

# [Research trading in dubai economics essay](https://assignbuster.com/research-trading-in-dubai-economics-essay/)

The Business Tradition: For a very long time, Dubai has taken up an exceptionally good position on the trade map of this region. Its business center has always been growing rapidly and its Creek has played an important role in the development of economy which is achieved by this city. It has constantly been a vital and safe harbor for small and medium size ships which sail to the ports of Arabian Gulf region, the countries of the East Africa and Indian sub-continent. These regions are loaded with variety of goods which are re-exported to these various regions.

Business activities in Dubai: Dubai is known as one of the trade centers in the Arabian Gulf region. It has obtained this position for different reasons, which are summarized as follows:

Firstly: In the middle of the UAE coast stretching along 400 miles Dubai occupies a strategic competitive location. Owing to the distinct location in the Southwestern part of the Arabian Gulf Dubai can play an active trading role in linking the maritime lines and also it can facilitate the transportation of goods between the east and the west.

Secondly: By pursuing a free and balanced economic policy Dubai has strengthened its distinguished strategic location which has given it a good reputation in the commercial, economic and international communities. This encourages the national and foreign capitals to get in to successful investment ventures in different industrial, commercial and services field.

Thirdly: By setting up complete infrastructure projects along with other utilities and services Dubai has improved the importance of its strategic location and gave special importance to its free economic policy. Dubai has put these facilities in operation with high efficiency which made a quick and positive impact on growth rates in the social development, economic sectors and improvement in individual’s living standards. In general Non-oil trade and oil producing and exporting are the two main activities in which the economy of the Emirate of Dubai is based on.

For the last three decades Dubai has witnessed rapid growth of its trade and industrial activities. The trade and industrial activities are taking the advantage of Dubai’s several characteristics including its strategic location over-looking the Arabian Gulf, the completion of its infrastructural projects and the running of these facilities according to the latest standards. Due to this reasons Dubai is one of the most important centres for imports, exports, and re-exports in the region. Dubai has been very successful in building world-class infrastructure and services in support of business and industry.

With the aim of diversifying the income sources Dubai has worked to strengthen its industrial base for the last two decades. Therefore, it has established heavy industrial projects in the Jebel Ali Free Zone. The active private sector has given to setting up small and medium manufacturing industries attaining a kind of self-sufficiency in some commodities. And local needs are exceeded even in certain commodities and the surplus is exported to overseas markets.

In business, the government of Dubai is committed to free market policies, liberal and the creation of a business environment outcome to commercial activity. This approach is well provided by the incentives available to investors in Jebel Ali Port where 100% foreign ownership is permitted; otherwise it is restricted to 49% ownership.

## RECENT TRADE PERFORMANCE

Dubai’s leading export markets are: USA (Dhs 440 million), Japan (Dhs 427 million), India (Dhs 416 million), Iran (Dhs 349 million), S. Korea (Dhs 316 million), followed by Kuwait, Netherlands, UK, Taiwan, Yemen.

Dubai’s main export products are : Base Metals and Products, Prepared Foodstuffs, Textiles, Stone Cement, Ceramic and Glass Products followed by Mineral Products, Chemical or allies industries, Plastics and rubber products

Dubai Exports for the year 2011 amounted to 25347million Dirham’s, and concentrated in the following six main categories:

Base metals and articles

Products of chemicals and allied industries

Mineral products

Prepared foodstuffs and beverages

Textile and textile articles

Articles of stone, cement, asbestos, ceramics and glass

As the leading regional trading hub, for overseas companies in a wide range of sectors Dubai offers access to a market of outstanding potential.

Some of its key characteristics are:

A large market – more than $ 17 billion in domestic imports annually; gateway to a $150 billion, $1. 4 billion population regional import market.

A growing market – Dubai’s imports have doubled since 1989; regional economic growth and liberalization is set to improve demand.

A prosperous market -opportunities for suppliers of most products; an accessible market – served by more than 170 shipping lines and 86 airlines; wide import requirements; An open market – no exchange controls, quotas or trade barriers.

Dubai Foreign Trade: During past years, foreign trade in Dubai was very active and attained a considerable surge in the rates of trade exchange growth internationally, regionally and locally. This is because of a reflection of the necessity of the local and regional markets covered by trading channels, which are the free import of most capital, intermediate and consumable goods. Also Dubai takes the lead among the other Emirates in the volume of exports because of the nature of commodity exports (non-oil) and their geographical location. Dubai’s exports constitute around 77. 9% of the country’s total exports.

In terms of its share of imports Dubai takes the first place among other Emirates, which equalled 70% of the value of the UAE total imports. All over the world Dubai imports from 159 countries. 68. 7% of the total imports initiated from United States of America, India, South Korea, China, Japan, United Kingdom, Germany, Japan, Indonesia and Taiwan. Dubai has been well known as an active centre for re-export trade to the neighbouring Gulf Countries because of the nature of Re-exported Commodities and their Geographical Distribution over its long commercial history.

Dubai’s re-exports have gone further that to reach the eastern coasts of Africa and the Indian sub-continent. To cover all the gulf and Arab countries and European, Asian, American countries and some African states which has a re-exporting about 70% of its total annual imports Dubai has invested its own abilities and take advantage of its different diversified facilities to expand its re-export activities.

During the seventies, huge amounts were invested to execute most infrastructural projects and facilities, thereby creating a healthy atmosphere for the flow of investments into Dubai.

Dubai Chamber of Commerce and Industry’s continuous monitoring of trade development at GCC level after the implementation of the Customs Union (CU) in 2003 shows that the role of Dubai as a major port of entry to products destined to the Middle East and North Africa has become increasingly more significant. The surge in exports of Dubai to the GCC in 2011 appears to confirm the positive impact of the CU on Dubai’s trade. With the efficiency and increasing capacity of Dubai ports and the efficient transportation facilities to the other GCC countries, the role of the Dubai as a leading port of entry of products destined to the other countries and to the rest of the GCC is indeed expanding.

Re-Exports

UAE ranks the third most important re-export centre in the world (after Hong Kong and Singapore respectively). Re-export trade forms a substantial one-third of the entire trading sector in the UAE. In Dubai, where a large part of the re-export trade is concentrated, it forms an even greater proportion of that emirate’s total income. The re- export strength of the UAE lies in bulk purchases, low taxes, good infrastructure and an historical concentration of traders. Reduced delivery lead times are also a major reason for the success of the trade. Although Iran (machinery, textiles, vehicles) and India (silver, silver jewellery) feature prominently as destination countries there is a fairly even spread of re-exports across at least 35 countries. The main destination markets for re-exports are: Iran, India, Switzerland, Iraq, Pakistan, the UK, Saudi Arabia, Algeria, Libya and Kuwait.

Re-exports of Dubai for the year 2011 amounted to 24930 million Dirhams, and concentrated in the following seven main categories:

Pearls, precious stones and metals

Products of chemicals and allied products

Base metals and articles of base metals

Machinery, sound recorders and televisions

Textiles and textile articles

Vehicles, aircrafts and vessels

Vegetable products

## Jebel Ali Free Zone:

Jebel Ali Port is the world’s largest man-made harbor and the biggest port in the Middle East in terms of size. Location of the port The Jebel Ali Port is 35km away from the city of Dubai. Port services being one of the most modern ports in the area, Jebel Ali Port renders various navigation, commercial and industrial services, which include: Storage Services, Land Transport Maintenance & Repair Services Industrial Zone Free Storage Area.

The Jebel Ali Free Zone lies between the East and West and is well placed to serve both. Situated at the foot of the Arabian Gulf, the Free Zone is an ideal place for supply to the markets of this region with commodities and products manufactured

by factories located in it. The Jebel Ali Free Zone is now considered one of the most attractive free zones for different types of investments. This is consolidated by its strategic location, the availability of modern infrastructure and the non-existence of any administrative complications in addition to the availability of large plots of land to set up an increasing number of projects and the availability of different resources of energy. Moreover, within the Free Zone there is a harbor capable of handling any class of ships: there are 67 berths, over 15 km of quay and a container terminal with the most modern handling equipment.

The Government of Dubai has spent more than $2. 5 billion to build the giant complex at Jebel Ali, which consists of Dubai Ports Authority, the Port of Jebel Ali (the biggest man-made port in the world) and the industrial and commercial free zone. Although the infrastructure of the complex is almost complete, constant efforts are still being made to construct more roads, labor camps, warehouses and offices.

The UAEs 12 Free Trade Zones (FTZs) can be an attractive option to establish a business entity for foreign investors. To date in expanding net non-oil exports and attracting a large number of companies and foreign direct investment the free zones have been successful. The main advantage in setting up a business entity in a free zone is that you are entitled to:

100 per cent foreign ownership of the enterprise: Companies retain full control of their businesses at all times because setting up a business in JAFZA does not require a local partner.

100 per cent repatriation of capital and profits: Hence there is no restriction in currency all profits can be transferred out of the country as and when required.

No personal income taxes and corporate taxes: For a period of fifty years there will be any corporate taxes for companies established in the Free Zone.

No recruitment problems: Company can recruit skilled workers from an easily accessible central pool. And to work in the Free Zone companies are free to bring in their own employees.

Unique staff accommodation and community housing: To create a peaceful and alternative environment for multinational staff JAFZA staff accommodation has been specifically designed with a wide range of amenities and facilities.

Abundant energy: It is very cost-effective to run almost any type of business in the Free Zone because of the abundant energy supplies.

Availability of pre-built offices, warehouse/factories and land: To suit individual requirements high quality pre-built facilities can be modified. Companies can construct their own facility on the plots of land that are available for lease.

An independent Free Zone Authority (FZA) is the agency responsible for helping companies which establish their business in the FTZ and they are also responsible for issuing FTZ operating licences. FZA governs each free zone.

Investors can either register a new company in the form of a Free Zone Establishment (FZE) or simply establish a branch or representative office of their existing or parent company based within the UAE or abroad. A Free Zone Establishment (FZE) is a limited liability company which is governed by the rules and regulations of the Free Zone in which it is established. Under Federal Law No. 15 of 1998, “ except for acquiring nationality in the UAE, the provisions of the CCL does not apply to FZE’s provided that the Free Zone has special provisions regulating such companies.”

Once a legal presence has been established in the Free Zone, the business will require leasing premises on land and obtaining an operating licence from the FZA. There are different types of licences apply in the different types of Free Zone. In general companies with industrial and trade licences can only conduct business within the Free Zone of abroad. An UAE official agent is required to sell their products in the UAE. Products and services can be acquired from and within the UAE without an agent. Service licences and national licences are the other types of licence available. These licences cover banking, shipment, insurance etc. They can be renewed annually as long as a lease agreement is in force with the FTZ.

The procedures for establishing a business in a FTZ are usually very easy and if there are no environmental issues included it can be completed within short time. A questionnaire from the relevant FZA must be filled, which will help in assessing the company’s needs. After submitting the questionnaire, planning documents, a licence application and a consumer request for electricity will be given. Provisional approval is given with a specimen lease agreement. The actual documents which will include company or personal details are processed quickly after the company specimen and the authority have met and finalized details of the project

## About ARMEN INTERNATIONAL FZE

Armen International FZE was established in 1998 by Mr. Saied Hossein Manshaie, in Dubai, United Arab Emirates. With more than 20 years International experience the company concentrates in supply of chemicals with deeper knowledge of paint, resin, coating and ink raw materials and poly Urethanes. The Company is situated in the Jebel Ali Free Zone (JAFZA), one of the most attractive free zone in Middle East.

In today’s highly competitive global market, it is a basic requirement to provide customers with the “ Best Services” and “ Highly Quality Products” yet with “ The Competitive Price. Having recognized these principles, Armen International FZE, endeavour to be more than just a seasonal buyer and seller of commodities. Today the company is one of the leading distributors of chemicals in the region.

Since last year the company has expanded its operations by building warehouse for import and storage of products in bulk and exporting of chemicals. The company provides their customers with total business solutions for their raw material requirements by giving them constructive professional advices and information and finding them alternative products when needed.

Armen International FZE provides quality, economical and timely solutions for their client and is a one-stop shop for all the chemical requirements. The principle objective of the company is to carry out basic industrial chemical trading. Armen International FZE offers a wide variety of chemicals suitable for paints, resin, coating and ink industry as well as for polyurethane industry.

Armen International FZE distributes chemicals to GCC countries- Gulf Cooperation Council Countries (Bahrain, Saudi Arabia, Qatar, Oman, and Kuwait), Europe, Iran and Asian Countries.

The company source materials regularly, establish long term relationship with the manufacturers and customers, actively promote the best products and remain committed to their principles and values.

The company’s success has been gained through an unwavering commitment to “ Integrity”, “ Ethics”, “ Fair Dealings” and last but not the least, “ Expertise & Knowledge of the Markets”.

The mission of the company is to produce products of quality which meets needs and expectations of their esteemed customers and to provide assistance where required to customers to enable them to desire expected benefits from the use of their products.

The vision of the company is to maintain a harmonious and challenging environment where employees are encouraged to grow and develop to their fullest potential and to provide their customers the best products and services available in the industry to meet their needs and to exceed customer expectation in terms of Customer Delight, Reliability and Confidentiality.

Company’s major clients are Berger Paints, Kemsol Ltd, Hitech industries, ENOC, Asian Paints LLC, Jotun, Eurochem, Khemji Permoglaze, FSL Chemical Solutions, Al Nahda International Chemicals.

Armen International FZE offers a wide variety of chemicals to two major industries, namely

Paint, resin, coating and ink industry

Poly urethane industry