UAE’s International Trade Policy: A Model For Openness

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Image Credit: DP World

There has been a radical shift in countries' attitudes toward globalization in the last few years. This has fueled an unprecedented backlash against economic integration leading to populism and localization. Two major champions of globalization are adopting policies toward a breakdown in the global trading system: the UK with the drawn-out process of Brexit and the U.S. engaging in trade wars with other major trading partners. There is increased skepticism toward foreign direct investments (FDI), major restrictions applied to foreign ownership, an increase in trade tariffs, and a reduction in the number of immigrant workers. It seems that the world of differences is becoming larger than the world of similarities

In these current times of uncertainty, the UAE has become a model for other countries to follow. The UAE became an original member of the World Trade Organization (WTO) on April 10, 1996 and has been a contracting party to the General Agreement on Tariff and Trade (GATT) since March 8, 1994. The UAE's main economic policy goal is to adopt sound economic policies that guarantee sustained economic growth, diversify the economy, create more employment opportunities for all its citizens and attract local and foreign investment.

Through its membership in the WTO, the UAE has committed itself responsibly toward a more open international trade environment. For example, the UAE adopted a low 5% tariff for all goods. The maximum tariff that can be charged under international obligations is 15%. Simultaneously, the UAE applied an average tariff of 6.5% for agricultural goods compared to an average of 25% as a maximum tariff which can be charged under international obligations. The UAE has also signed several regional, bilateral and preferential trade agreements with the goal of furthering trade.

The UAE exports and imports of goods including oil and non-oil products reflect the country's broad integration and openness into the world economy. The trade policy review of UAE shows that the UAE recorded total exports of almost $299 billion and total of imports of $271billion, creating a positive trade balance. The major trading partners of the UAE are: India, China, the U.S., Japan, Germany, and other GCC countries.

In addition to the open trading system, economic policymakers are working to promote a progressive economic agenda, build around economic liberalization and diversification, and promote the private sector role in the economy. Diversification includes developing further the emirate's tourism, media, shipping, financial, and commercial services, as well as expanding its industrial base. The UAE has also undertaken vast public-private partnerships (PPPs to build infrastructure).

The UAE has relied on its modern legal system as an instrument for effective economic growth. UAE law is viewed primarily as a means of creating a business climate in which private enterprise and initiative could be fostered, in part by reducing the number of sectors that were previously closed to foreign investors. Foreign investors may now invest in tourism, renewable energy, education and real estate, to name only a few.

Through the benefits of trade openness, diversification, and economic competitiveness, the UAE was successful in its economic endeavors by creating economic winners and protecting those who have been hurt by the embrace of globalization. The country also paid special attention to the issues of wealth distribution and fairness in the allocation of economic resources (inclusive globalization). The most important lesson from UAE's economic growth is that strong formal institutions with sound vision designed to propel economic development are keys for success.

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