achieve and support broad diversification and a more well-rounded economy.

Dubai's economy on the other hand receives a percent input from oil and gas, with its main sources of revenue coming from tourism, transport, trade, construction and financial services. Dubai's policy document with regards to socioeconomic growth and expansion is outlined in the Dubai Strategic Plan 2015.

Thus, it looks like the United Arab Emirates will continue to be the crowning glory of the Arab world.

With inputs from Ankita Shreeram

Key Facts

- UAE is now India's number one trading partner, outstripping China and USA.
- The total bilateral trade between the two countries for the financial year 2009-2010 was USD 43.47 billion.
- UAE accounts for about half of India's total trade in the Gulf region.
- Of the 5 million population of UAE, 30 per cent (1.75 million) are Indian and 1.2 million inhabit in Dubai and Northern Emirates.
- Indians constitute 42.5% of the labour force in UAE.
- Total remittances to India from the UAE in 2008-09 was USD 10-2 billion, (which comes through traceable/official channels) which is around one third of all the total remittances from the GCC which is around USD 32-35 billion.
- There are approximately 636 flights per week between UAE and India from various destinations. Out of this UAE airlines operate about 345 flights per week which represents 54% of total flights operated in the sector.

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business environment that promises continuous economic growth.

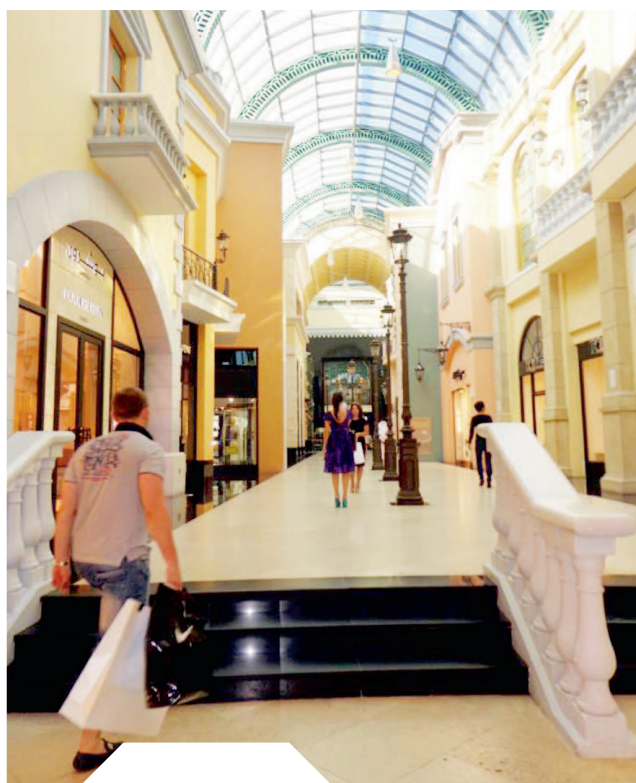
The art of doing business in the UAE

ANKITA SHREERAM

The United Arab Emirates is ranked at position 26 on the World Bank Group's Doing Business index. Starting a business, in particular has become much easier over the last one year thanks to easing of procedures and regulations. What works for the United Arab Emirates is its liberated outlook and commitment to free trade. Entrepreneurs can look forward to a state of the art business infrastructure, complete with god quality, technological advanced offices and good amenities for travel.

BUSINESS OPPORTUNITIES

It's a misnomer that business opportunities in the United Arab Emirates are predominant in the oil industry. Only 30 per cent of the nation's gross domestic product comes from oil revenues, and not even that much in Dubai, the capital city, known for its diversity and openness. American companies have a major presence in the United Arab Emirates and the two countries enjoy robust



trade relations as well.

There are three ways in which a foreign company can conduct business in the Emirates – either by operating from "off-shore" (via an agent or directly with customers), by

operating in a "free zone" or by operating directly in one or more of the seven Emirates (but outside of a free zone). Just like in India, there are state-level as well as national laws, both of which have to be

adhered to and this can pose a few complications. The target audience of your business and the kind of products or services you will deal in will determine which of the rules apply to you.

BUSINESS ETIQUETTE

The Arabs have a penchant for good quality brochures and other materials during business presentations. Though English is widely understood, it is better to have all material printed in both English and Arabic. It is a good idea to carry enough business cards so you do not run out. Another good thing to carry is a phrase book, so you can please your Arabic partners with a few choice phrases in their native tongue.

The UAE checklist

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If you're planning to invest in someone's company, remember that most Emirati businesses are family-managed. So before you meet the senior members, you will go through the hierarchy and meet the younger ones first. Unlike certain countries, punctuality is not much of an issue and in fact, arriving a little late is advisable. Luncheon meetings are common and in any case, meetings usually begin with a round of tea or coffee. More than written documents, the spoken word is held sacrosanct in the Emirates.

NEGOTIATING & COMMUNICATING

While gesturing, make sure you don't point your fingers for emphasis as that is considered rude. Relationship building can take a long while before you gain an Emirati's trust. While the Emirates is arguably more culturally open than any other Arab nation, there may still be designated tables for women and minimal physical contact from men. Doing business in the UAE is thus a very financially sound prospect.

INTERVIEW BILL SUSINSKI

Growth on the fast track!

Bill Susinski, Director and Head of International Business, HSBC India explains the potential of UAE for Indian businesses. Sheetal Srivastava Reddy gets you the details

Your views on links between India and UAE?

The UAE's economic, political and cultural links with India dated back to more than a century ago, are matured and multidimensional. Bilateral trade has been steadily growing over the years to make UAE India's largest trading partner, touching USD 74.7 billion in 2012-2013.

Besides trade, the most fascinating trait is that of cultural links and ties between the two countries. Close bonds between the Indian and UAE nationals can be judged from the fact that the Indian community is the largest expatriate community in the UAE numbering about 1.5 million. Tourists from both sides are visiting for leisure and pleasure, and more and more UAE nationals are availing of healthcare and tourism facilities in India.

What are your views on the UAE economy?

Despite an uncertain global economic environment the recovery in the UAE remains strongly on track. The resilience of this economy has surprised many businesses across the world. Some highlights of the HSBC Global Connections report on UAE are;

Trade flows: GDP growth remained in the region of four per cent in 2012 but a steady pick-up in activity is seen in the coming years as oil and non-oil sectors recover, with exports and imports growing solidly and construction still rising;

Sector insights: Economic activity will continue to be driven by heavy state spending, with the main focus still being on construction projects and the property sector but with Dubai also continuing to develop its trade, tourism and logistics sectors;

Overview of present situation: Despite the slightly lower level of oil prices seen for the next two years, export growth is expected to remain solid and GDP growth is forecasts to pick up in 2013-14, with the non-oil economy continuing to recover as



construction, tourism and trade flows generally continue to recover. UAE exports to Asia will continue to grow more strongly than those to other regions mainly India and China. On the import side, the coming years will see a continued shift away from the traditional suppliers, which used to be in Europe to become more diversified towards fast-growing Asian countries again mainly from India, China and Vietnam.

What are the opportunities for Indian companies in the UAE? How can banks support it?

Over the last decade many Indian companies have invested in the UAE and grown significantly. It is estimated that there are about 9000 Indian companies operating in UAE. Of these, 60 per cent companies are based in Dubai and the remaining 20 per cent in Sharjah. This concentration is mainly due to Dubai positioning itself as a centre of international commerce. We see a growing potential for Indian EPC and infrastructure development companies in UAE besides a host of other sectors like Gems and Jewellery, Metals, and IT.

Banks will play a critical role in providing advisory services and funding the needs for businesses expanding into this region. HSBC group's operations in UAE began in 1959, when it acquired the British Bank of the Middle East, which is now called HSBC Bank Middle East Limited. Today, HSBC is the largest and most widely represented international bank in the Middle East with 280 offices across the Middle East and North Africa.

With a wide presence over the years and a strong network in both countries, HSBC is uniquely positioned to support Indian businesses investing here. HSBC has also set up specialised International Business Centers (IBC's) across the world. At these centers, we assist Indian companies in their international business through our advisory services as well as our comprehensive product suite.



NICHOLAS LEVITT, Head of Commercial Banking, HSBC UAE

India remains one of the UAE's key trading partners. We believe the country will continue to be the UAE's fastest growing source of imports until 2020, and in the top five countries for UAE's exports until 2030. Working with businesses to facilitate trade is a strong focus for us

and forms a large component of our commercial banking strategy. Our relationship with India is a key part of this. As we continue to work towards being the world's leading international trade and business bank, our commitment to both the UAE and India remains stronger than ever.