

## ARAB SPRING BOOSTS INVESTMENT IN THE UAE

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Political and social turmoil often disrupt business operations. And when we're talking about revolutions like those seen throughout the Middle East this year, those disruptions — and the associated costs — significantly magnify. If you are doing business in the Middle East, you have probably already experienced the impact of the ongoing civil unrest in the region. The civil uprisings which swept across the Middle East and North Africa earlier this year, known as the "Arab Spring", have destabilized the region, creating enhanced political, legal and regulatory risk for businesses in the affected regions.

The massive disruptions to not just the businesses but also the social fabric of these societies are indeed extremely unfortunate and the ramifications will long be felt. There are nonetheless some silver linings in this overcast spring for some businesses. History is witness that such civil unrest has more often than not paved its way to growth in safe neighboring regions. Investors often seek ways to escape from their war-torn countries to nearby places that can provide security to them and their businesses. At the same time, such investors are also reluctant to relocate to faraway lands that are culturally different from their home countries. Most investors will search for a place that is relatively safe and are closer to their own country. The United Arab Emirates (UAE) is such a safe haven for investors who are looking out to relocate in the midst of the Arab Spring. They did so during previous conflicts in the Middle East and with the UAE breezing through the Arab Spring with no disruption or any perceived risk of having any, this young nation is once again going to reap the fruits of stability in a region fraught with turmoil.

### **Why Will Investors Invest in the UAE?**

Right now, there seems to be good reasons to invest in the UAE. Governments in many war-torn countries such as Libya, Egypt and Tunisia have revoked licenses, blocked networks, and seized assets, causing massive disruptions to businesses and thereby hindering the overall economic growth in the region. On the other hand, the UAE economy is growing rapidly and has continued to inspire confidence and attract foreign direct investments while many other Middle Eastern economies have stalled during the Arab Spring and the global recession. This standout growth is testament to UAE's

extensive efforts in the past several years to enhance its infrastructure and set a sound business environment, and that has reflected positively by inspiring confidence and consequently attracting businesses and investments. For example, the Dubai International Financial Centre, a financial free zone within Dubai, has established a robust legal and regulatory structure capable of providing transparency and predictability required by foreign investors to protect their investments. Asset protection has been the major motivation of companies' relocation to the UAE and the stability offered by structures such as those set up at the DIFC go a long way in providing exactly that.

The increased interest of investors in establishing a presence in the UAE also reaffirms the country's status as the regional trading hub and strategic gateway to the rest of the Middle East. As economic uncertainty grips not only Middle East countries, but Europe and the U.S. too, foreign businesses are seeing the UAE as central to their business diversification and expansion strategies to tap opportunities in the neighboring markets.

Foreign businesses are welcomed in the UAE and various incentives are available to attract foreign capital, including tax and customs duty exemptions. Foreign businesses can also transfer their investments and profits can be repatriated as can proceeds of sale and capital on liquidation. That is why the UAE is viewed by investors as a relatively safe bet for businesses operating in the Gulf. We often get inquiries from companies that are looking to relocate their central hub to the UAE.

### **How Can We Help You?**

As a law firm, Diaz, Reus & Targ LLP has significant experience in advising companies on all aspects of company formation, regulatory and risk management matters. We have assisted many clients from politically unstable regions to relocate their core business functions or headquarters to safer havens. We also have significant experience in dealing with business disputes, force majeure issues and related insurance, and employment issues that may flow from political unrest. We are ideally placed to guide your business through challenging times. For further information, please contact us at [asangar@diazreus.com](mailto:asangar@diazreus.com).