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The Latin American Region and the UAE Nexus
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Introduction

The United Arab Emirates (UAE) strives to promote and enhance its relations with the Latin America region "LAC," and therefore took the initiative to progress these relations. The UAE is progressively considered an international entryway that offers access to markets throughout the GCC, Africa, and Asia. Continents separate the UAE and Latin America, but the distance does not impede forging close links between the two. There have been steps taken to continually expand investment, trade, cultural, and diplomatic cooperation.

The UAE has a history of bilateral relations with Latin American countries. Relations between UAE and Mexico developed in 1975, following with Colombia in 1976.

The events following the fall of oil prices since 2014 has fortified to the Gulf states the importance of economic diversification and the need to explore new opportunities beyond traditional trade partners. Hence, the UAE has sought to expand and diversify its trading partners and this has seen a new wave of economic relations with Latin American countries. The UAE is considered a prominent destination for numerous Latin American countries' exports. Similarly, a stout indicator of the UAE's interest in increasing bilateral relations with Latin American countries is realized by acquiring docks in Peru, the Dominican Republic, Argentina, Brazil, and Chile.

The Dubai Chamber of Commerce and Industries has also

opened its third office in Sao Paulo. The UAE is attempting to accommodate prestigious business summits and, most notably, the burgeoning industry-specific Free Zones (SEZs) in Dubai have made the UAE one of the ideal destinations to establish a business.

Other Latin American countries such as Brazil, Argentina, and Paraguay are also key for agricultural exports, while the UAE offers substantial expertise in logistics, infrastructure, tourism, and hospitality to Latin American countries. Ostensibly, Mexico and the UAE have also signed an Agreement for the Promotion and Reciprocal Protection of Investments and 12 other legal instruments and interinstitutional agreements. Correspondingly, both nations also agreed to improve the connectivity of commercial flights between the two countries and the abolition of visas.

This insight aims to address the bilateral relations between the UAE and the LAC region. The insight will focus on the economic aspect between the two sides by presenting bilateral trade data which supports the prior notion. Furthermore, it will also examine the level of economic investments between the UAE and Latin America. The paper concludes by offering a discussion about the future prospects of UAE-LAC relations. It leads to the notion that the UAE is expected to become an economic power in the LAC region. The prospects will be conveyed, grounded on the data and analysis presented in the insight.

Understanding the Bilateral Economic Cooperation

Trade [relations](#) between Latin American countries and the UAE have been improving in the recent decades. Senior visits of government officials and business leaders from either nation have strengthened the trade relations between the UAE and the LAC region. In 2017, the UAE Chamber conducted trade missions to Brazil, Paraguay, Argentina, Colombia, Costa Rica, and Panama. For example, [bilateral trade](#) between the UAE and Mexico has augmented 473 percent in a period of ten years. It grew from US\$90 million in 2006 to US\$519 million in 2016. Based on the data by Mexico's Ministry of Economy, the UAE is the country's primary trading partner in the GCC and Mexico is the UAE's second substantial trading partner in Latin America following Brazil. In addition, Costa Rica [opened](#) a trade promotion office in the UAE in 2019 to promote trade and dialogue while expanding investment flows.

It must be noted that the UAE Dirham is [pegged](#) with the American dollar; hence the fiscal environment is very stable. Furthermore, the UAE has a firm double tax [treaty](#) with many countries, including all major Latin American countries. Hence, if the company is based in the UAE and has made profits in another country, the taxes withheld by that country can be lowered due to the double tax avoidance treaty. The Free Zone model of 100% [ownership](#) also appealed to Latin American investors and business owners.

In the midst of Latin America's economic rebound and Dubai's role in supporting the region's ambitions,

many new business opportunities are likely to emerge between the two nations, increasing the eagerness of foreign investors and companies who are viewing the respective economies accelerate at an incredible pace.

According to [Inter-Development American Bank \(IDB\)](#), commercial relations between LAC and GCC are presently categorized at a low level. Henceforth, the [sum total](#) of LAC exports to UAE was estimated to be only 0.34% in 2018. In contrast, the UAE's exports to LAC exceed the previous percentage. To illustrate, in 2018, UAE's total exports to LAC were [approximately](#) 27% of the total GCC-LAC exports (1.4\$ billion), and its total imports from LAC accounted for [46%](#). Among the LAC, the major countries that enjoy vast exports from UAE are Mexico, Argentina, and Brazil.

The growing relations between the UAE and LAC can be better understood by examining UAE and Mexico relations. It has been forty-six years since the formalization of diplomatic relations between Mexico and the UAE; the countries' bonds of alliance and cooperation have developed significantly due to the reciprocal interest and advantages in both markets.

For Mexico, the UAE personifies an idyllic partner and affiliate for its market diversification strategy, and allure for foreign investments. For the UAE, Mexico is an important country in Latin America and the Caribbean region due to the size of its economy, geopolitical position, and regional leadership.

Contemporarily, the countries [share](#) 20 treaties and agreements. Among the most relevant legal instruments in force between Mexico

and the UAE is the agreement on protection and promotion of investments and the agreement on the suppression of visas in ordinary passports.

In terms of investments, numerous LAC companies started to emerge in UAE. For instance, the [Dulces](#) La Americana company, a candy company located in Colombia, successfully managed to initiate trade with the UAE and establish a commercial presence in the market. Another company that entered the Gulf and UAE market is Citricola Salteña S.A. in Uruguay.

In 2019, the UAE attempted to further strengthen its commercial ties with LAC, emphasizing Colombian and Mexican markets. Consequently, the Emirati Minister of Economy, Sultan bin Saeed Al Mansouri, paid a visit to these two countries and acknowledged, "[We are keen](#) to take our economic relations with these markets to new levels. Mexico and Colombia are two key destinations in this region. During the visit, we aim to explore further partnership opportunities and discuss ways of promoting trade and increasing Emirati exports to markets in this region, as well as enhance the presence of Emirati companies as investors in various vital sectors in Mexico and Colombia".

Regardless of the small size of commercial exchange, the UAE needs to diversify its economy. Thereby, the growing trade and economic relation with LAC facilitates its diversification attempts.

Future Prospects for Relations

Intercontinental trade and investment are complicated processes requiring multiple participants and systems. They include expenses inscribed by trade and investment and double taxation agreements, as well as the cost of accessing relevant and up-to-date information concerning bilateral business possibilities.

UAE and LAC can consider negotiating and ratifying trade and investment bilateral agreements. A preferential trade agreement (PTA) is a treaty connecting two or more nations intending to decrease tariffs or non-tariff boundaries among the signatory members. PTAs span from nonreciprocal, one-way tariff reductions to economic unions where neither barriers nor standard monetary and fiscal policies exist. It can also involve complementary PTAs, free trade agreements, customs unions, and common markets. As of 1 February 2021, [339](#) RTAs were in force. Nevertheless, no PTA has been contracted between GCC and LAC countries so far.

There is an excellent measure of complementarity between what one region exports and the latter imports. A good is complementary in trade if it is concurrently exported by one country and imported by a different country. Complementarity, therefore, indicates the potential for trade and determines that original trade levels are under trade potential. When we see LAC-UAE complementarities, there are [4,360](#) products exported by the UAE that complement LAC imports. Nonetheless, only [2,141](#) products (49%) are traded. LAC imports of products that are complementary to

UAE exports reach US\$ [836 billion](#), whereas actual LAC imports from UAE are US\$ [4.1 billion](#), or 0.5% of that full potential.

Regarding UAE imports that complement LAC exports, 4,552 products are complementary, but just [2,399](#) products (53%) are traded. UAE imports that are complementary to LAC exports reach US\$ [189.1 billion](#); in contrast, UAE imports from LAC are only US\$ [1.3 billion](#), or 0.5% of that full potential.

Conclusion

In conclusion, increasing air and seaport links should increase engagement between the two regions. These two links will expedite the significant movement of goods and people to multiply commercial opportunities.

The Covid-19 pandemic also presented opportunities and challenges for improving this bilateral relation. On the one hand, new channels of cooperation emerged. The UAE played a humanitarian [role](#) by donating protective equipment for health personnel via the Organization of American States.

Ultimately, the point is whether Latin America can advance its agenda and interests if these relations promote a more balanced international system, or if they reproduce on a smaller scale already established asymmetrical relation. The [ongoing](#) negotiations between the UAE and Bogota around the mining project of Santurbán are indicative of positive prospective relations.

However, the primary deterrent to the trade and investment between the two regions is promoting

protectionist trade policies. Dialogues to institute a free-trade agreement (FTA) between the UAE and the Mercado Común del Sur (Mercosur) have prevaricated as the two coalitions tussle to resolve disputes concerning exports. This insight finds that bilateral trade and investment are fragile compared to overall trade and investment per region, but this shows that there are prospects for improvement. There is considerable action required from the policy perspective to augment bilateral trade.

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