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FOREIGN DIRECT INVESTMENT

According to UNCTAD's [2023 World Investment Report](#), the UAE saw its FDI inflows increase from USD 20.6 billion in 2021 to USD 22.7 billion in 2022 (+10%), being the 16th destination globally in terms of investment attraction. The UAE secured the top position in the West Asia region, attracting 47.1% of the total FDI inflows, equivalent to USD 48.3 billion. Additionally, it claimed the leading spot in the MENA region, with 32.4% of the total FDI inflows, totalling USD 70.2 billion. Over the same period, the stock of FDI reached USD 194.3 billion (around 43.2% of GDP). The bulk of FDI is concentrated in the sectors of trade, real estate, finance and insurance, manufacturing, mining and construction. The main investors are the United Kingdom, India, the United States, France and Saudi Arabia. According to data by fDi Markets, Dubai remained the top global destination for attracting greenfield FDI projects, with a total of 511 projects recorded in H1 2023 (6.8% of the global share).

The strengths of the UAE include its political and economic stability, easy access to oil resources, low energy costs, a willingness to diversify the economy and high purchasing power. The absence of direct business taxation (excluding banks, oil companies and telecommunications operators – see after) and direct income taxation, exchange controls and any limitations on the repatriation of capital, as well as the existence of a strong and profitable banking sector, plus a large pool of expatriate labour, are the country's undeniable assets. In addition, the UAE further liberalised its FDI regime with the promulgation of the “FDI Decree 2020”, which further facilitated foreign investment by extending some of the free zone incentives to the wider economy. A decision of the Federal cabinet allowed up to 100% foreign ownership for 122 economic activities across 13 industry sectors. The government also launched 50 economic initiatives aimed at making the country more competitive and attracting USD 150 billion into domestic projects by 2030. A slew of 40 laws covering trade, online security, copyright, residency, narcotics and other social issues was implemented, and government entities shifted to a four-and-a-half-day working week (Oxford Business Group). Starting from January 2023, Law No 25 of 2022 promotes both local and international investment in various industries, including food processing, steel, aluminium, plastics, hydrogen, aerospace, petrochemicals, pharmaceuticals, medical technology, and agricultural technology. This legislation aims to assist manufacturers by simplifying industrial licensing processes, facilitating feasibility studies, and providing financial incentives. It is part of the UAE Ministry of Industry's Technological Transformation Program (TTP), emphasizing the advancement of manufacturing technology. On the other hand, the country's main weaknesses are the small size of its domestic market, the dependence on imports and the international financial situation, as well as on the hydrocarbon sector. Furthermore, the UAE introduced a [federal corporate tax on business profits](#) starting in 2023, with a headline rate of 9% (for incomes exceeding a particular threshold). Several exemptions are available for businesses operating across strategic sectors (e.g. exploitation of UAE natural resources, Government-controlled entities, pension or social security funds, certain investment funds, etc.). The UAE ranks 24th out of 82 countries in the Economist Business Environment ranking and 10th in the [2023 World Competitiveness Index](#).

Foreign Direct Investment	2020	2021	2022
FDI Inward Flow <i>(million USD)</i>	19,884	20,667	22,737

Foreign Direct Investment	2020	2021	2022
FDI Stock (million USD)	150,896	171,563	194,300
Number of Greenfield Investments*	389	541	997
Value of Greenfield Investments (million USD)	8,069	6,631	11,086

Source: UNCTAD - Latest available data.

Note: * Greenfield Investments are a form of Foreign Direct Investment where a parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.

Country Comparison For the Protection of Investors	United Arab Emirates	Middle East & North Africa	United States	Germany
Index of Transaction Transparency*	10.0	6.4	7.0	5.0
Index of Manager's Responsibility**	10.0	4.8	9.0	5.0
Index of Shareholders' Power***	4.0	4.7	9.0	5.0

Source: Doing Business - Latest available data.

Note: *The Greater the Index, the More Transparent the Conditions of Transactions. **The Greater the Index, the More the Manager is Personally Responsible. *** The Greater the Index, the Easier it Will Be For Shareholders to Take Legal Action.

WHAT TO CONSIDER IF YOU INVEST IN THE UNITED ARAB EMIRATES

Strong Points

The strengths of the country for FDI are:

- No direct taxation of corporations (apart from oil, banking and insurance sectors) or of individuals
- No foreign exchange control or constraints related to repatriation of funds
- Good-quality business climate
- Long-term political stability
- Dynamic and diversified economy
- Very rich hydrocarbons resources
- Solid and profitable banking sector with a powerful sovereign fund and favourable regulations for foreign investments
- Geographical location of the country, making it a potential platform of influence on the Gulf, Iran, Asia and the Middle-East
- Low-cost foreign labour force
- Good transport and production infrastructure (financed by hydrocarbon income)
- Access to low-cost energy

Weak Points

Some of the disadvantages for FDI include :

- Heavy dependence on hydrocarbons

- Reliance on imports of lots of manufactured goods
- A lack of flexibility in monetary policy
- Inadequacy of the national statistical system
- Degradation of the regional geopolitical environment
- Legal obstacles to foreign investment.

Government Measures to Motivate or Restrict FDI

All seven Emirates have adopted measures to create a more favourable environment for foreign investors. Dubai, Sharjah and Abu Dhabi have very flexible rules concerning the acquisition of real estate property by foreigners. The Government of the UAE has also recently passed a new Companies Law. In free zones, foreign investors may hold 100% of a company's shares. The primary benefits of setting up a business in the free zone include exemptions from import and export tax, corporate tax and personal income tax.

Abu Dhabi and Dubai have also implemented a dual licensing regime: entities located in the free zones may be authorised to carry out commercial activities outside the free zone in selected sectors specifically authorised by the Department of Economic Development for that emirate.

The UAE issued Decree Law No. 19 on Foreign Direct Investment (FDI) in September 2018, which grants authorised foreign investment companies the same treatment as domestic companies, to the extent permitted by current legislation. A negative list of economic sectors limited by 100 per cent foreign ownership includes 14 large industries. The Council of Ministers approved on 3 March 2020 a positive list of economic sectors eligible for 100% foreign ownership. This list includes activities in 13 sectors, including renewable energy, space, agriculture, manufacturing, transport and logistics, hospitality and food services, information and communication services, professional and scientific and technical activities, administrative and support services, education, health care, art and entertainment and construction.

Despite these projects, the regulatory and legal framework still favours national investors. There is no national treatment for investors in the United Arab Emirates and foreign ownership of land and shares remains limited. Foreign investors underline the weakness of the arbitration proceedings, the weakness of intellectual property rights and the lack of transparency.

Finally, the regulatory framework for enterprises varies depending on the Emirate. The government of Abu Dhabi is particularly willing to improve the business climate in its emirate and is deploying [Abu Dhabi Economic Vision 2030](#) to attract FDI in the non-oil sectors (industry, tourism, transport and logistics, financial services, real estate and telecommunications).

[Abu Dhabi Investment Office](#) (ADIO) is the government hub supporting investment in the emirate of Abu Dhabi. [Dubai FDI](#) offers essential information and invaluable support to foreign companies who intend to invest in Dubai.

INVESTMENT OPPORTUNITIES

The Key Sectors of the National Economy

The FDI in the UAE is mainly in the sectors of: wholesale and retail trade, real estate activities, financial services and insurance, manufacturing, mining and quarry exploitation.

High Potential Sectors

Aeronautical equipment and services, defence, franchise, healthcare, education, electrical energy, equipment and services related to the oil and gas industries, renewable energies (huge photovoltaic potential), natural

resources management (water treatment).

Privatization Programmes

Abu Dhabi has launched a policy of attracting foreign direct investment and has planned to accelerate the privatisation of ten state-owned companies. Among the relevant sectors are electricity, water and road and air transportation.

Tenders, Projects and Public Procurement

[Tenders Info](#), Tenders in United Arab Emirates

[DgMarket](#), Tenders Worldwide

Sectors Where Investment Opportunities Are Fewer

Monopolistic Sectors

Telecommunications and post are monopolies. The oil industry is a protected national sector.

State-owned enterprises are powerful in the United Arab Emirates. SOEs are present in a number of sectors, including construction, hospitality, transport, banking and telecommunications (e.g. Emirates Airline, Etihad Airways, Etisalat in telecommunications).

Sectors in Decline

Textile, agriculture and maritime transport are the sectors in decline.

Finding Assistance For Further Information

Investment Aid Agency

[Investment Corporation of Dubai](#)

[Abu Dhabi Investment Authority](#)

Other Useful Resources

[Visit Dubai Portal](#)

[UAE Free Zones Directory](#)

Doing Business Guides

[Guide to Doing Business in the United Arab Emirates \(Baker McKenzie\)](#)

[Doing business in the UAE \(KPMG\)](#)

[United Arab Emirates - Market Overview \(U.S. Department of Commerce\)](#)