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## Assessing the UAE as a Global Business Hub

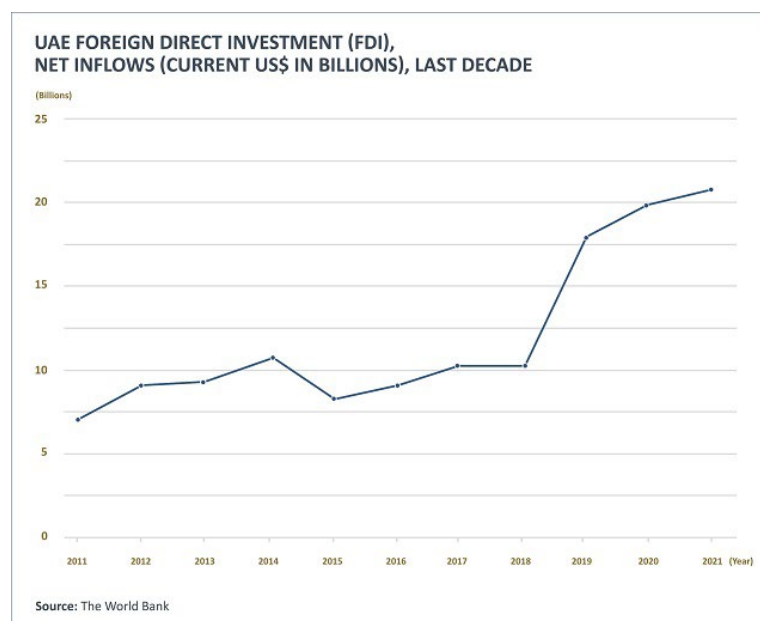
*Karla Dorsch, Managing Partner, Dubai, UAE*

**Foreign direct investment to the country is dramatically increasing, despite the looming introduction of corporate income tax starting in 2023. What are the main business, leadership and talent acquisition considerations for companies when deciding whether to have regional offices – or even global headquarters – in the country?**

The United Arab Emirates (UAE) is one of the world's richest countries, with GDP per capita almost 80% higher than the OECD average. A surge of interest in the establishment of global commercial operations in the UAE has considerably increased in the last 36 months; surprisingly coinciding with a retraction in economic investment in almost every other part of the world due to COVID.

### FDI Boom, National Reputation Uplift

To put some numbers behind this: according to the World Bank, globally, foreign direct investment (FDI) declined by 42% in 2020 (from \$1.5 trillion in 2019 to \$859 billion in 2020). But in the UAE, the opposite happened – FDI increased from \$17.9 billion to \$19.9 billion in that year, and in 2021 it was at an all-time high, at \$20.7 billion. As recently as 2018, the level of monetary investments coming into the country was almost half this amount – just \$10.4 billion.



The UAE's exceptional handling of the pandemic has ensured a continuity of confidence in the country's systems and governance. Widespread PCR testing from the start of the health crisis meant the virus was well-contained, and the national vaccine rollout was extremely efficient. The UAE has sent medical aid and testing kits to more than 135 countries around the world.

This combined with the recent success of Dubai's EXPO 2020 has seen it rise to 15<sup>th</sup> in global 'soft power' status (the annual perception of every nation as a brand as voted on by more than 100,000 people). This is the highest rank that any Middle East or North Africa (MENA) country has ever attained.

In the survey, the UAE performed best in the 'Business & Trade' pillar, counting among the global top 10. It ranked 8<sup>th</sup> for being 'a strong and stable economy', but its best metric was 'easy to do business in and with', where it ranked 4<sup>th</sup> in the world. Earlier this year the UAE aligned its working week with most of the world (Monday-Friday) which would have helped with this rating.

### **Healthy Mix of Industries Surging**

Today, over 90% of the top regional MENA CEOs of global companies are based in the UAE, and the vast majority of Forbes Global 2000 Companies have offices in the country. Sectors that are recovering particularly fast include retail, technology, and financial services.

The 'Projects of the 50', in conjunction with the UAE's 50<sup>th</sup> anniversary as a nation, is an ambitious program developed by the Emirati government to digitally transform the country exponentially. The plan aims to double the size of the national economy in the next ten years, with technology and innovation the key driver of this growth.

Abu Dhabi and Dubai are already opening up to established and start-up fintech, blockchain, crypto, AI and technology firms. The focus is on increasing revenue from high-potential industries as well as decreasing reliance on traditional oil sources for income.

And it's working: many US and European technology companies are moving their operations and platforms to Dubai, with Abu Dhabi also getting attention. In the first nine months of 2021 alone, Dubai attracted \$4.3 billion of FDI capital inflow. Crown Prince of Dubai Hamdan bin Mohammed Al Maktoum recently said that, "global investors have placed their confidence in our business ecosystem."

### **Downsides and Drawbacks**

The UAE's 'freedom of investment' philosophy and political ambivalence with regards to the situation in Ukraine (Emirati officials have said the country will welcome Ukrainian refugees and Russian investors 'while acknowledging Western sanctions') has seen a surge of wealthy Russians buy property and set up businesses in the country. Real estate transactions involving Russian citizens quadrupled in just two weeks in March of 2022.

In the same month, the Financial Action Task Force, an intergovernmental organization dedicated to combating money laundering and illicit cash flows, placed the UAE on its 'grey-list' over concerns related to wealth-hiding practices. One Emirati official responded by saying, "we remain resolute in strengthening strategic cooperation with our partners to address this global challenge."

Another potential downside is that the methodical, structured and unhurried mindset of some locals may not gel with many private-sector business executives and leaders, who tend to have competitive, entrepreneurial, fast-paced expectations and outlooks. Many Israeli investors and VC funds have been disappointed by the slow pace of deal-making with the UAE off the back of the Abraham Accords agreement that was signed almost two years ago.

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### **Business Investment and Talent Considerations**

This being said, the Emiratis are taking increasingly positive steps towards welcoming investment and commerce. Since 2019 a 'Golden Visa' has been available to foreign entrepreneurs who want to establish a business in the UAE. This provides for long-term residency in the country without the need for a sponsor and the confidence that they retain ownership of 100% of their business.

Whilst COVID was a set-back in attracting foreign nationals to move abroad, recent studies indicate that senior European and US executive talent are now much less hesitant when considering international placements. As more international trade and businesses hubs

open back up, the UAE's advanced business culture, low-tax environment and near-zero crime rate is already making it a preferred work location choice.

Also of importance to firms wanting to set up operations in the country is the growing size of the home-grown talent pool. The UAE's burgeoning education, training and development sectors have created considerable local expertise for foreign firms to hire. This will only develop further: as part of the 'Projects of the 50' mentioned above, the Emirati government has established the Emirati Human Resources Development Council, and is spending \$6.5 billion to raise the private sector Emirati participation rate from 2% today to 10% in five years.

For companies wanting to successfully set up shop in the UAE, it's vital that they undertake thorough research and get seasoned advice from a legal perspective. Getting fundamental decisions wrong will take time and energy to get things back on track. Bureaucracy is still evident, yet the UAE is currently undertaking several endeavors to make establishing a business in the country a more seamless process.

Business set-up costs, location/jurisdiction and ownership options are just some of the key factors to consider. Determining your recruitment and employment strategy is also essential. Many industries need to follow employment quotas of locals vs expats. There may also be industry specific employee-based regulations that are vital for your firm to comprehensively understand.