



Webinar

PROCUREMENT AND TECHNOLOGICAL REQUIREMENT OF AUTO PARTS & COMPONENTS IN UAE

25th May 2023



SPEAKER INTRODUCTION



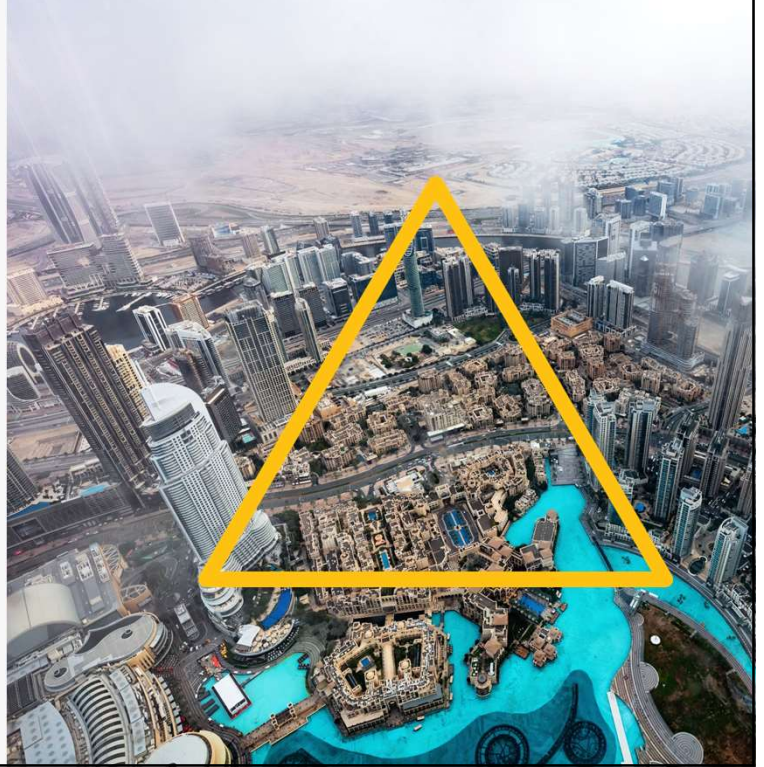
ISABELLA SUN
GENERAL MANAGER –
CHINA ENTERPRISE GROUP

Isabella Sun has over eight years of experience in China - GCC investment, M&A, GCC taxation and regulations, pre-service advisory, project financing, marketing and strategy advisory. As a marketing expert, she has advised Chinese companies on investing in and developing foreign markets.

Isabella was instrumental in exploring, creating, and developing MBG's China Enterprise Group which she leads. After setting this up for and from the UAE, she expanded the China team into India. Following this, she relocated to her current base of Beijing to set up MBG's China branch. As of date, MBG serves more than a hundred large Chinese groups in the Middle East.

Isabella has advised many Chinese companies with inbound investment in the GCC, especially the UAE. This includes direct, JV and M&A investments. Her team supports companies with project docking, market feasibility, financing, due diligence, cross-border tax planning, DTAA, legal advisory, and entity set up.

UAE'S EVOLVING INVESTMENT & ECONOMIC LANDSCAPE



UAE MACROECONOMIC SNAPSHOT

10.1 M

2nd largest population in GCC
Total GCC = 60.4m

With FDI of

AED 550.95 B

UAE plans to be a global business hub
by year 2030

Less than

50%

dependence on oil and gas

FDI Inflow

AED 76.3 B

in 2021

Forex reserve at

AED 379.05 B

in 2021

2nd largest economy in
GCC GDP (2021)

AED 1,479.85 B

UAE TRADE OVERVIEW

Non-Oil Exports to GCC countries in 2021 at
AED 71.9 B
compared to AED 48.8 B in 2020

27% growth in total non-oil foreign trade in 2021

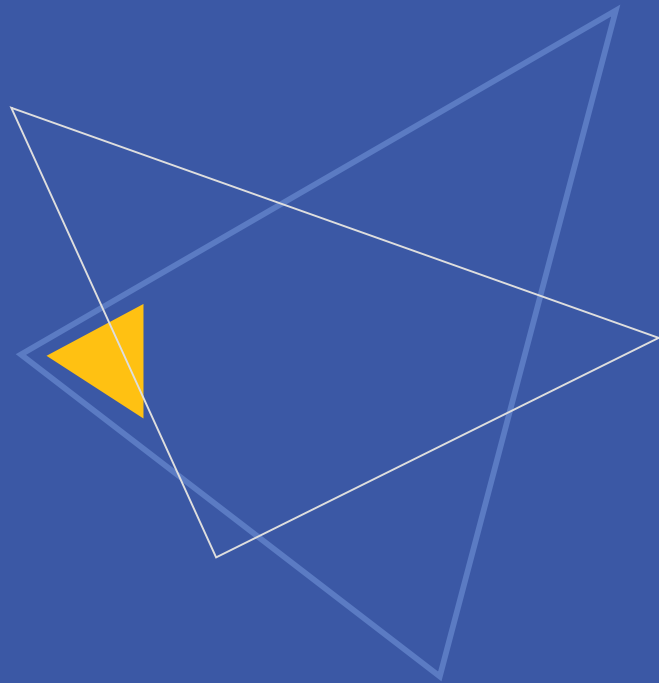
Value of re-exports in 2021 amounted to
AED 119.1 B
versus AED 103.8 B in 2020

26% increase in trade between UAE and other GCC countries in 2021

Non-Oil Exports 2021
AED 354 B
growth of 33% as compared to 2020

Imports from GCC Countries increased to
AED 56.3 B
in 2021 compared to AED 43.8 B in 2020

UAE FDI





01

UAE FDI STRATEGY

02

FDI COUNTRY COMPARISON

03

BENEFITS FOR FOREIGN INVESTORS IN UAE

UAE FDI STRATEGY

Sectors that are particularly attractive for FDI in the UAE include real estate, tourism, and the oil and gas industry. Additionally, the UAE has a growing technology sector and is investing in areas such as renewable energy, smart cities, and artificial intelligence.

The strategy has 4 objectives

Supporting the growth of national industries and enhancing their competitiveness

Stimulating innovation and adoption of advanced technology in the industrial sector

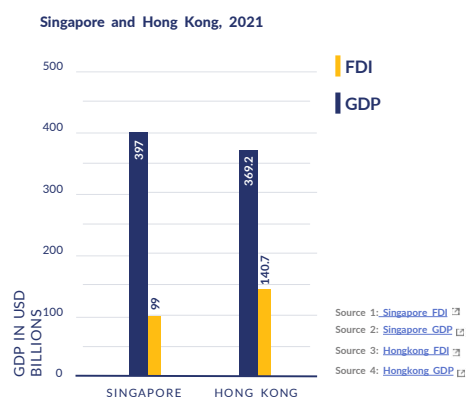
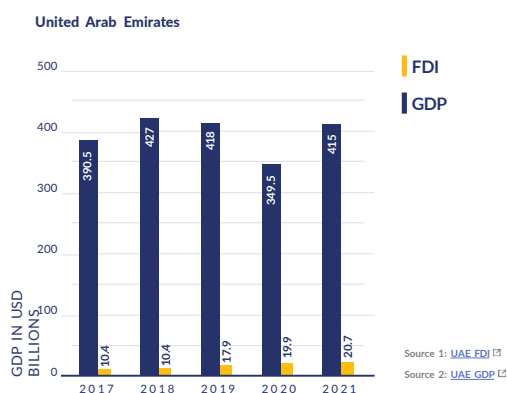
Creating a sustainable and attractive business environment for local and international investors

Implementing solutions to highlight the nation's USP as a leading global destination for industries of the future

FDI COUNTRY COMPARISON

UAE seeks to attract USD 150 B FDI in 10 years

UAE has a huge scope for growth in attracting foreign direct investments in comparison to similarly placed economies such as Singapore and Hong Kong



BENEFITS FOR FOREIGN INVESTORS IN UAE

100% company ownership for foreigners

The UAE has changed its laws to allow investors of all nationalities to establish and fully own companies within the country. This change was made possible by the Commercial Companies Law, which was enacted in 2020. As a result of this law, foreign companies are no longer required to have a UAE national agent when opening a branch and conducting business in the UAE

Opportunity to invest in over 2,000 business activities

The UAE offers a wide range of investment opportunities for foreign investors across various sectors including trade, industry, agriculture, services, education, health and construction, among others. With over 2,000 licensed economic activities, there are many options for investors to choose from, and only a small number of areas are restricted by local laws

Availability of different legal ownerships

The recent implementation of Federal Law No. (26) of 2020 on Commercial Companies has opened up new opportunities for foreign investors to legally own different types of companies such as public shareholding companies, private shareholding companies, limited liability companies, limited partnerships and partnership companies

Golden Visa for investors

The UAE government offers long-term residence visas, ranging from 5 to 10 years, to investors, entrepreneurs, and highly skilled individuals. This enables expatriates and their family members to reside, establish their businesses, work, or study in the UAE, and to enjoy the benefits of prolonged residency in the country

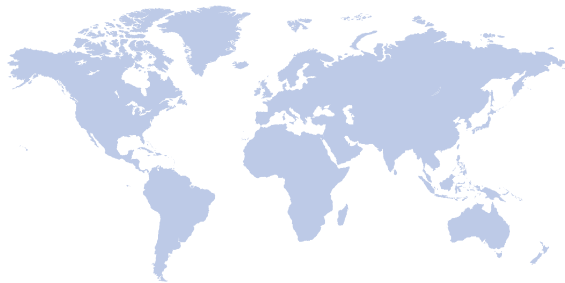
No personal income tax and one of the lowest corporate tax regimes globally

There is currently no personal income tax in the UAE. That means that there are no individual tax registration or reporting obligations. From 1st of June 2023, UAE CT Law will be in effect. Under the law, natural persons who conduct a business or business activity in the UAE as specified in a cabinet decision, will be subject to UAE CT at 9% on income from such business or business activities exceeding the threshold provided in the Cabinet decision. This is still one of the lowest corporate tax rates globally.

No minimum capital requirement

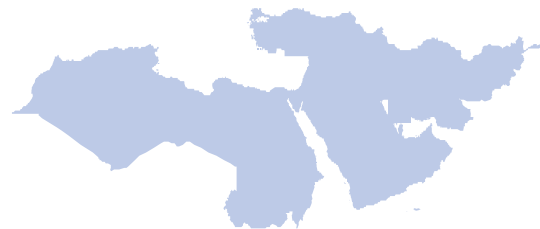
The UAE law mandates investors to mention the capital value in the articles of incorporation and company statutes, but does not set a minimum amount for limited liability companies. This makes it easier for investors to incorporate companies and establish new businesses, and provides them with greater flexibility in planning their projects

PROPOSITION



Globally proven

Sourcing of Technologies,
Products & Services



MENA fulfilment

- ▶ Trading & Distributorship
- ▶ Manufacturing:
 - Greenfield & Brownfield Projects

10

BACKGROUND



In established markets like China, Germany & Japan:

- ▶ Aging population
- ▶ Matured local markets

AND:

- ▶ Highly sophisticated technology
- ▶ Capital

In Middle East:

- ▶ Young population
- ▶ Insufficient Infrastructure
- ▶ Research rich

AND:

- ▶ Require technologies and capital



Opportunities in the UAE:

- ▶ Liberalized FDI norms in UAE
- ▶ Modernization of Manufacturing
- ▶ Promote industrial set ups
- ▶ Back & Foreword integration in Oil & Gas Sector
- ▶ Create Downstream industry

Most of the companies will still need local partner for relationship
management and access to market in order to scale up business

11

PHASE-WISE APPROACH FOR ENTERING UAE MARKET

Stage 1:

- ▶ Setting up distributorship for foreign companies in the UAE
- ▶ Introduce them to strong, reliable local partner
- ▶ Facilitate logistics, relationship management and provide right solution as per local market requirements

Stage 2:

- ▶ SECURE local UAE market
- ▶ Invest into the companies and facilitate working capital for growth

Stage 3:

- ▶ Acquisition of companies
- ▶ Promote industrial setups, make in the emirate and in-country value

Our proposition

- ▶ Setting up a Joint Venture company
- ▶ Establishment of professional team with strong trading experience



Map your stakeholders!



Assess, navigate and manage regulatory risk



Pre-Product Launch and support in pre-qualification documentation



Engagement with relevant government departments to avail grants and benefits



Identify potential distributor



Conduct a Feasibility Study



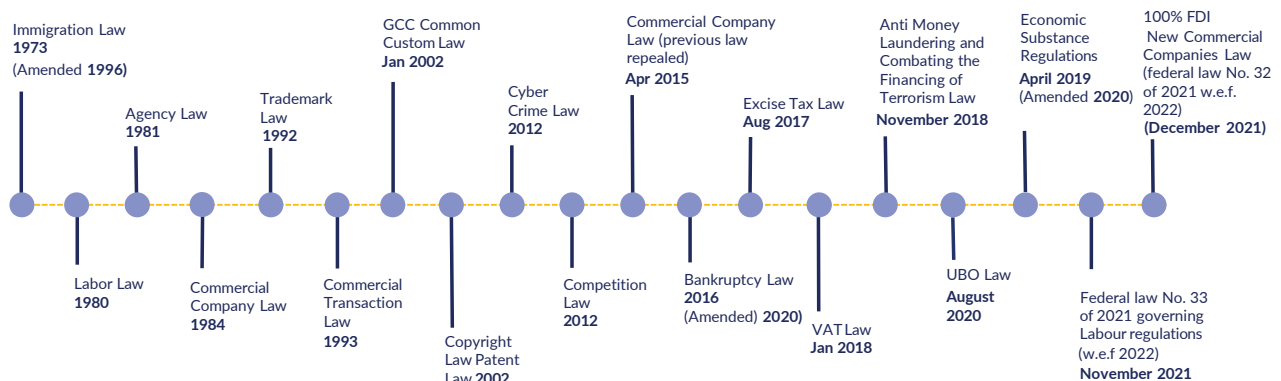
Market Entry & Structuring



360 Corporate Structuring

12

UAE COMPLIANCE ROADMAP



13

SPEAKER INTRODUCTION



ABHIJEET SHARMA
PARTNER –
RISK ADVISORY

Abhijeet Sharma has more than 15 years of experience involving Internal Audits, Compliance Reviews, Assurance Reviews, Forensic Due Diligence, Corporate Intelligence framework, Investigations & Forensic Audits.

Abhijeet has led and handled diversified forensic assignments across geographies including fraud risk assessments, dispute advisory and anti bribery & corruption evaluation.

Abhijeet has managed risk based internal audits, developing internal control framework, assurance reviews, business process reviews, organization risk profiling, control mapping, measuring risk exposures, development of standard operating procedures and developing risk control framework.

Abhijeet has a detailed understanding of various Business Processes, Risk Universe and Control Gaps & worked in Risk & Compliance Line of Business.



PROCUREMENT AND TECHNOLOGICAL REQUIREMENT OF AUTO PARTS AND COMPONENTS FOR UAE



UAE GOVT. CONTRIBUTING TO ECONOMY AND GDP OF AUTOMOTIVE MARKET

Numerous **Job opportunities**

Absence of **Sales tax and low Import duties**

Focused on **collaborating with International comparisons**

Implementing **Green Charger Network**

Implementing **Stringent Safety Standards**

Adoption of **electric vehicles**

Embraced **Smart Mobility Solutions**

Promoting **local Production and reducing dependency on imports**

Global Hub for **Luxury Car Sales**

UAE TRADE OVERVIEW IN AUTOMOTIVE MARKET

Annual Growth of **7%**

Report projects **Revenue U\$ 40 billion** for auto spare parts sector by 2024

Value of automotive middle east will reach **U\$ 18.5m by 2023**, UAE contribute heavily to this growth

Light vehicle sales increasing from around **95 million to over 106 million** between 2019 and 2025

UAE automotive industry set to witness a strong surge in sale by **2030**

UAE used Car Market valued at **U\$ 20.03 billion** in 2021 and is expected to reach USD 32.07 billion by 2027

UAE KEY GROWTH DRIVERS IN AUTOMOTIVE INDUSTRY

"The UAE is also becoming a hub and re-export centre for vehicle parts and components in the Gulf region. Abu Dhabi's government initiative to develop an 'Auto City' in the Mussafah area, southwest of Abu Dhabi, will potentially create a cluster of advanced workshops and service centres, attracting investment in automotive manufacturing and spare part logistics"

"How to set up auto spare parts business in Dubai" is one of the most searched topics on the internet when it comes to setting up a company in Dubai.

Dubai already has a **driverless, smart metro** and aims to build a transport system for the future that works on these lines

UAE even offers **Zero surcharge** on the trade of auto-accessories

Another boost for **Youth population** where they seek to make their vehicle look more distinctive and perform better

The UAE government is also promoting localized production of spare parts by **Original Equipment Manufacturers (OEM)**. This will further curb the prices and boost the sales of auto spare parts in the country.

With the rise of electric vehicles, there is a growing demand for **EV components, such as batteries, motors, and charging infrastructure.**

IN UAE, KEY JURISDICTION TO START BUSINESS

According to research by Emirates NBD, the UAE is one of the largest automotive markets in the Gulf, second only to Saudi Arabia. The UAE relies heavily on imports, with nearly all cars being imported from manufacturing facilities abroad.

Aside from a small number of factories that assemble components for trucks and buses, as well as factories that produce armored vehicles, and boutique high-performance sports cars, there is no significant large-scale, commercial automotive manufacturing activity taking place within the UAE.

The UAE's strong economic growth, household spending and relatively easy access to vehicle financing are likely to be the primary drivers for the automotive industry over the coming years.

"Investment in Commercial Zone and Free Zone"

There are **specialized commercial zones** in Dubai that are hugely invested in the trade of auto parts. The infrastructure, tax systems, favorable environment, labor force, and affluent consumers make it one of the best places to invest.

Jebel Ali Free Zone has emerged as the UAE's principal entry point for the used car sector and handles 78% of the used car imports and 31.8 billion dirhams of the auto spare parts industry year-wise.

This type of business allows you to have **100% ownership** of your business in the respective Free Zone

REGULATORY COMPLIANCE REQUIREMENT FOR PROCUREMENT OF AUTO PARTS IN UAE

How the new system works:

- ✓ It will control entry and sale of counterfeit spare parts
- ✓ All new auto spare parts to have **ESMA quality mark**
- ✓ Will create a database of original products entering the market
- ✓ Specifies standards for safety, performance and quality of spare parts
- ✓ Monitors manufacturing, packaging, transportation, storage and usage
- ✓ To control quality of service at auto workshops

Law to regulate auto spare parts in UAE (w.e.f. from October 2018)

"Auto parts and components procured in the U.A.E. must comply with local and international regulations, such as safety standards and emissions requirements"

"UAE Vehicle Control System will ensure that no parts without Emirates Authority for Standardization and Metrology (ESMA) quality mark will enter market"

SETTING UP BUSINESS



STEPS NEED TO FOLLOW WHILE HAVING BUSINESS IN UAE

- | | |
|--------------------------------|-------------------------------------|
| • Decide the business activity | • Obtain a pre-approval certificate |
| • Register a trading name | • Acquire a legal trade license |
| • Ideal business location(s) | • Receive Visas |

COMPLIANCE FOR PROCUREMENT OF AUTO PARTS IN UAE

Regulatory Compliance

This includes safety standards, environmental regulations, labeling requirements, and any specific certifications or approvals needed for the products. Stay updated with any changes or updates to the regulations to ensure ongoing compliance.

Intellectual Property Rights

Ensure that the suppliers are authorized to manufacture or distribute the products and that they respect patents, trademarks, copyrights, and other intellectual property rights. Request documentation or declarations from suppliers to validate their compliance with intellectual property rights.

Anti-Corruption and Bribery

Maintain transparency and integrity throughout the procurement process. Implement due diligence measures to assess the reputation and ethical practices of suppliers.

Establish policies and procedures to prevent bribery and corruption, including clear guidelines for gifts, entertainment, and conflicts of interest.

Quality Standard

Look for suppliers who have obtained relevant certifications and can demonstrate a commitment to quality assurance processes. Regularly assess and monitor supplier compliance with quality standards to maintain consistent product quality.

Ethical Sourcing

Consider suppliers who adhere to ethical standards, social responsibility, and sustainable sourcing practices.

Avoid engaging with suppliers involved in unethical practices such as forced labor, child labor, or environmental exploitation.

Documentation and Record-Keeping

This includes purchase orders, contracts, invoices, shipping documents, certificates of origin, and any relevant compliance certificates or declarations.

Proper record-keeping demonstrates compliance and facilitates audits or inspections by authorities if required.

Thank you

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