

TRADE AND INVESTMENT OPPORTUNITIES BETWEEN UAE AND ISRAEL



November, 2020

Joint Study of Dubai Chamber of Commerce & Industry and Federation of Israeli Chambers of Commerce

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**FEDERATION OF ISRAELI
CHAMBERS OF COMMERCE**
ISRAEL'S LARGEST BUSINESS ORGANIZATION

غرفة دبي
DUBAI CHAMBER

EXECUTIVE SUMMARY

- The recent UAE-Israel Treaty of Peace, Diplomatic Relation and Full normalization has opened the door for a huge potential of trade and investment opportunities between the two countries. The UAE and Dubai strategic location and competitive advantage can be a trade and business hub for the Israeli companies and offer them easy access to the emerging markets across the GCC, Africa and Asia. On the other hand, Israel may offer its well-developed hi-tech services that can be helpful for the modernization and efficiency improvement of many economic sectors in UAE.
- This joint study compares the macroeconomic and business indicators of both countries and describes their business competitive advantages. The study shows that UAE's high ranking (16th) in World Bank Ease of Doing Business 2020 and describes other business advantages, such as no taxation of personal income and the availability of Free Zones, that can attract Israeli companies. The study reveals that Israel's high and growing exports of product and services can develop the trade sector of both countries. Furthermore, Israel's high ranking in Global Competitiveness Index (20th) and specialization in high-tech services and products may create new business opportunities between the two countries.
- The study has identified that UAE has potential to export at least 6 product groups (e.g. precious stones and metals, aluminum, cement, ceramics) and re-export 7 product groups (e.g. machinery and electronics, vehicles, sesame seed and clothing) to Israel. Besides, Israel may export to UAE at least 7 product groups (e.g. medical equipment, diamond, chemicals and food items) and use Dubai as a trade hub in order to get access to Middle East, Asia and African countries.
- The investment opportunities part of the study reveals that the growing demand of UAE for high-tech, medical and pharmaceutical and electronic products creates new investment opportunities for Israeli companies. Israel's agricultural companies, which are specialized in modern irrigation technologies, may also play role in the development of sustainable agriculture in UAE. The logistics companies of Dubai may also play a big role in the development of port infrastructure in Israel. The introduction of direct flights between the two countries will also create investment opportunities in the tourism sector. In addition, both UAE and Israeli companies can be very successful in manufacturing of jewelry products since both countries are specialized in export of precious metals and stones.
- There is huge potential for joint business ventures between the companies in both countries for entering the Asian and African growing markets.

AGENDA

Section I: UAE vs. Israel Economy and Business

Section II: Trade Opportunities

Section III: Investment Opportunities

Section IV: Conclusions

ECONOMY: UAE VS. ISRAEL

INDICATORS (2019)



| | | |
|-------------------------------|--------|--------|
| GDP (current, USD bn) | 421 | 395 |
| GDP per capita (current, USD) | 43,103 | 43,641 |
| Total trade (USD, bn)* | 437 | 135 |
| Population (million) | 9.7 | 9.1 |
| Inflation | -1.9% | 0.6% |
| Unemployment rate | 2.2% | 3.8% |
| Area (sq.km) | 83,600 | 22,145 |

* Note: For UAE Total Trade = Exports + Re-exports + Imports and for Israel Total Trade = Export + Imports

Source: World Bank

BUSINESS: UAE VS. ISRAEL

INDICATORS (2019)



WB Doing Business Ranking

16th

35th

Global Competitiveness Ranking

25th

20th

Corporate Tax

0%

23%

VAT

5%

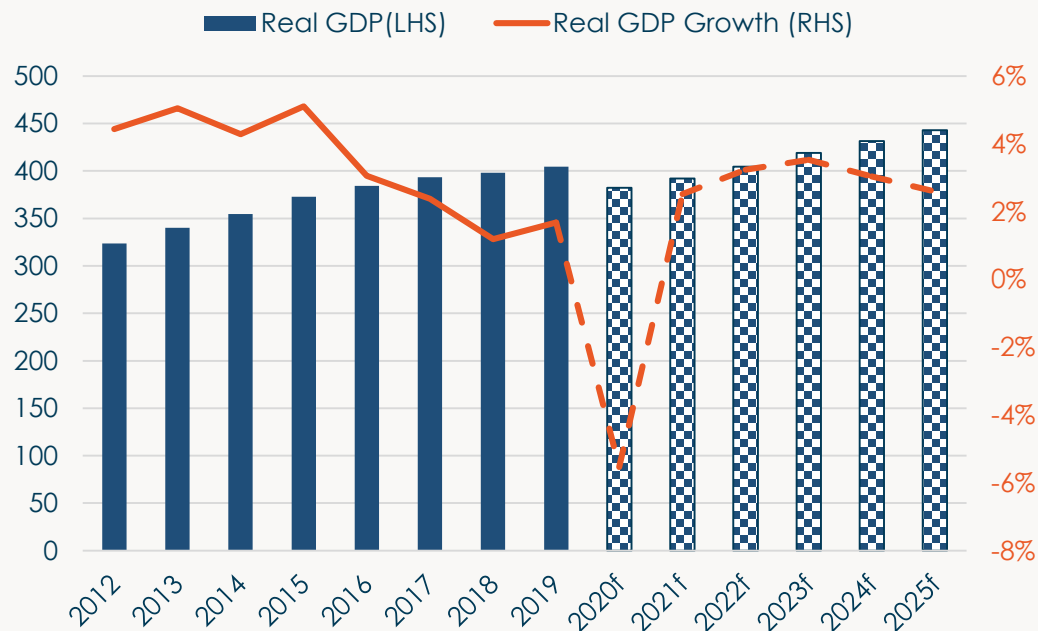
17%

Source: World Bank, World Economic Forum, PricewaterhouseCoopers

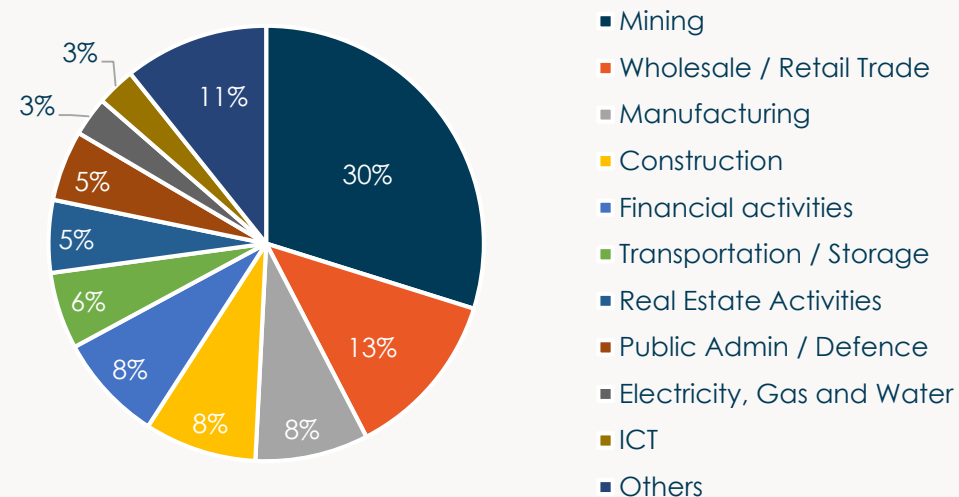
UAE ECONOMY AND BUSINESS

GDP and Major Sectors

UAE Real GDP (USD bn) and Growth Rate (%)



UAE Economic Sectors' Contribution to GDP, 2019

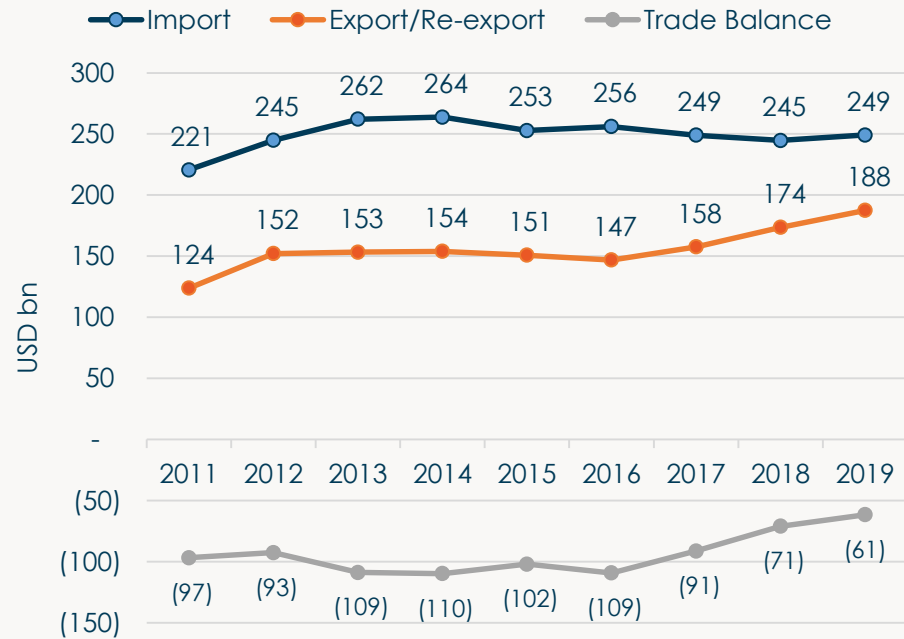


Source: Dubai Chamber Research based on FCSA and EIU

UAE ECONOMY AND BUSINESS

Trade

UAE Non-oil Product Trade with the World
(USD bn)

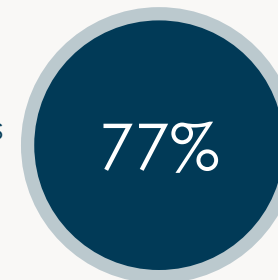


Dubai % Share in UAE Non-oil Trade, 2019

Dubai share in UAE Imports from the World



Dubai share in UAE Exports/Re-exports to the World



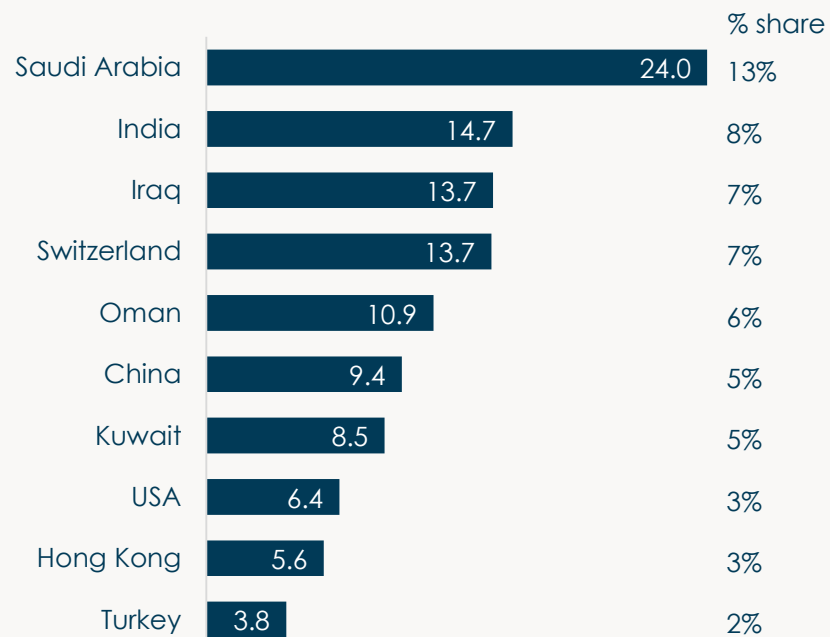
Source: Dubai Chamber Research based on FCSA and Dubai Customs

UAE ECONOMY AND BUSINESS

Trade Partners

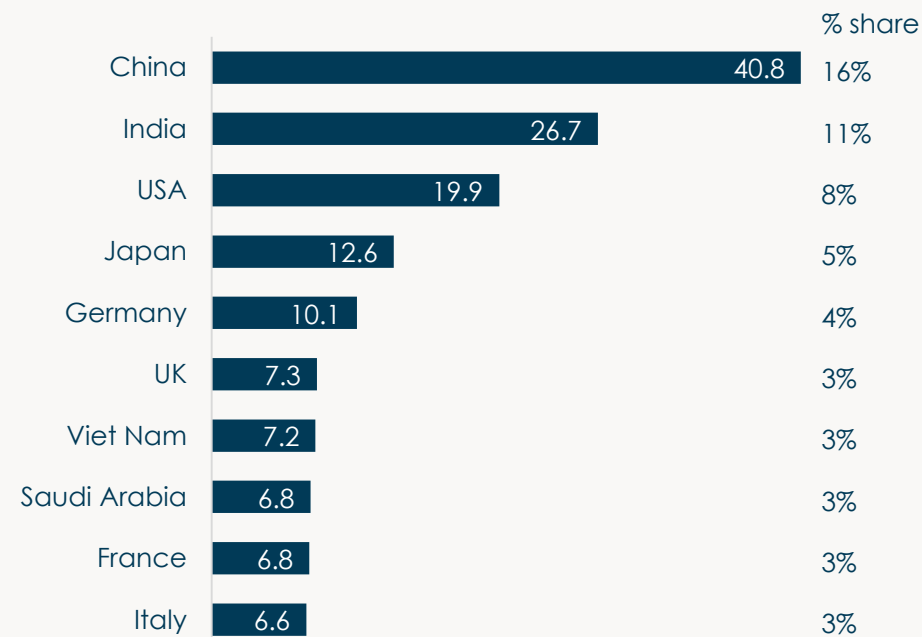
UAE's Non-oil Major Export/Re-export Partners, 2019

(USD billion and % share)



UAE's Non-oil Major Import Partners, 2019

(USD billion and % share)

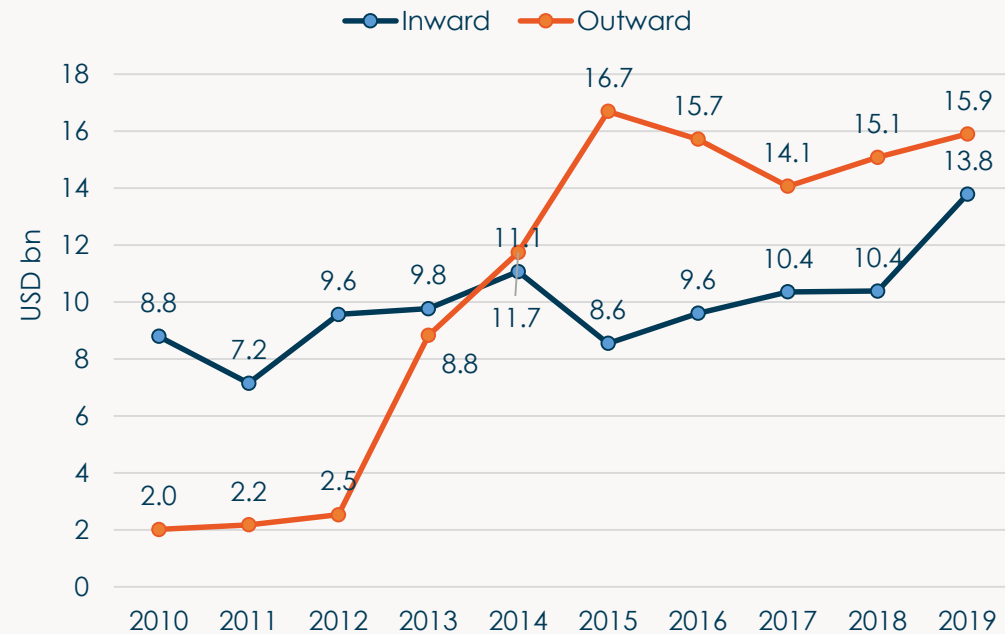


Source: Dubai Chamber Research based on FCSA

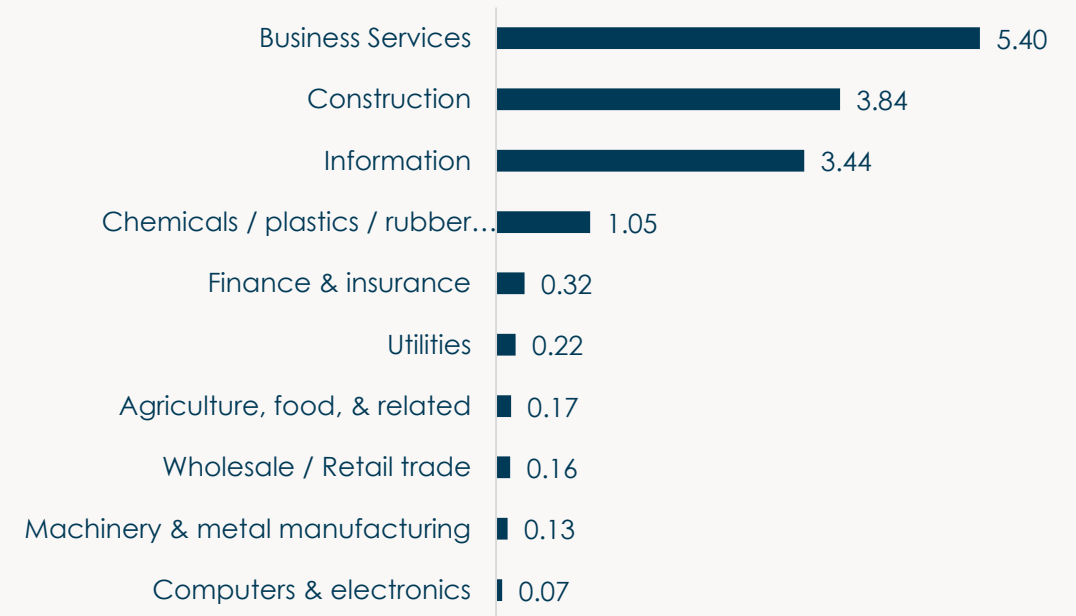
UAE ECONOMY AND BUSINESS

Foreign Direct Investment (FDI)

UAE FDI Flow (USD bn), 2010-2019



Top Sectors by Total FDI Inflow into Dubai (USD bn), 2019



Source: Dubai Chamber Research based on UNCTAD and Dubai FDI Monitor

UAE ECONOMY AND BUSINESS

Business Climate

Business Climate in UAE

World Bank
Ease of Doing Business
Ranking 2020



World Bank
Starting a Business
Ranking 2020



IMD
World Competitiveness
Ranking 2020



Global Competitiveness Index
Ranking 2019



Taxation in UAE

Corporate Tax



Income Tax



Value Added Tax



Import Duty



Source: Dubai Chamber Research based on World Bank Doing Business, World Economic Forum, IMD World Competitiveness

UAE ECONOMY AND BUSINESS

Competitiveness

Pillars of Global Competitiveness Index for UAE, 2018-2019

(ranking out of 141 countries)



Source: World Economic Forum

UAE ECONOMY AND BUSINESS

UAE Free Zones

Around 45 Free Zones exist in UAE and many new ones are in the pipeline



Specialization

- **Services:** Trading, Finance, IT, Education, Research, Health, Logistics, Media, Movie production, Printing, Design, Packaging, Humanitarian hub and etc.
- **Industry:** Carpet, Precious metals, Food and Beverage, Textile, Machinery, Energy, Auto Spare Part, Building Material etc.

Benefits

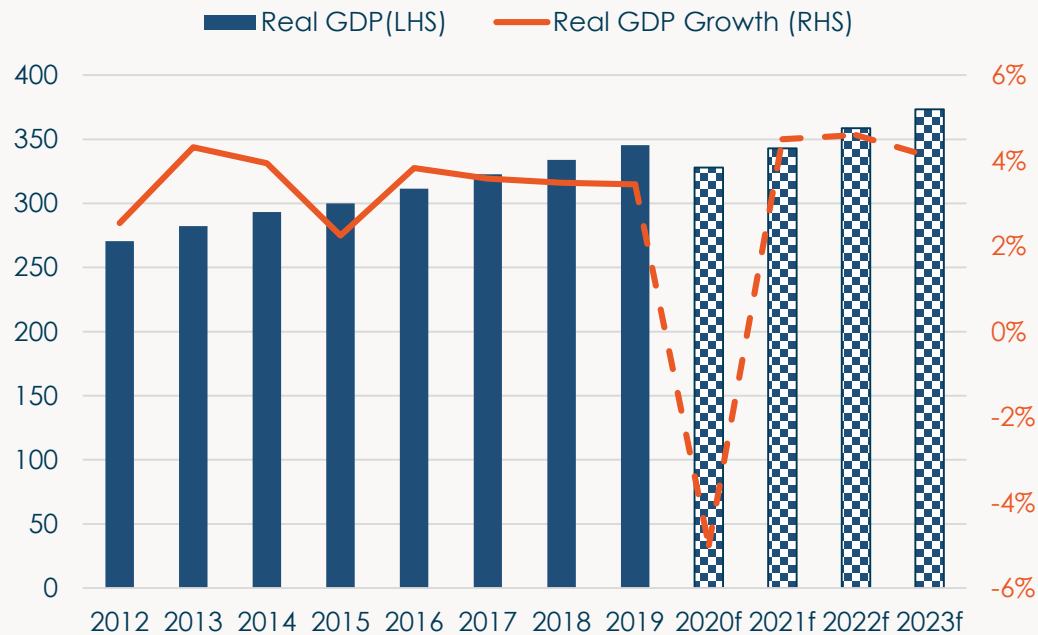
- 100% foreign ownership and repatriation of capital.
- No income, corporate, import or export tax.
- One-stop-shop administration services.
- Access to consumers of MENA, CIS and India.
- Stable and clear regulation.
- Access to pool of talented professionals.
- Tariff-free access to the GCC and MENA markets for manufacturers adding 40% value locally, as a result of Greater Arab Free Trade Area (GAFTA) and Custom Union with GCC.

Source: Dubai Chamber Research based on UAE Free Zones

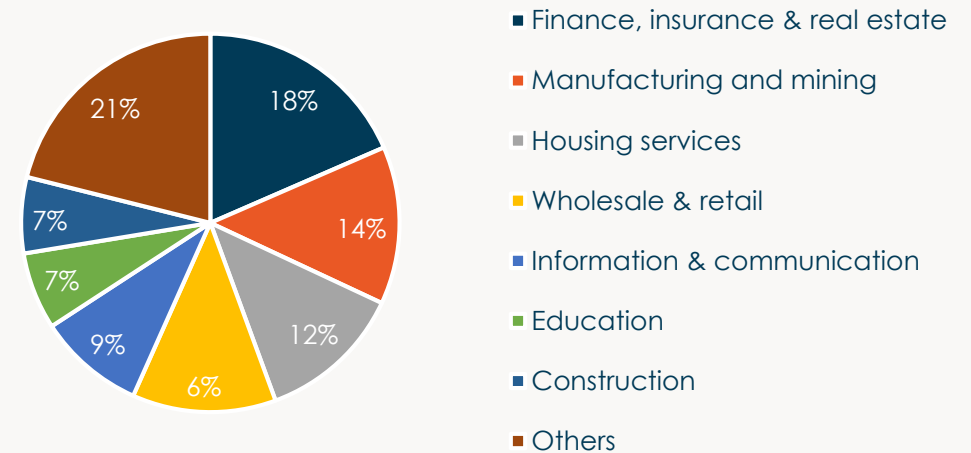
ISRAEL ECONOMY AND BUSINESS

GDP and Major Sectors

Israel Real GDP (USD bn) and Growth Rate (%)



Israel Economic Sectors' Contribution to GDP, 2019

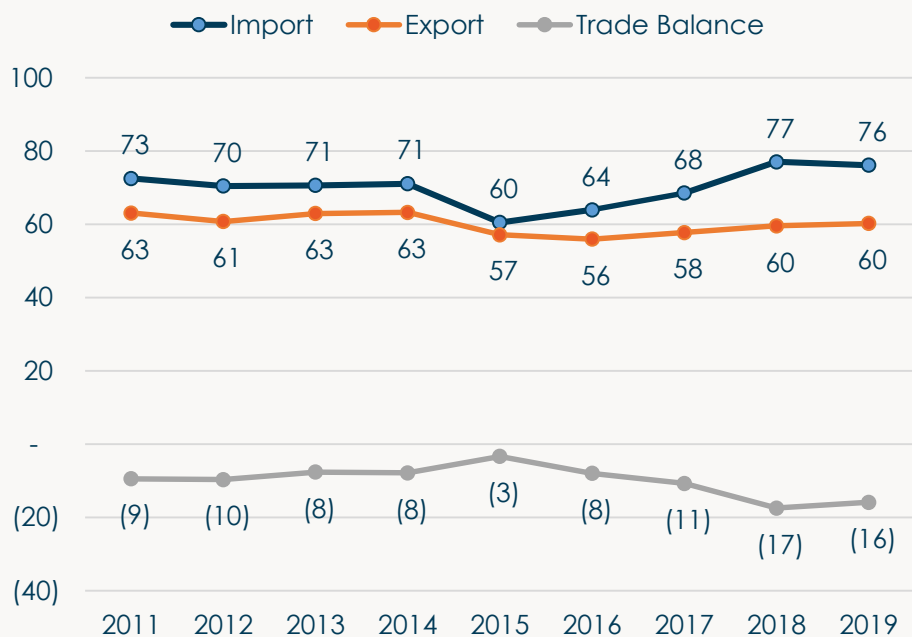


Source: Dubai Chamber Research based on CBS, the Bank of Israel, and the Ministry of Finance of Israel

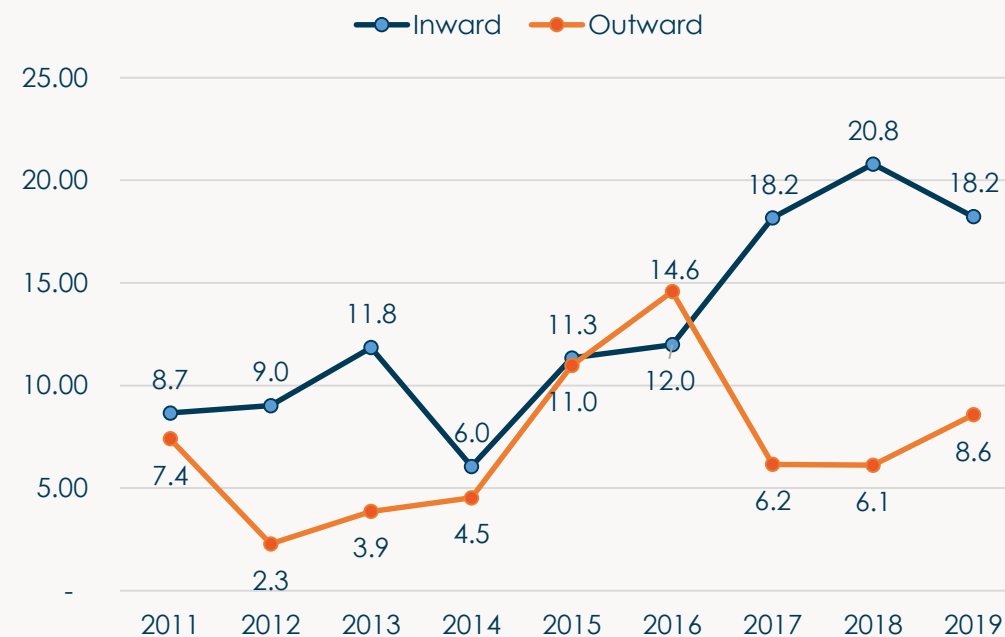
ISRAEL ECONOMY AND BUSINESS

Trade and Foreign Direct Investment (FDI)

Israel Trade of Products with the World (USD bn)



Israel FDI Flow (USD bn), 2010-2019



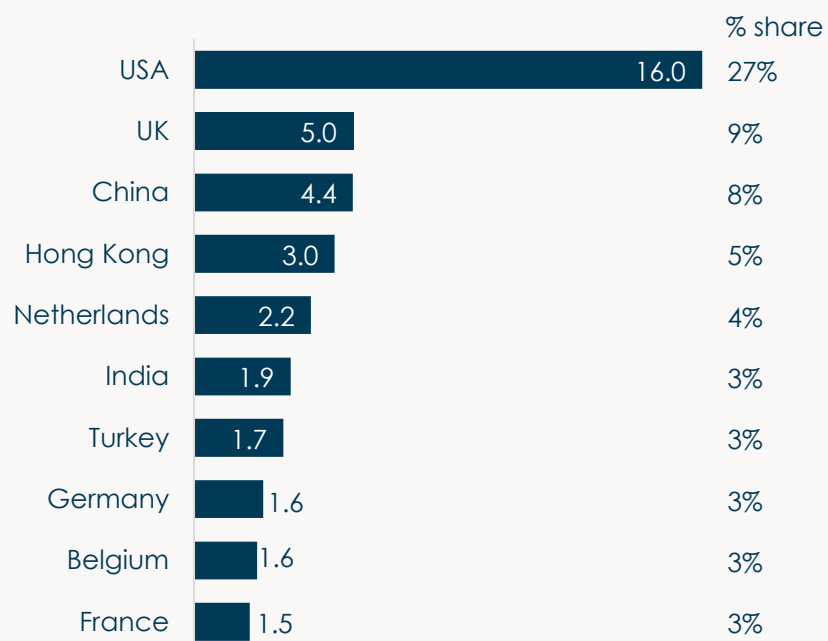
Source: Dubai Chamber Research based on CBS and UNCTAD

ISRAEL ECONOMY AND BUSINESS

Trade Partners

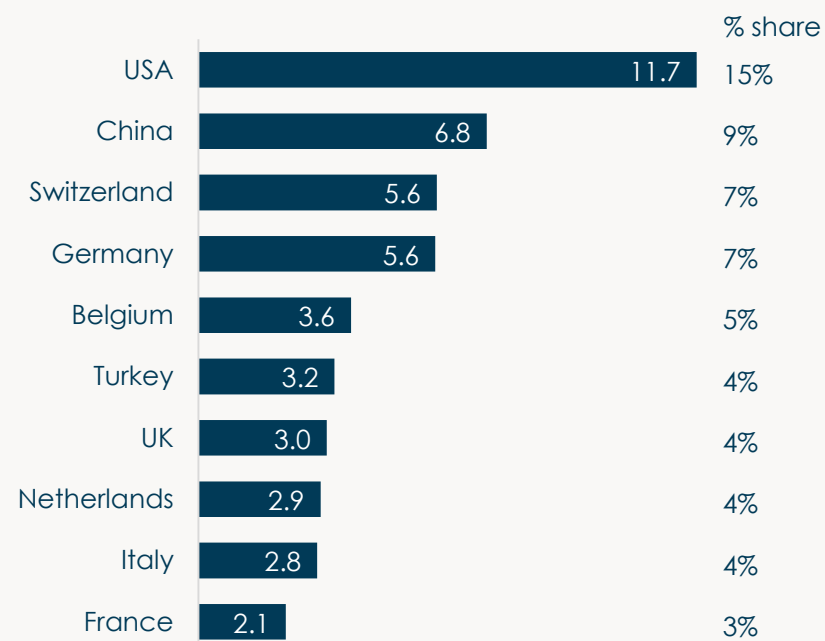
Israel's Major Partners in Product Exports, 2019

(USD billion and % share)



Israel's Major Partners in Product Imports, 2019

(USD billion and % share)

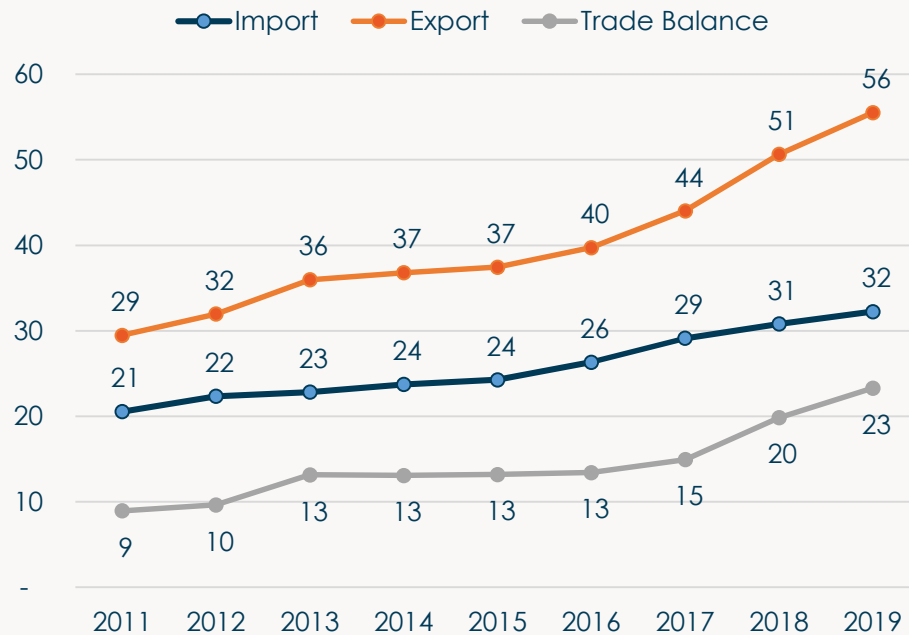


Source: Dubai Chamber Research based on CBS

ISRAEL ECONOMY AND BUSINESS

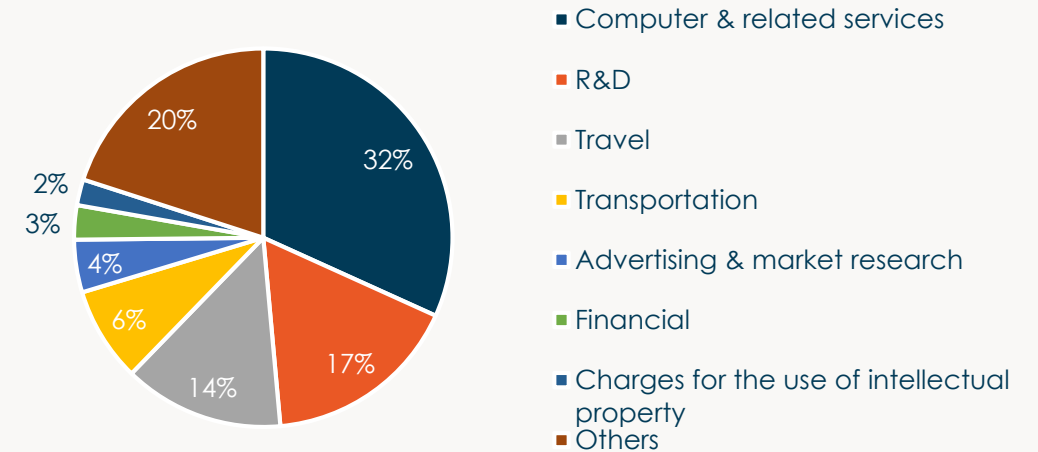
Trade in Services

Israel Trade of Services with the World (USD bn)



Israel Export of Services by Type, 2019

(% share in total services export)



Source: Dubai Chamber Research based on CBS

ISRAEL ECONOMY AND BUSINESS

Business Climate

Business Climate in Israel

World Bank
Ease of Doing Business
Ranking 2020



World Bank
Starting a Business
Ranking 2020



IMD
World Competitiveness
Ranking 2020



Global Competitiveness Index
Ranking 2019



Taxation in Israel

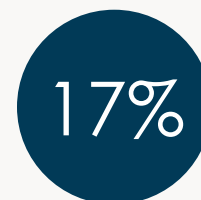
Corporate Tax



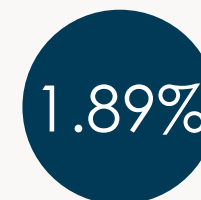
Income Tax



Value Added Tax



Simple Average Import Duty



Source: Dubai Chamber Research based on World Bank Doing Business, World Economic Forum, IMD World Competitiveness, WITS, PricewaterhouseCoopers

AGENDA

Section I: UAE vs. Israel Economy and Business

Section II: Trade Opportunities

Section III: Investment Opportunities

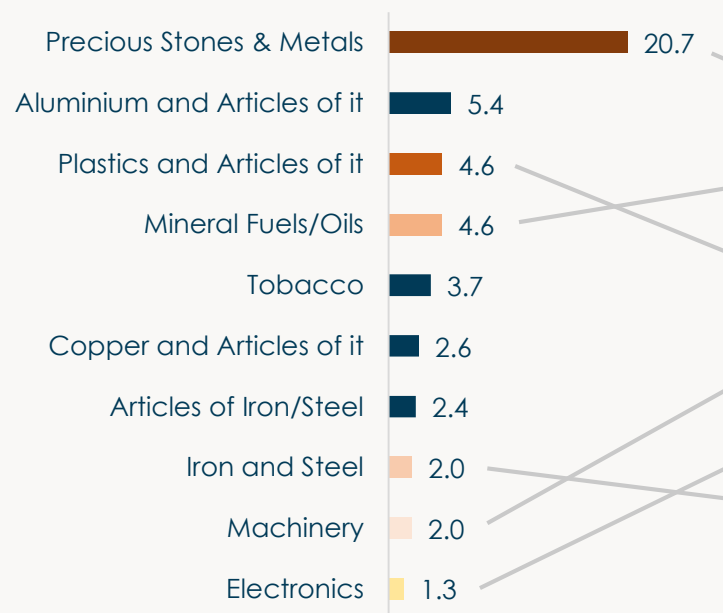
Section IV: Conclusions

TRADE OPPORTUNITIES

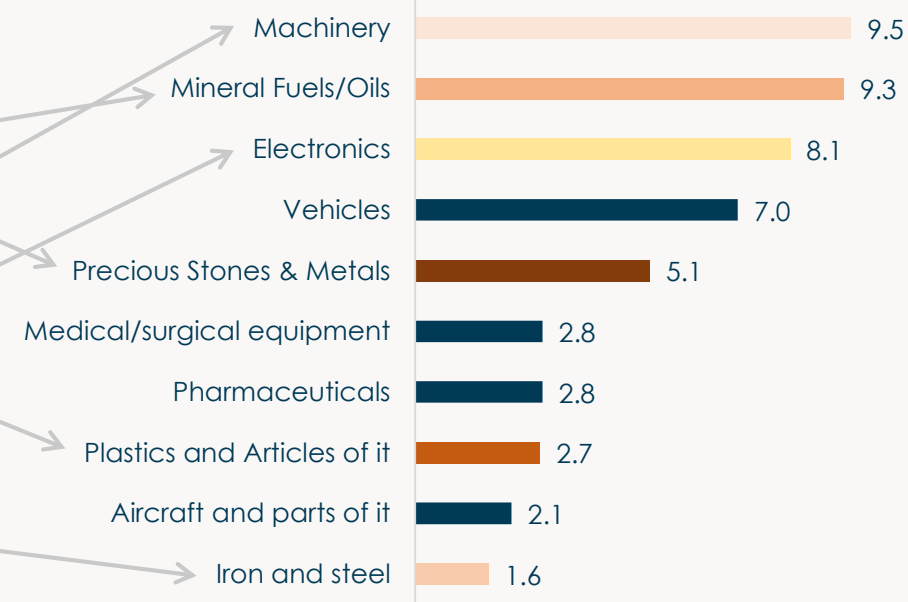
UAE Exports vs. Israel Imports

Trade analyses show that among the top 10 traded products UAE has potential to export at least 6 product groups to Israel.

UAE Top 10 Non-oil Export Product Groups (USD bn), 2019



Israel Top 10 Import Product Groups (USD bn), 2019

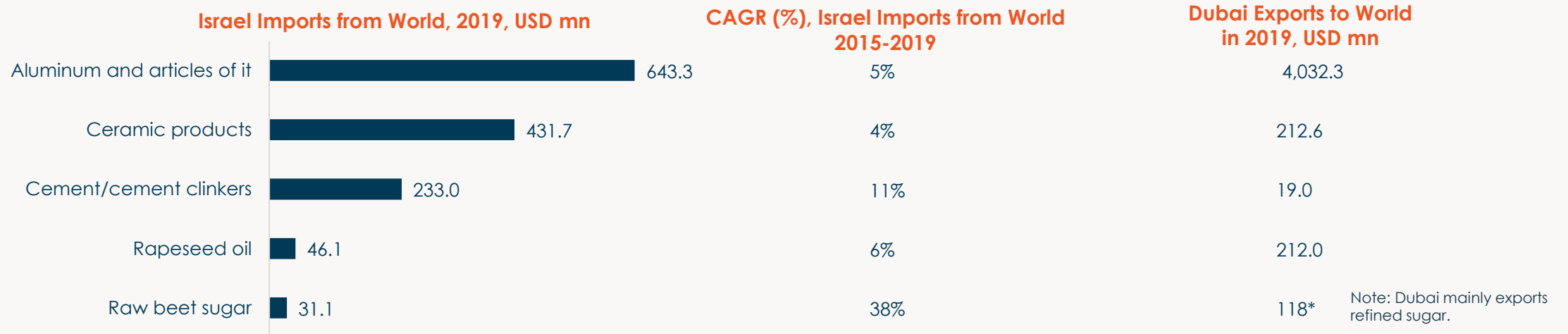


Source: Dubai Chamber Research based on FCSA and UNCTAD

TRADE OPPORTUNITIES

Dubai Export Opportunities to Israel

- Aluminum:** Dubai is one of the top 5 exporters of aluminum in the world, and Israel has a high and growing demand for this product. Israel mainly imports aluminum from USA, China and Russia, but it will be cheaper to import from UAE, due to low transportation costs.
- Ceramics:** In 2019, Israel was the 8th largest importer of glazed ceramic tiles from the world and UAE is one of the top ceramic products exporters in the world. There are large opportunities in the export of ceramic tiles, sinks and other ceramic products.
- Cement:** In 2019, Israel was the 5th largest importer of Portland cement in the world and between 2015 and 2019, imports had a double digit growth rate. UAE has significant exports of cement and in 2019 it was the largest exporter of limestone flux in the world that used in the manufacture of Portland cement.
- Rapeseed oil:** In 2019, UAE was the 2nd largest exporter of rapeseed oil (HS 151499) in the world, and Israel was one of the top 10 buyers of it globally.
- Raw beet sugar:** In 2019, Israel was the 2nd largest importer of raw beet sugar and imports from the world grew with CAGR of 38% from 2015 to 2019. UAE is mainly specialized in the export of refined sugar and can meet Israel's demand for sugar.



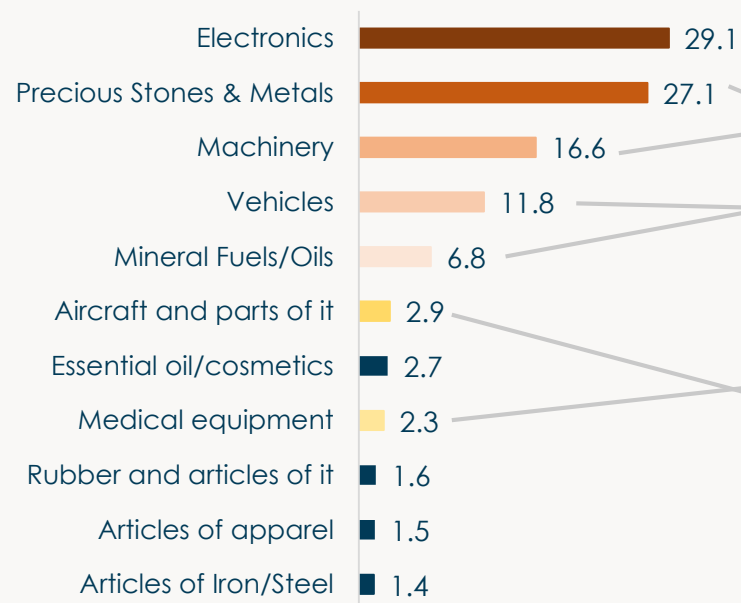
Source: Dubai Chamber Research based on Dubai Customs, UNCTAD and CBS

TRADE OPPORTUNITIES

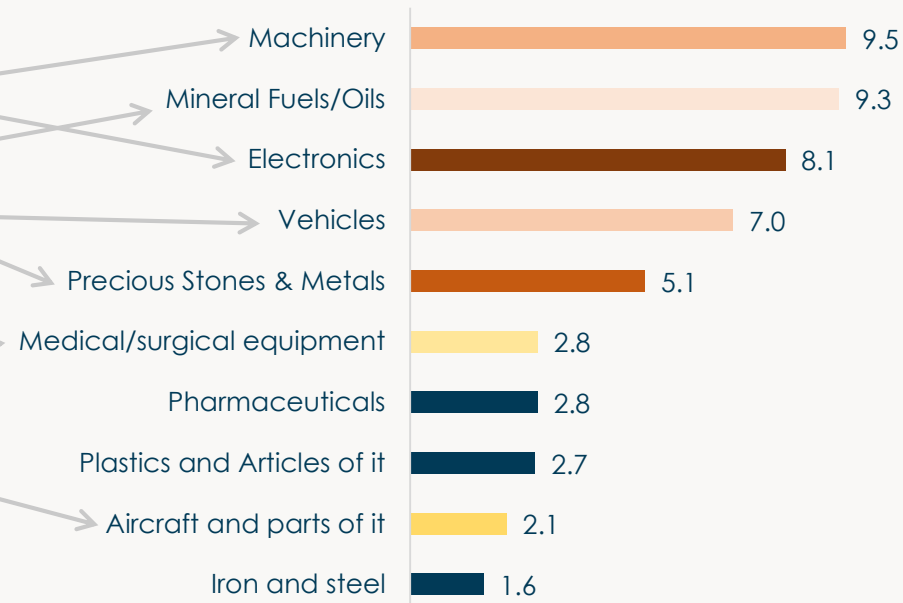
UAE Re-exports vs. Israel Imports

Trade analyses show that among top 10 traded products UAE has potential to re-export at least 7 product groups to Israel.

UAE Top 10 Non-oil Re-export Product Groups (USD bn), 2019



Israel Top 10 Import Product Groups (USD bn), 2019



Source: Dubai Chamber Research based on FCSA and UNCTAD

TRADE OPPORTUNITIES

Dubai Re-export Opportunities to Israel

- Sesame seeds:** In 2019, Israel was the world's 6th largest importer of sesame seed and demand for this product has grown over the past 5 years. In 2019, Dubai re-exported around 66% of imported sesame seed and re-export grew with a CAGR of 12% from 2015 to 2019.
- Potassium hydroxide:** In 2019, Israel was the world's 3rd largest importer of potassium hydroxide and demand for this product has grown over the past 5 years. In the same year, Dubai re-exported around 68% of its imported potassium hydroxide, re-export grew with CAGR of 7% between 2015 and 2019.
- Sport clothing:** Dubai has a high potential to re-export clothing items to Israel. In particular, Israel has a high and growing demand for sportswear and Dubai re-exports of sportswear grew with CAGR of 23% from 2015 to 2019.
- Watertube boilers:** In 2019, Israel was one of the top 10 buyers of watertube boilers worldwide. In the same year the share of Dubai re-exports in imports of this product was 45% and re-exports grew with CAGR of 31% between 2015-2019.
- Microwave tubes:** Many opportunities exist to re-export electronic products from Dubai to Israel. In 2019, Israel was the world's 7th largest importer of microwave tubes and import has been growing over the past 5 years. Besides, Dubai re-exports of this product grew with a CAGR of 65% from 2015 to 2019.

| | Israel Imports from World, 2019, USD mn | CAGR (%), Israel Imports from World 2015-2019 | Dubai Re-Exports to World in 2019, USD mn |
|-----------------------------|-----------------------------------------|-----------------------------------------------|-------------------------------------------|
| Sesame seeds | 119 | 4% | 21.0 |
| Potassium hydroxide | 39 | 6% | 1.5 |
| Sport clothing | 37 | 50% | 29.0 |
| Machinery-Watertube boilers | 19 | 364% | 0.8 |
| Electronics-Microwave tubes | 11 | 20% | 1.1 |

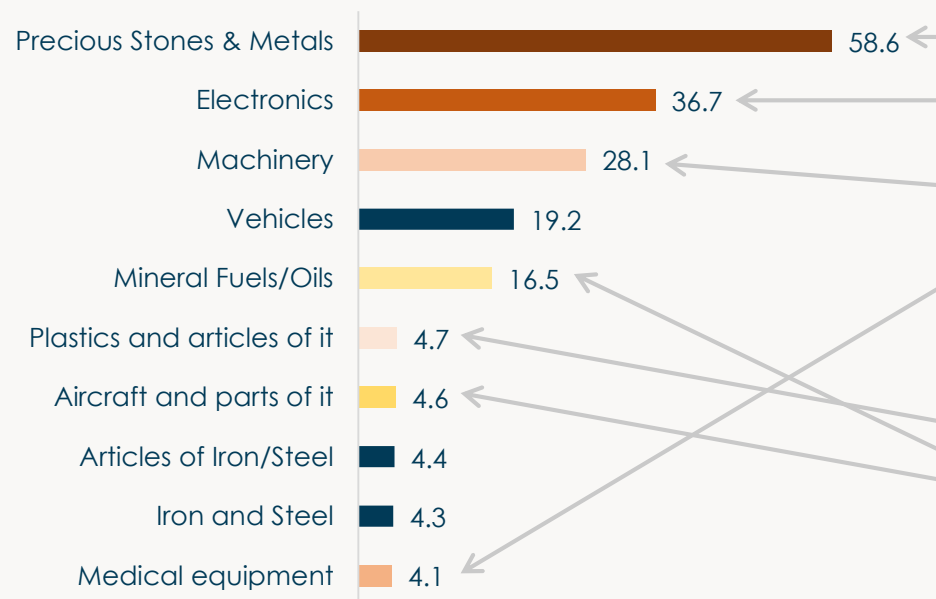
Source: Dubai Chamber Research based on Dubai Customs and UNCTAD

TRADE OPPORTUNITIES

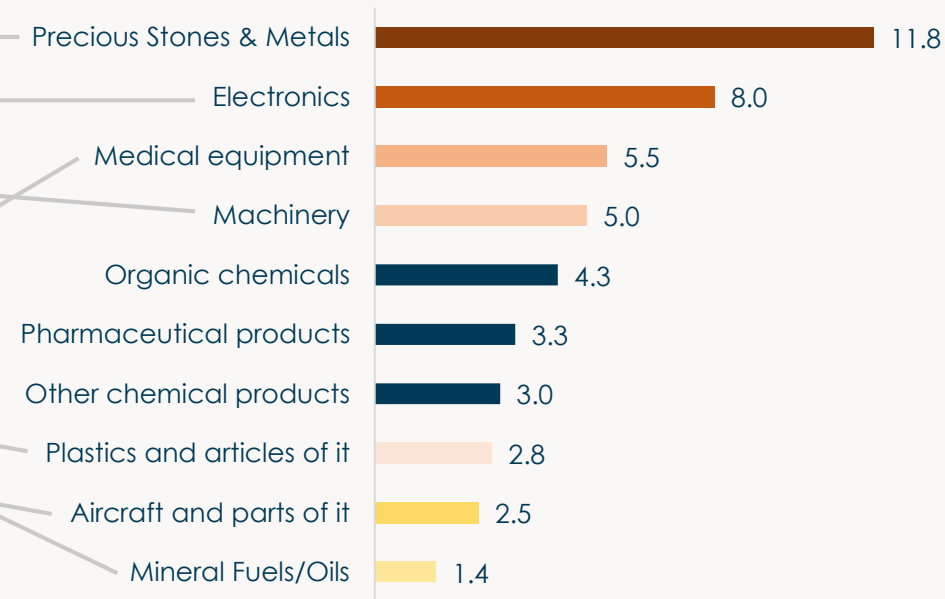
UAE Imports vs. Israel Exports

Trade analyses show that among the top 10 traded products Israel has potential to export at least 7 product groups to UAE.

UAE Top 10 Non-oil Import Product Groups (USD bn), 2019



Israel Top 10 Export Product Groups (USD bn), 2019



Source: Dubai Chamber Research based on FCSA and UNCTAD

TRADE OPPORTUNITIES

Dubai Import Opportunities from Israel

- Electrical machines and apparatus:** Dubai is a regional hub for electronic products and in 2019 it re-exported 96% of its imported electronics. Israel is specialized in the production of specific electronic products (e.g. apparatus to receive video signals) and Dubai can be a hub for these products.
- Optical instruments:** In 2019, Israel was one of the top largest exporters of optical instruments globally. Dubai has high domestic demand and high re-export potential of this product to the region. The Emirate can be a perfect hub for the distribution of Israeli optical instruments in the region.
- Computer tomography apparatus:** In 2019, Israel was the 5th largest exporter of computer tomography apparatus in the world. Dubai imports this product from far away countries (e.g. USA, Japan, China), but it can have significant reduction in the transportation costs by importing from Israel.
- Bromides:** This inorganic chemical is used in medicine production. Israel was the largest exporter of bromides in the world in 2019. Dubai can be a hub for the re-export of this product, since it re-exported almost 97% of imported bromides in 2019.
- Orange juice:** In 2019, Israel was one of the top largest exporter of unfermented orange juice globally. Dubai has significant domestic demand and re-exports of this product and Israel can be one of the important supplier of orange juice to Dubai.

| Product Category | Israel Imports from World, 2019, USD mn | Dubai Re-export share in Imports, 2019 | Israel Exports to World, 2019, USD mn |
|-----------------------------------|-----------------------------------------|----------------------------------------|---------------------------------------|
| Electrical machines and apparatus | 174.0 | 96% | 1,377 |
| Optical instruments/machines | 112.5 | 209% | 388 |
| Computer tomography apparatus | 18.8 | 109% | 211 |
| Bromides and bromide oxides | 7.0 | 97% | 92 |
| Orange juice, unfermented | 0.7 | 102% | 21 |

Source: Dubai Chamber Research based on Dubai Customs and UNCTAD

TRADE OPPORTUNITIES

UAE and Israel as a Trade Hub for Different Regions

UAE can be a trade hub for Israeli businesses to expand their exports to Asia and Africa. Moreover, Israel can be a gateway for UAE companies to expand their exports to Europe and North America.

UAE's Major Regional Total Export Partners, 2019, % share

| | |
|---------------------|-----|
| South and West Asia | 54% |
| Europe | 15% |
| Africa | 11% |
| North America | 4% |
| Other countries | 16% |

UAE/GCC Trade Agreements

UAE/GCC has signed FTAs with:

- GCC (4 countries)
- GAFTA (15 Arab countries)
- EFTA (4 countries)
- Singapore.

Israel's Major Regional Export Partners, 2019, % share

| | |
|-----------------|-----|
| Europe | 36% |
| USA | 27% |
| Asia | 23% |
| Other countries | 14% |

Israel Trade Agreements

Israel has signed FTAs with:

- Canada
- Colombia
- EFTA (4 countries)
- Egypt
- The EU
- Jordan
- Mercosur
- Mexico
- Panama
- Sri Lanka
- Turkey
- The USA
- Viet Nam

Source: Dubai Chamber Research based on FCSA, Trademap, Bilaterals.org and Trade.gov

AGENDA

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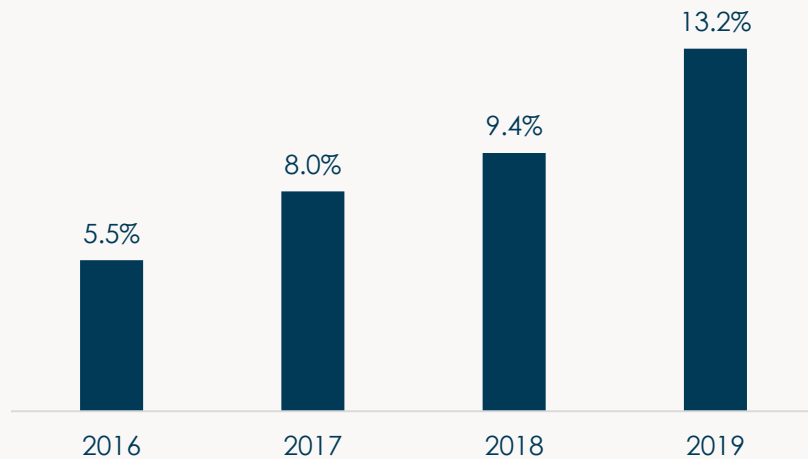
Section IV: Conclusions

INVESTMENT OPPORTUNITIES

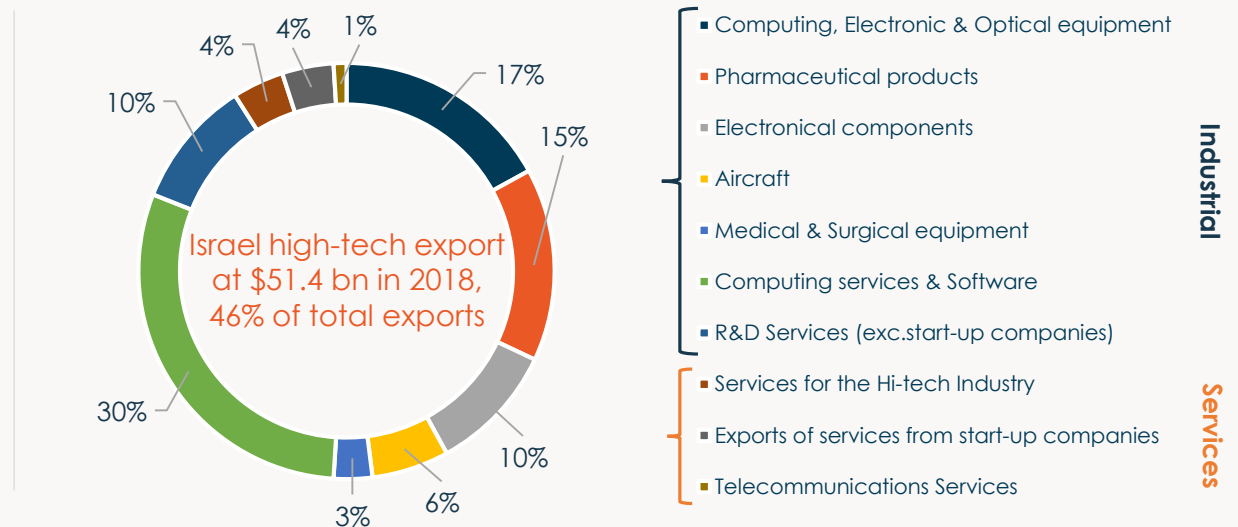
Hi-tech

UAE has a growing demand for high-tech products and offers large investment opportunities for the production of these products. In particular, Israeli companies can be successful in the development of medical equipment, pharmaceutical products and electronic components. Due to the Smart Initiative of the government and high interest in R&D, Israeli businesses may also open companies that provide IT and R&D services in UAE.

UAE Imports of Hi-tech Products, 2016-2019
(% of total trade)



Israel Hi-tech Products and Services Exports to the World, 2018
(% share)



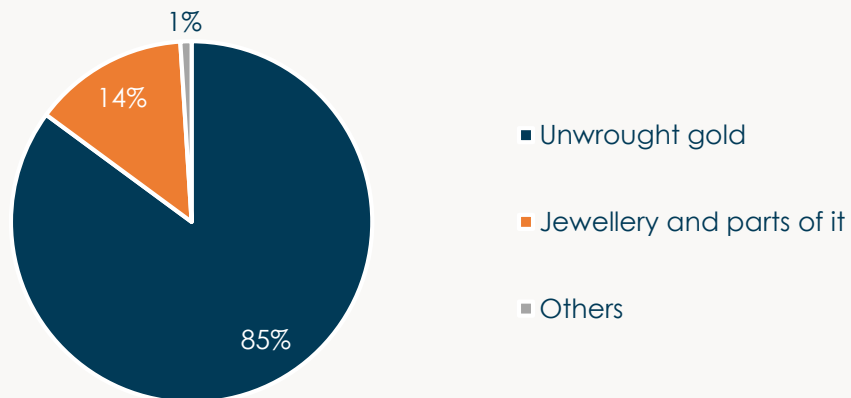
Source: Dubai Chamber Research based on Global Innovation Index and Israel Export Institute

INVESTMENT OPPORTUNITIES

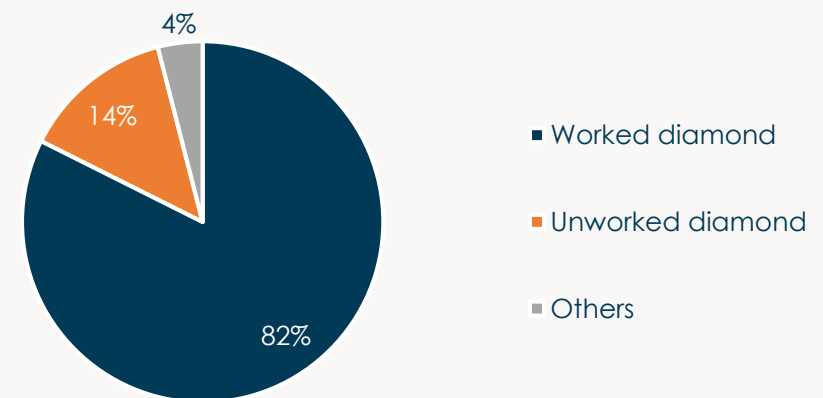
Jewelry Manufacturing

In 2019, Dubai and Israel exports of precious stones/metals and articles of it (HS71) to the world were \$16.7 bn and \$11.8 bn, respectively. The majority of Dubai exports include unwrought gold and jewelry, but in Israel export, it is mainly worked and unworked diamond. The analyses show that Dubai and Israeli businesses can perfectly match in producing jewelry products.

Distribution of Dubai Exports of Precious Stones/Metals and Articles of it to the World, 2019
(% share in total export of HS71)



Distribution of Israel Exports of Precious Stones/Metals and Articles of it to the World, 2019
(% share in total export of HS71)



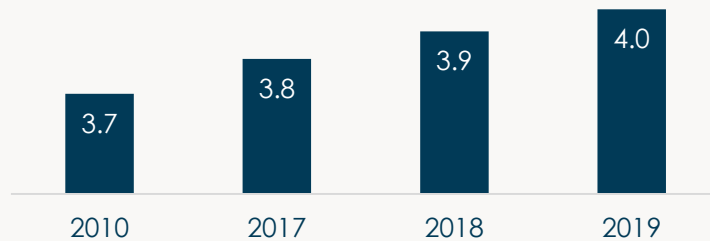
Source: Dubai Chamber Research based on Dubai Customs and UNCTAD

INVESTMENT OPPORTUNITIES

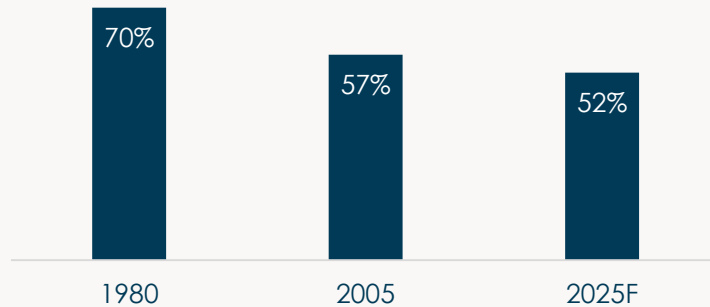
Agriculture

UAE may learn from Israel the efficient use of water in agriculture since it is a world leader in the management and technologies related to irrigation in arid environments. Moreover, Israel had significant growth in gross agricultural production over the last two decades and it can help to reduce UAE's food import dependency and achieve its high goal in Global Food Security Ranking.

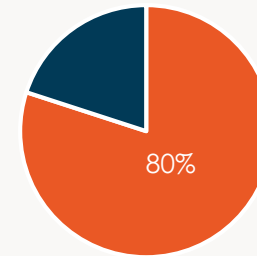
Israel Gross Agriculture Production
(USD bn, current prices)



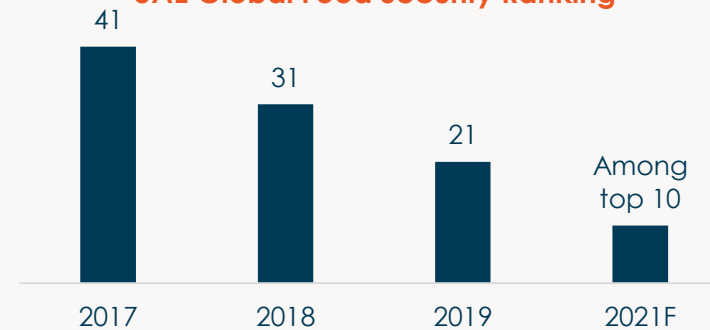
Share of Agriculture in Total Water Use in Israel



UAE Food Import Dependency
(import share in total food consumption)



UAE Global Food Security Ranking



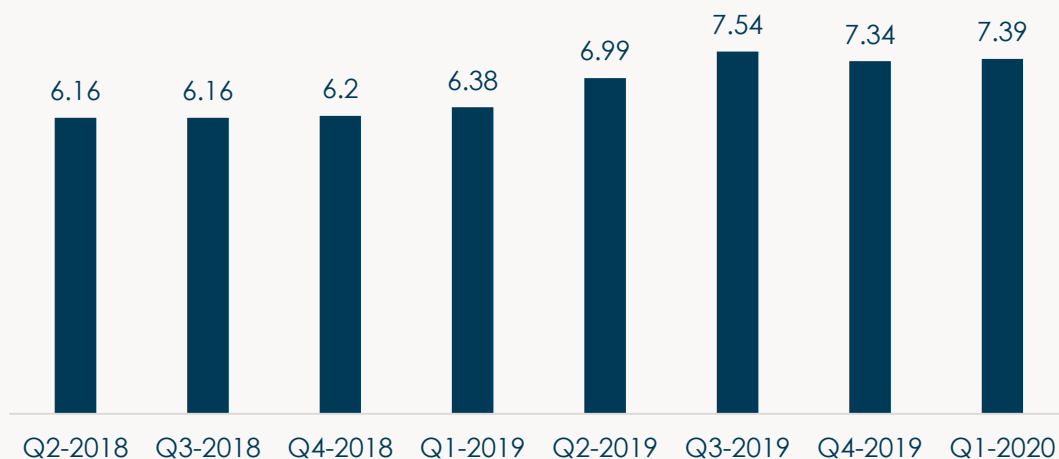
Source: Dubai Chamber Research based on USDA, OECD-FAO, Alpen Capital, EIU

INVESTMENT OPPORTUNITIES

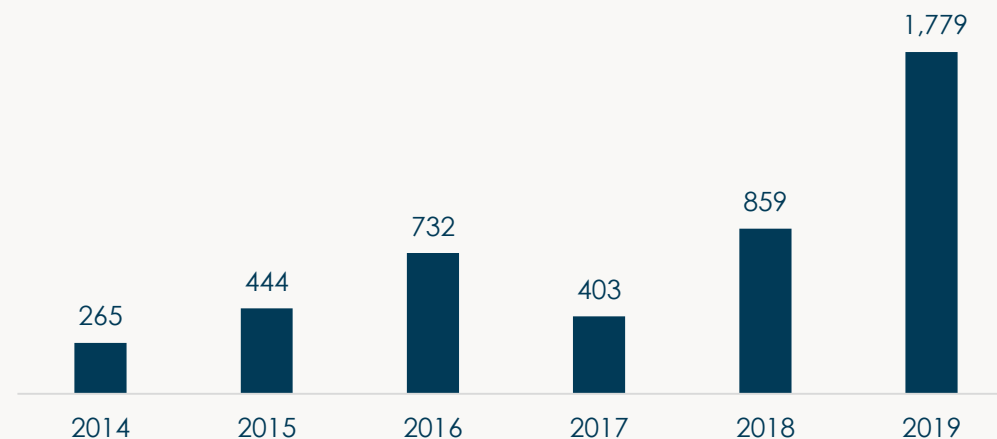
Financial

UAE has the largest banking sector in the MENA region and it includes conventional banks, Islamic banking, wealth funds, investment banks and other financial institutions. In Q1-2020, UAE's total bank revenue reached its highest level of USD 7.4 bn. Israel is famous globally by its Fintech companies and a lot of investments have been done over the past few years for the development of this sector. In 2019, equity investment in Israeli Fintech companies reached USD 1.8 bn, putting the country in fifth place in terms of global Fintech investments. In the long run, the UAE financial sector plans an increased adoption of new financial technology (fintech) and Israeli companies can play a significant role in the modernization of this sector in UAE.

UAE Total Bank Revenue, USD billion
(net interest income and other charges)



Equity Investment in Israeli FinTech Companies
(USD million)



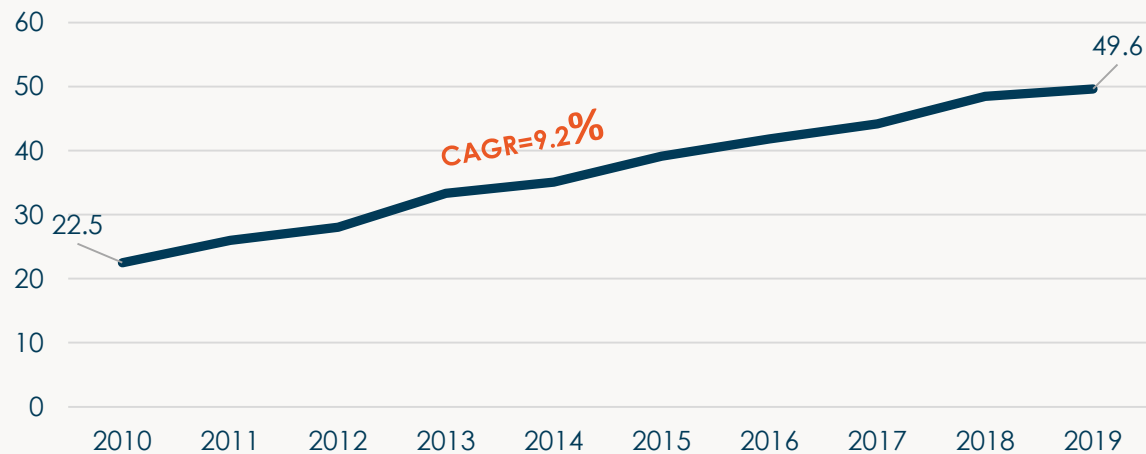
Source: Dubai Chamber Research based on UAE Central Bank, Pitchbook and Startup Nation Central

INVESTMENT OPPORTUNITIES

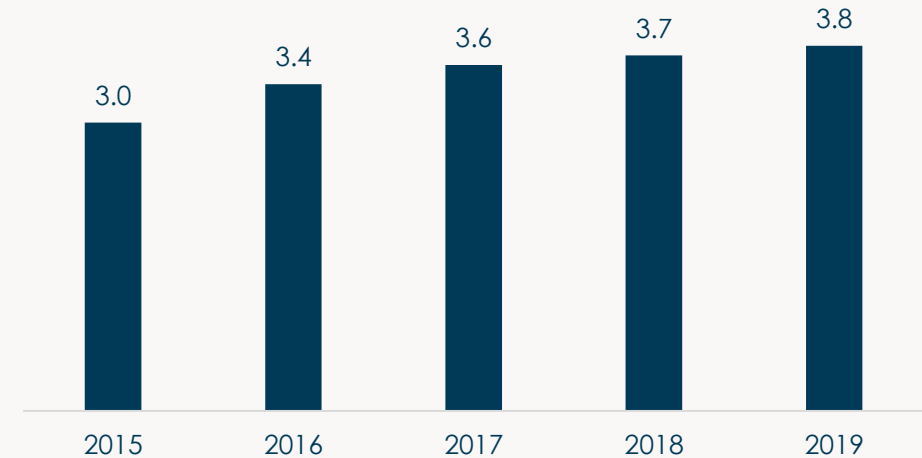
Tourism

UAE is the region's one of the largest tourism destinations and tourism spending in UAE has significantly grown over the past few years. Dubai is the most popular tourist destination in UAE, and in 2019 total number of tourist arrivals in Dubai reached 16.7 million. Moreover, investment in the tourism sector of Israel reached its highest value of USD 3.8 billion, and it is expected to grow over the next five years. Both UAE and Israeli tourism companies can play a significant role in the development of the tourism sector, by exchanging experience, applying visa-free travel and opening flights.

UAE Travel and Tourism Spending
(USD billion)



Investment in Tourism Sector of Israel
(USD billion)



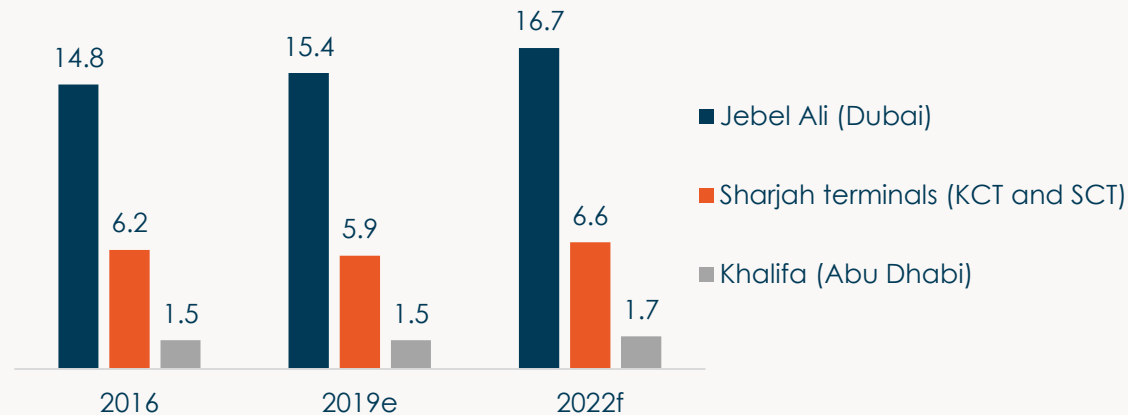
Source: Dubai Chamber Research based on WTTC

INVESTMENT OPPORTUNITIES

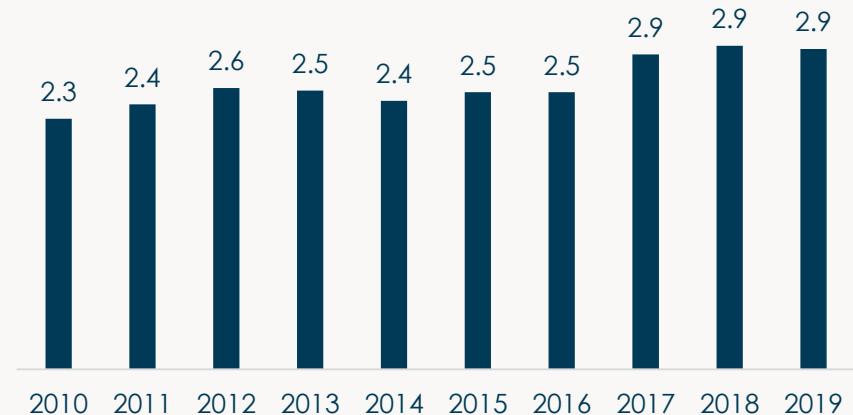
Logistics - Sea Freight

Logistics is one of the important sectors of the UAE's economy and the country has strong transportation and logistical infrastructure. In particular, UAE has well developed port infrastructure and its major shipping port Jabal Ali is one of the largest container ports in the world. Dubai based DP World company is the world's third largest port operator may help for the development of port infrastructure in Israel. Moreover, Zim Israel Navigation, one of the world's largest shipping companies, may expand its operations in UAE ports. Israel also has more than 80 FreightTech startups that can help for the improvement of port operations in UAE.

UAE Container Port Traffic in Major Ports
(container throughput, Million TEU)



Israel Container Port Traffic
(container throughput, Million TEU)



Source: Dubai Chamber Research based on Fitch Solutions and UNCTAD

AGENDA

Section I: UAE vs. Israel Economy and Business

Section II: Trade Opportunities

Section III: Investment Opportunities

Section IV: Conclusions

PROGRESS IN UAE-ISRAEL BUSINESS RELATIONSHIPS SINCE THE PEACE AGREEMENT

AUGUST 2020

- UAE abolished Israel Boycott Law

SEPTEMBER 2020

- Creation of joint virtual AI institute between the Mohamed bin Zayed University of Artificial Intelligence in Abu Dhabi and the Weizmann Institute of Science in Rehovot, Israel.
- DMCC's Dubai Diamond Exchange and Israel Diamond Exchange sign landmark agreement to boost regional Trade.
- Emirates Flight Catering and CCL Holdings signed an agreement to provide kosher food starting from January 2021.
- Israeli accountant company Elliott Group and a member of the International Alliot Global Alliance, announced that it is on track to enter into an agreement with the Alliot Representation in the UAE.
- Israel's Bank Leumi and Dubai's DP World agreed to partner in boosting trade between Israel and the rest of the Middle East.
- DP world will partner with an Israeli firm in a bid to take over the country's Haifa port.
- Dubai Chamber of Commerce and Tel Aviv Chamber of Commerce signed an agreement to improve bilateral cooperation.

Source: Media Reports

WHAT SHOULD THE UAE AND ISRAEL DO NEXT?

- Start import tariffs negotiations for strategic products (e.g. gold/diamond, aluminum, ceramics, medical equipment and pharmaceuticals).
- Speed up negotiations on non-tariff measures such as licenses and certificates.
- Begin negotiations for trade agreements and double taxation avoidance between the two countries.
- Create services that provide Halal and Kosher certificates for companies to boost the food trade.
- Support the opening of tourism agencies in both countries to boost the tourism sector.
- Organize business matching events and upkeep the promotion of strategic products in both countries.
- Businesses should follow up recently made agreements and solve problems quickly in order to speedup the economic relationships.
- Legal companies should cooperate and exchange legal experience.

CONCLUSIONS

- UAE (Dubai) ranked 16th in World Bank Ease of Doing Business 2020 and there is no taxation on personal income and capital gains. An excellent business environment of UAE may attract many Israeli companies and create new trade and investment opportunities between the two countries.
- There are large export opportunities from UAE to Israel in: precious stones and metals, aluminum, cement, ceramics and other products.
- UAE can be also successful in re-exports of machinery and electronics, vehicles, sesame seed and clothing to Israel.
- Dubai can be a trade hub for products from Israel in: medical equipment, diamond, chemicals and food items.
- Israeli companies may cooperate with Dubai businesses in many sectors, especially in hi-tech, jewelry manufacturing, agriculture, tourism, finance and logistics.
- Many other business opportunities also exist in defense, energy, construction and communication sectors between UAE and Israel.