



United Arab Emirates (U.A.E) – a brief overview

U.A.E, the world's eighth largest oil producer and a major economic centre of the Middle East, exhibits politically and economically stable position in the world. In 1971, six states - Abu Dhabi, Ajman, Al Fuajayrah, Ash Shariqah, Dubayy, and Umm al Qaywayn - merged to form the United Arab Emirates (UAE). Later on in 1972, they were joined by Ra's al Khaymah.

Economy of U.A.E

The UAE has an open economy with a high per capita income with good annual trade surplus. As the recession of 2008-09 hit the UAE especially hard due to confluence of falling oil prices, collapsing real estate prices, and the international banking crisis, successful efforts at economic diversification have been made which reduced the portion of GDP based on oil and gas output to 25%. The economic growth achieved afterwards has shown stability where the country has undergone a profound transformation becoming a modern state with a high standard of living.

The government has increased spending on job creation and infrastructure expansion and is opening up utilities to greater private sector involvement. The country's Free Trade Zones, offering 100% foreign ownership, freedom of repatriation of profits and zero taxes, have helped to attract foreign investors. Dependence on oil, a large expatriate workforce, and growing inflation pressures are significant long-term challenges. The UAE's strategic plan for the next few years focuses on diversification and creating more opportunities for nationals through improved education and increased private sector employment.

Key Industries of U.A.E

Major industries are petroleum and petrochemicals; fishing, aluminum, cement, fertilizers, commercial ship repair, construction materials, some boat building, handicrafts and textiles.

U.A.E's major trading commodities and partners

Export commodities include crude oil, natural gas, reexports, dried fish, dates which U.A.E exports to Japan 15.6%, India 13.4%, Iran 10.5%, Thailand 5.6%, Singapore 5.5% and South Korea 5.3%. The country's import commodities include machinery and transport equipment, chemicals and food. These items are imported largely from India 17%, China 13.8%, US 10.5%, Germany 5.2% and Japan 4.2%.

Economic Relations between Pakistan and U.A.E

Pakistan and the UAE enjoy extremely close and fraternal relations, founded on deep-rooted cultural affinities, shared faith and traditions, as also geographic proximity and identity of interests. Pakistan was the first country to accord formal recognition to U.A.E on achieving its independence. Bilateral relations and mutually beneficial cooperation have progressed steadily ever since. As around 1.3Mn Pakistanis are residing in different cities of U.A.E, the country received its 20% remittance of \$ 3Bn from U.A.E during Fiscal Year 2014 making it one of the most attractive destination for Pakistani workers. Similarly, Pakistan also received FDI of \$ 6.9Mn from U.A.E.

Bilateral Trade Relations between Pakistan and U.A.E

Pakistan and U.A.E are important trade partners of Asian region. During Fiscal Year 2013-14, Pakistan imported goods from U.A.E of worth \$ 7,308.30Mn as against imports of \$ 6,433.57Mn in Fiscal Year 2012-13 showing increase of 13.5% in imports. On the other hand, Pakistan's export of goods to U.A.E was merely recorded at \$ 1,714.81Mn in Fiscal Year 2013-14 as against \$ 1,936.17Mn in the same period last year showing decline of 11.4%. The generating huge trade deficit of \$ 5,541Mn for Pakistan. Although Pakistan runs trade deficit with U.A.E due to huge oil imports, having FTA with U.A.E may provide concessions on import and helps in enhancing bilateral trade relations. Being a re-export market and the fact that U.A.E is being used as a trade route for Pakistani commodities to Iran and India, FTA will also result in reduced levels of tariffs on exporting commodities. Thus, Pakistan will not only be able to import oil from U.A.E on concessionary prices but will also be able to export its commodities on reduced tariff lines which would reduce its trade deficit with U.A.E.

U.A.E Brands operating in Pakistan

Various brands of U.A.E are successfully operating in Pakistan wherein Airlines, Financial Business, Telecommunications, Oil & Gas and Real Estate are the distinct sectors. Among them, Etisalat, So-Safe and Memon Real Estate under Sheikhani Group, Abu Dhabi Group, Emirates Airlines, Bank Al-Falah, Warid Telecom, Wateen Telecom, Al-Futtaim Technologies Pakistan, Emaar Pakistan, Air Arabia, Al-Ghurair Giga Pakistan, Dubai Islamic Bank, Burj Bank, Emirates Investments Group, IFFCO International, PARCO (Petroleum Investment Company), Capital Investment Overseas and Ethihad Airlines have strong presence in Pakistan.

Trading Commodities between Pakistan and U.A.E

The commodities exported by Pakistan to U.A.E include Pearls, precious stones, metals, coins, mineral fuels, oils, cereals, textiles articles, meat, cotton etc. The goods imported by Pakistan from U.A.E include mineral fuels, oils, machinery, boilers, plastics and articles etc. The analysis of trade data shows that Pakistan's exports to U.A.E has declined by 11.4% in the last year. These include the exports of pearls and precious stones, mineral fuels and oil, knitted and not knitted articles of apparel and accessories, made-up textile articles, meat and edible meat and machinery.

Potential for enhancing bilateral trade relations between U.A.E and Pakistan

-Pakistan manufactures and exports commodity that U.A.E imports from other parts of the world. These include plastics and articles thereof, pharmaceutical products, electrical and electronic equipment. Taking relevant steps to boost the exports of such items would help in enhancing bilateral trade between both the countries.

-As oil and gas, energy, telecommunication and services are the most rewarding sectors of Pakistan's economy, there exist huge potential for prospective investors from U.A.E. where they can earn promising revenues.

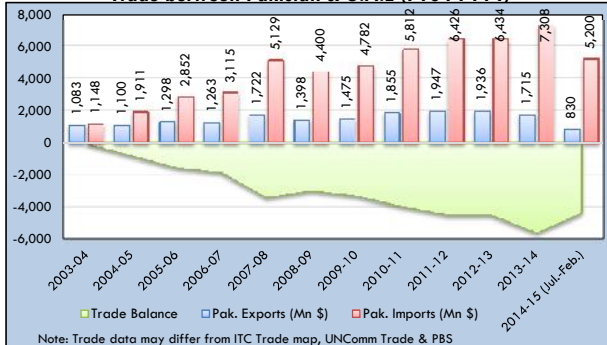
-The higher authorities of Pakistan should move forward for having dialogue with U.A.E trade ministry to sign FTA and enjoy reduced tariff rates on trading commodities.

Economic Indicators

Table with 4 columns: Indicators, Unit, 2012, 2013, Change. Rows include GDP (PPP), GDP per Capita, GDP growth, Forex Reserves, External Debt, Exports, Imports, Trade Balance, Current Account, CPI.

Sources: KCCI Research, CIA Factbook, TDAP, SBP

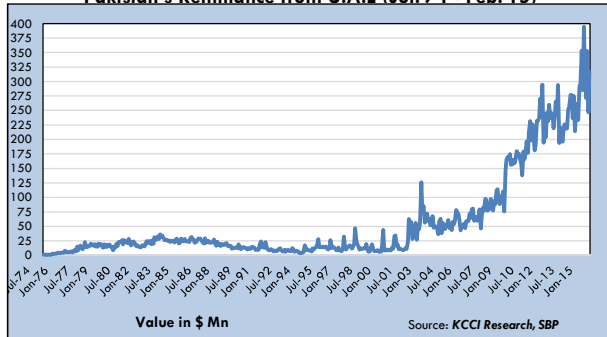
Trade between Pakistan & U.A.E (FY04-FY14)



Note: Trade data may differ from ITC Trade map, UNComm Trade & PBS

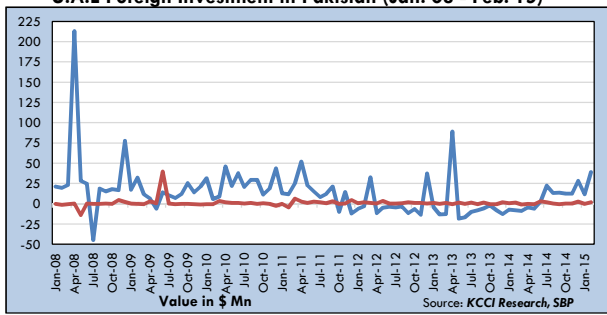
Source: KCCI Research, SBP

Pakistan's Remittance from U.A.E (Jul.'74 - Feb.'15)



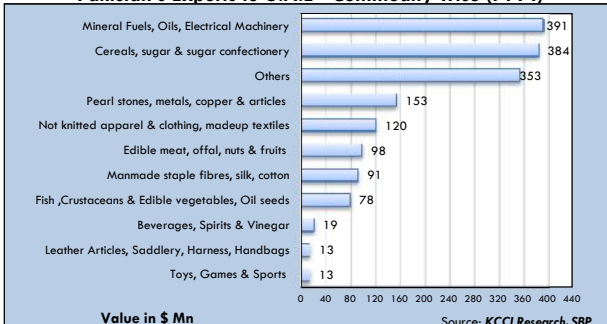
Source: KCCI Research, SBP

U.A.E Foreign Investment in Pakistan (Jan.'08 - Feb.'15)



Source: KCCI Research, SBP

Pakistan's Exports to U.A.E - Commodity Wise (FY14)



Source: KCCI Research, SBP

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