

Insights

ABRAHAM ACCORDS: THREE YEARS ON

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SUMMARY

The Abraham Accords Peace Agreement of 13 August 2020 (the **Abraham Accords**) heralded the normalization of diplomatic and business relations between Israel and the United Arab Emirates (the **UAE**). This historic regional shift in diplomatic relations ushered in a wave of business opportunities and strategic alliances, which have transformed the economic relationship between the UAE and Israel.

IMPACT OF THE ABRAHAM ACCORDS

The speed at which both nations have been able to actualise and capitalise on the emerging opportunities arising from the recent diplomatic shift has been remarkable. In 2020, the UAE recorded approximately US\$ 120 million in exports to Israel, with Israel documenting approximately US\$ 58.5 million in exports to the UAE. Notably, from September 2020 to March 2022 bilateral trade volumes (excluding oil) reportedly exceeded US\$ 2.5 billion.

Building on the Abrahams Accords, in March of this year, Israel and the UAE signed a customs agreement in Jerusalem, which brought into effect Israel's largest trade deal with an Arab state – the UAE-Israel Comprehensive Economic Partnership Agreement (**CEPA**). CEPA is expected to facilitate enhanced bilateral trade and access to cross-border services, and is projected to propel bilateral trade volumes in excess of US\$ 10 billion by 2030. Economic benefits under CEPA include the reduction or elimination of tariffs across approximately 96% of tariff lines. The benefits will be far reaching, with positive impacts anticipated across several key sectors including, amongst others agri-tech, pharmaceuticals, finance, energy, security, advanced technology and tourism – earmarked by both the UAE and Israel as growth sectors.

Significantly, CEPA came into effect amidst growing concern around regional political tensions – however the general shared sentiment echoed by the UAE Minister of State for Foreign Trade, HE Dr. Thani Al Zeyoudi and Minister of Economy and Industry for the State of Israel, Major General (Retd)

Orna Barbivai – is that there is a steadfast commitment to the growing strategic alliance between both nations.

FOREIGN INVESTMENT IN THE UAE

CEPA is in alignment with the UAE's wider strategic plan to diversify its economy, minimise dependency on hydrocarbons and attract foreign investment. Diversification efforts have included bolstering the tourism sector, positioning the UAE as a regional and global hub for finance and technology, introducing social reforms and significantly, implementing a legislative overhaul of the legal framework regulating the conduct of business in the UAE.

Key legislative reforms include an amendment to the UAE's foreign direct investment (**FDI**) regime, which historically restricted foreign direct ownership of 'onshore' vehicles to 49%, only permitting 100% foreign direct ownership in 'free-zones' (designated quasi-jurisdictions within the UAE). Following the legislative changes, foreign investors may now own up to 100% in both freezone and onshore vehicles (although limitations may still apply to the ownership of onshore vehicles if the activities conducted are determined to have a 'strategic impact' on the UAE economy), with aligned changes being made to the local licensing regimes applicable in the UAE. Also worth mentioning is the significant reform to the UAE's commercial agencies regime. Foreign parties are now permitted to distribute products in the UAE without the need for a local agent or distributor. The new commercial agency law also notably scales back on legislative interference in commercial relationships between local agents and foreign principals, and significantly relaxes local agent protections.

The impact of the UAE's push for foreign investment is evident - in 2022, Dubai attracted more FDI projects than other key commercial hubs such as London, Paris and Singapore.

WHY INVEST IN THE UAE?

According to the Dubai International Chamber, as at April 2023 there are already approximately 1000 Israeli companies operating in the UAE.

While the diversification of the UAE economy has driven the shift from its oil-based reliance, the resulting economic infrastructure has enabled the UAE to cultivate a supportive ecosystem for global businesses looking to enter the MEA region (as well as other emerging economies). The financial free zones of the Dubai International Financial Centre, in Dubai and the Abu Dhabi Global Market, in Abu Dhabi, have been particularly instrumental. These financial free zones exist as semi-autonomous common law jurisdictions with their own distinct financial regulatory authorities and court systems. Providing foreign investors with a robust infrastructure, legislative certainty and transparency and a tax-friendly regime, the financial free zones continue to grow in popularity and compete on the global stage alongside other long established financial hubs.

The Abraham Accords has therefore not only created direct cross-border business opportunities between Israel and the UAE but also provides Israel with the unique opportunity to leverage the UAE as a gateway to gain access to other key regional markets such as Saudi Arabia, the region's largest economy.

Since the Abraham Accords, BCLP has assisted a number of our Israeli/Israel-related clients on matters relating to UAE market entry across a range of industries and sectors including, Defense, Technology, Agriculture and Manufacturing.

RELATED PRACTICE AREAS

- Corporate
- Commercial Contracts
- International Trade

MEET THE TEAM



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