Chapter 5: Indian Entrepreneurs in the UAE

The goal of this research is to begin an inquiry into what resources the Indian entrepreneurs in the UAE possess and how these resources can be aligned for the mutual benefit of their host and home countries. Despite their contributions towards both countries, the Indian diasporic entrepreneurs in the UAE have received a lot less attention and recognition than they deserve. Whenever talks regarding the recent growth of India occur, a lot of credit is given to the politicians back home, however, the role played by the overseas Indian entrepreneurs, especially the ones in the UAE, is rarely mentioned. Prakash C. Jain commented: “It’s a pity that we hardly have any information on Indian entrepreneurship in the Gulf Countries.”

This chapter is divided into two sections: the first section discusses the dynamism and contribution of the Indian diaspora in the UAE to the Indian economy; and the second section proposes policies and recommendations that can help fully utilize their potential for the home country.

In order to understand various aspects of entrepreneurship, it is necessary to define what it entails. The true definition of the terms “entrepreneur” and “entrepreneurship” has been debated upon a lot. Various schools of thought have defined it in their own terms. The review of literature given in the first chapter of this thesis also represents this diversity in defining an entrepreneur.

According to Kilby, the search for an entrepreneur can be compared to an episode in the famous children’s story *Winnie the Pooh.* Kilby stated: “The Heffalump is a rather large and very important animal. He has been hunted by many individuals using various ingenious trapping devices, but no one so far has succeeded in capturing him. All who claim to have caught sight of him report that he is enormous, but they disagree in his particularities. Not having explored his current habitat with sufficient care, some hunters have used as bait their own favourite dishes and have then tried to persuade people that what they caught was a Heffalump. However, very few are convinced and the search goes on.” The true concept of entrepreneur is just such an elusive one. As entrepreneurs and entrepreneurship are a major part of this thesis, an attempt will be made to synthesize the definitions presented by different authors/schools.
The French School

Richard Cantillon, a French banker, first used the term “entrepreneur” in economic theory. He used the term to refer to the dealers “who buy the wares of the country…, give for them a fixed price to sell them again wholesale and retail at uncertain prices.” Entrepreneurs are risk bearers and must make decisions during times of uncertainty. Jean Baptiste described an entrepreneur as a person who possesses various skills to start an economic unit. According to him, an entrepreneur possesses “…judgment, perseverance and a knowledge of the world as well as business. He is called upon to estimate, with tolerable accuracy, the importance of the specific product, the probable amount of the demand and the means of its production: at one time, he must employ a great number of hands; at another, buy or order the raw material, collect labourers, find consumers, and give at all times a rigid attention to order and economy; in a word he must possess the art of superintendence and administration.”

The British School

In his seminal work *Wealth of Nations*, Adam Smith described the entrepreneur as an individual with unusual foresight whose commercial objective motivates him to establish an organization. Profit is the reward for taking risks. However, Adam Smith failed to distinguish the role of a capitalist from that of an entrepreneur.

John Stuart Mill, a British economist, opined that an entrepreneur is the founder of a business, and whose necessary attributes are intelligence, knowledge and trustworthiness. According to Mill, every person does not possess the intelligence and capabilities needed to run an industrial enterprise. He believed that education plays a great role in cultivating and improving these attributes.

According to Marshall, anxieties, mental strain and risks are part of management functions. The entrepreneur must be innovative but alert. Profits are his reward. However, Marshall was criticized for his inability to communicate the true implication of the concept.

The German School

The main question raised by the German school of thought was how to compensate the entrepreneur for his talent. The representatives of the German school then opined that it is the entrepreneur who takes uninsurable risk and carries whole problems
home. Therefore, according to them, the entrepreneur is the risk taker, innovator and problem-solver, and, unlike the returns going to a capitalist, the profit is the leftover needed by the entrepreneur to shoulder the uninsurable risk and the incentive to keep innovating.7

The Austrian School

Karl Menger, the originator of the Austrian school of thought, described entrepreneurs as change agents who transform resources into goods and services beneficial to the consumer. According to him, entrepreneurs gather information about the economic situation and bring economic changes on the basis of their awareness and proper assessment of the situation. Entrepreneurs play a key role in industrial development by acquiring a proper understanding of one economic condition in one country. According to him, risk bearing is not an essential function of an entrepreneur.8

Joseph Schumpeter is called the father of entrepreneurial theory. He conceived of the entrepreneur as an innovator who brings about changes in the existing production process or introduces a new process or product. Thus the entrepreneur with his innovation reduces the cost of production and increases profit. Schumpeter’s “new production function” has a broader concept which includes:

i) The introduction of a new good or a new quality of goods.
ii) The development of a new method of production or new way of commercially handling a commodity.
iii) The opening of a new market.
iv) Capitalization of a new source of supply of raw materials or half-manufactured goods.
v) Establishing a new organization or a new industry.9

It has been criticized that Schumpeter was only concerned with a higher level of entrepreneurship. He suggested very little for the lower/inferior levels of entrepreneurship. “Von Mises felt that Schumpeter has confused entrepreneurial activity with technological innovation.”10

Despite the criticisms levelled against him, this thesis acknowledges Schumpeter for providing the entrepreneur with a significant position in the
A proper analysis of the time and the milieu in which Schumpeter wrote his *Theory of Economic Development* can support this statement.

*Theory of Economic Development* was first published in 1912 in Schumpeter’s native language, Austrian. He commented that in a static economy neither profit nor interest is feasible, and it is the function of the entrepreneur to bring about dynamism in the economy through innovation. At that time the American economy was dominated by giant monopolistic corporations. The role of the “individual entrepreneur” got blurred due to the domination of collective entrepreneurs at the corporate-level decision-making process. When Schumpeter joined Harvard University as a professor he came in contact with many other scholars. One of them was Arthur H. Cole, with whom he co-founded the Research Centre in Entrepreneurial History at Harvard in 1948. Cole modified the Schumpeterian model to a certain extent. According to him, entrepreneurial functions are similar to managerial functions and thus the individual received little recognition in Cole’s analysis. Cole’s “purposeful activity” is similar to Schumpeter’s “creative response”. When he emigrated to America, Schumpeter recognized the rise of collective entrepreneurship. He explained the reason as: “Technological progress is increasingly becoming the business of the teams of trained specialists who turn out what is required and make it work in a predictable way.”11(10).

The difference between Cole and Schumpeter is in their emphasis. On the basis of the above discussion, this thesis avers that entrepreneurial activities may encompass the actions of a single person as an agent of the firm in the economy as well as the collective entrepreneurship of larger companies.

In the words of Chell, Haworth and Brearley, “Schumpeter is the ‘architect of a theory of economic development’ in which the entrepreneur is central; the entrepreneur’s role is to disturb the economy’s status quo through innovation.”12

**The American School**

Francis A. Walker was perhaps the first major representative of the American school. He believed exceptional abilities and opportunities are the two fundamental requirements for a successful business. He believed that entrepreneurial functions were different from those performed by capitalists. He classified entrepreneurship into four categories: the rare; the gifted; the high order of talented entrepreneurs; and the ne’er-do-well type. His theory took into consideration the psychological
characteristics of entrepreneurship. To him, profit is the return against entrepreneurship skills and ability.\textsuperscript{13}

Fredrick B. Hawley and John R. Common, notable American economists, also supported Walker’s view. According to Tripathi, “[i]t was John Bates Clark, however, who conceived of a direct link between entrepreneurial profit and successful introduction into the economic process of technological, commercial or organizational improvement.”\textsuperscript{14} According to Clark, innovation is the major aspect of entrepreneurial function.

**Contemporary Theories on Entrepreneurship**

G.L.S. Shackle, Israel Kirzner, Mark Casson and T.W. Schultz are notable exponents of the idea of psychological aspects being used in analysing the entrepreneurial behaviour.

According to Israel Kirzner, the entrepreneurial function is “to notice what others have overlooked”. Distinguishing an arbitrageur from the entrepreneur he commented that the entrepreneur tackles uncertainty with creative imagination and alertness, whereas an arbitrager adjusts price and cost based on experience.

Casson stated that the entrepreneur is a person whose judgments differ from others. Based on this judgment the decisions he makes are what guides the team and optimally allocates the scarce resources. He further argued that successful entrepreneurs are those who have other valuable attributes like imagination and foresight. He also believed that these qualities could be enhanced with experience and training.

Sultz, a pioneer of human capital theory, broadened the idea of entrepreneurship. He opined that risk-bearing capacity is not the only essential attribute of an entrepreneur. Entrepreneurial ability is the “ability to reallocate their services in response to changes in the value of the work they do.”\textsuperscript{15} He stressed the role of education in enhancing the power of perception which places the entrepreneur in an advantageous position.

Herbert and Link defined the entrepreneur as, “…someone who specializes in taking responsibilities for making judgmental decisions and affect the location, the form and the use of goods, resources or institutions.”\textsuperscript{16}
Psychological and Sociological Theories

The entrepreneur's contribution to society is immense and is acknowledged across societies all over the world. Such importance has prompted researchers to take into consideration the sociological and psychological aspects related to entrepreneurship. Psycho-sociological theorists have advocated that the personalities, traits, skills and attitudes of entrepreneurs and their environmental responsibilities play a key role towards their growth.

The most renowned proponent of the psychological theory was David McClelland, who stated that entrepreneurs are different from others from the standpoint of traits and motivation. They are guided by their strong motivation towards achievement. They are “high achievers”; they love challenging situations and shoulder various types of responsibilities without hesitation. He advocated that this achievement-oriented motivation can be developed through a keen training and socialization process. Davidsson supported this theory by emphasizing the role of achievement-oriented motivation for the growth and betterment of entrepreneurship.17

Studying the varied literature on entrepreneurship, Thomas Begley and David P. Boyd have identified the following five characteristics of entrepreneurs:18

a) **Need Achievement**: Entrepreneurs are high in McClelland’s concept of need achievement.

b) **Internal Locus of Control**: Individuals who control their own life. Luck and fate has no role to play in their lives.

c) **Tolerance for risk**: Entrepreneurs who are moderate risks taker can expect they can get higher return than those who take higher risk or no risk at all.

d) **Tolerance for ambiguity**: Entrepreneurs have to face ambiguity as they take initiative to do something for the first time and taking such risks is their livelihood.

e) **“Type A” behaviour**: This type of personality motivates the entrepreneur to get more within limited period.

Sociological theorists have also explained the agency of entrepreneurship from a sociological standpoint. According to them the success of an entrepreneur depends largely on environmental factors rather than his skill. They have emphasized that the
main factor behind becoming an entrepreneur is their respective sociological backgrounds.\textsuperscript{19}

**Defining the Entrepreneur**

Synthesizing the ideas gathered from the above stated concepts, the entrepreneur may be defined as a person endowed with farsightedness, an impeccable judgment, highly driven and with a knack for creative thinking, who starts an enterprise with a profit motive, locates, coordinates and mobilizes resources for an economic activity, makes the most of opportunities available in the market, organizes and manages an enterprise with the right decisions amidst various risks. In a sense, he is an alchemist.

An entrepreneur is a risk taker who runs a business for profit and growth. His behaviour is based on innovation and risk taking and the employment of strategic management principles. Joseph A. Schumpeter was amongst the first to identify the entrepreneur as an important entity in the economic structure. He defined an entrepreneur as an individual who carries “new combinations to the means of production”. An entrepreneur is characterized by creative activity which is manifested by innovation. This creative activity is used to generate profit. Several studies have focused on the various personality traits of an entrepreneur. In the words of Schumpeter, “The entrepreneur in an advanced economy is an individual who introduces something new in economy—a method of production not yet tested by experience in the branch of manufacture concerned, a product with which consumers are not yet familiar, a new source of raw material or of new markets and the like.”\textsuperscript{20}

The role of an entrepreneur is that of an economic agent who organizes, supervises and coordinates the various factors of production, to manufacture and sell the product, and make profit.

If the five categories of behaviour characteristics of an entrepreneur categorized by Schumpeter are to be applied, the study speculates the occurrence of the following:

a) Introduction of new goods  
b) Introduction of new methods  
c) Creating new markets  
d) Finding new resources and establishing new supply chains  
e) Industrial re-organization.
If a minimum of four of the above criteria is observed in a given firm, it can be termed an entrepreneurial venture. The Indian entrepreneurs in the UAE have been found to act upon all of the above listed criteria.

To summarize, an individual can be defined as an entrepreneur if he brings various resources together for the initiation of a venture. An entrepreneur is considered a success if his enterprise(s) survives beyond two years.\textsuperscript{21}

**Indian Entrepreneurs in the UAE**

UAE entrepreneurs can be categorized into three broad groups: pre-oil; post-oil; and new-generation entrepreneurs. The conditions in the pre-oil era were markedly different than those in the present era. An insight into the various environmental factors that have been affecting them across time would be useful. A brief account of their struggle in the UAE (mostly received through oral interviews) will help to comprehend the sufferings faced by Indian entrepreneurs in the past and now.

**The Pre-Oil Generation of Indian Entrepreneurs**

In the pre-oil era, Indian entrepreneurs had to struggle with unfavourable living conditions—lack of electricity, poor infrastructure and inadequate housing—which prevented them from bringing along their families from India. Alienation from their families had a great psychological impact on them amidst already rough living conditions. Proper roads were not there then, nor many cars suitable for the desert. Owning a car was not an option as there was no police department or any governing body issuing driving licenses. Only ex-service army trucks and four-wheel drives such as Land Rovers were used for human and goods transport. The drivers were mostly locals and Bedouins, people who were familiar with the desert tracks. Vehicles used to follow the tracks previously created by the army vehicles.

People used to carry a shovel and a sheet of iron in their vehicle at all times, for emergencies such as breakdown and sand-trapped tyres. Travelling at night was a risky business as there was no lighting to guide cars through the non-motorable roads. There were no petrol pumps either; people used to fill their petrol tanks by siphoning oil from huge oil-barrels stored in shops. Until the 1950s, camels were practically the main mode of travelling between Abu Dhabi and Dubai and each trip used to take three to four days.\textsuperscript{22} The only exceptions were the sea-routes, such as the way to the northern Emirates. Several lives were lost to dehydration while stranded in the middle
of the desert through transportation failure. Mohammed Fahim, the first Vice President of the Chamber of Commerce, lost his sister due to the tragic delay in medical attention caused by inadequate transportation facilities.  

Difficulties with irrigation and water transport were a few among many other causes for concern amongst the newly arrived entrepreneurs from India. Communication with families and business units back home was very difficult because there was no post office until 1958. The vegetarian Banias could not adapt to the local diet of poultry and cattle, and suffered from malnutrition. Dates were the only edibles available to them in this desert climate where cultivating vegetables and fruit plantations was not possible. By and large, they had to import their food from India. Despite all the physical hardships, the Indian entrepreneurs found a sense of support and mutual understanding among the local population as they worked together towards creating a better life in the UAE.

Business in those days was largely based on trust and word-of-honour; no receipts were maintained against any payments made between two business parties, balances were maintained and settled verbally. According to Ram Buxani, “It was ITL, our company in Dubai that introduced the system of receipts against payment made.”

During the 1960s, India contributed immensely to the fast developing businesses in the UAE such as textiles and consumer goods. Dubai became the transit point for the fabrics that were to be delivered from other countries to the rest of the subcontinent. The foundation of the relationship between the two countries was based on mutual benefit and trust that stood the test of time.

**The Post-Oil Generation of Indian Entrepreneurs**

With the discovery of oil, the scenario started changing. It brought along with it a boom in the economy of the Trucial States. According to Rosemarie Said Zahlan, “The States whose rulers had signed the Perpetual Maritime Truce become known as Trucial States, a name which persisted until 1971 when they united to form the federation known as the United Arab Emirates. The “States of Trucial Oman”, the “Trucial States”, and the “Trucial Coast” were [names] used interchangeably and in a seemingly haphazard manner.” The Perpetual Maritime Truce was signed between Britain and the various Sheikhs of this region with an intention to stop the hostilities at sea. The presence of various international oil companies and the influx of foreign
workers working in the developmental activities in this region created a sudden demand for food and household goods, opening up a niche market for entrepreneurs. The Indian entrepreneurs seized this opportunity for business and contributed a lot to the UAE society by meeting their demands. The massive economic growth of the UAE compared to its GCC (Gulf Cooperation Council) counterparts can be attributed to its non-oil economic policy. This diversification introduced by the farsighted leaders of UAE boosted the growth potential of this country much ahead of the other neighbouring West Asian and North-east African countries. Abu Dhabi’s non-oil sector contributed 175 billion dirhams to the GDP in 2009 ($1 = 3.67 AED). Major growth were seen in the manufacturing sector at 9.2 percent, the construction sector at 18 percent, real estate at 15 percent, the banking sector at 12 percent and the hospitality industry at 15 percent.\textsuperscript{27}

Despite the success with diversification, oil and natural gas reserves remain the major source of income and revenue generation for the UAE economy. The UAE has merely 97.8 billion cubic meters of proven oil reserves, about 9.8 percent of the total proven world oil resource. It has also 6073 billion cubic meters of proven natural gas reserves, approximately 4.6 percent of the total proven world natural gas reserve. Ninety five percent of UAE’s total gas reserves are located in Abu Dhabi. Recently some Indian Companies have successfully penetrated the UAE economy: Punj Lloyd, who have been actively involved in oil and gas sector; and Larsen and Toubro, in power as well as oil and gas sectors.\textsuperscript{28}

The UAE government is expected to spend more than 80 billion dirhams in the next five years. The government is embarking on various developmental projects in the tourism sector. There have been various expansions in local airlines programs such as Gulf Air, Emirates Airlines, Etihad and Air Arabia. Emirates Airlines stunned the industry with an order for thirty two Airbus A380 planes worth $11.5 billion. The airlines signed this deal with Airbus at the Berlin Air show. With this record deal in aviation, Emirates has repositioned Dubai as a gateway to worldwide travel.\textsuperscript{29} These airlines are also providing various packages to attract more tourists to this region. The Burj Al Arab in Dubai, is one of the world’s finest hotels and tallest buildings, with 60 floors and 202 rooms. Besides, Sadiyat Island, in Abu Dhabí, is yet another example of the boom in tertiary sector in the UAE.\textsuperscript{30}

The extremities in climate, however, have not deterred the UAE government from investing in the agricultural sector. There are 40 million date palms in the UAE.
The country is striving towards self-sufficiency with its own supply of food grains. The Khalifa International Date Palm Award (KIDPA) with a value of AED 2 million, attracts a large number of participants from around the world each year. ATUL Limited, a leading chemical company owned by an Indian entrepreneur received the prestigious KIDPA for the year 2009, and was honoured with first prize in the category of “Distinguished Procedure” among participants from eighteen other countries. The Indian entrepreneurs in the UAE can be important agents who can help bank major economic opportunities developing in the UAE if adequately backed by the Indian government.

The diversification policy allowed the UAE government to shield its economy from fluctuations in oil prices. The reasons behind the success of this diversification policy are as follows:

a) Open trade regime.

b) No legal restriction on capital outflow.

c) Competitive business environment.

d) Low taxes.

e) Well developed infrastructure with all modern facilities.

Thus the prudent policy-makers of the UAE transformed a rural- and trade-based economy into a modern one and introduced the UAE to the global scene. By joining the GCC, the UAE became a part of a larger, common market. A favourable business environment coupled with the openess to trade and trade facilitation enabled the UAE to attract more Foreign Direct Investment (FDI). The opening up of the gas market, tourism, construction, financial services and high technology industry has further increased the confidence of investors.

The political structure of the UAE federation is unique. It provides freedom to the independent States to freely pursue their own economic policies. As a result each State is in a position to utilize its capabilities according to its potential. For example, Abu Dhabi (capital of the UAE) traditionally focuses on petrochemical and fertilizer production and has recently diversified towards construction and tourism. The Abu Dhabi government took an initiative in January 2006 to develop a new port at Taweelah, situated between Abu Dhabi and Dubai. The port was named Khalifa Port. This eight-billion-AED project was essential to enhancing business
opportunities in tourism and industry. In order to attract more FDI, the Abu Dhabi government has passed a new law allowing for hundred-percent ownership rights in the industrial city in three sectors.\textsuperscript{34}

Dubai is the most “business friendly” location amongst all the Emirates. It has always focused on entrepôt trade, tourism and finance. The success of Dubai can be attributed towards its lenient business investment policy. An efficiently functioning port, good airport facilities, and infrastructure contributed further towards this process. The benefits of trading in Dubai are:\textsuperscript{35}

\begin{enumerate}
\item Reduced transaction costs in trade.
\item Easier custom clearance.
\item Greater export market.
\end{enumerate}

**Free Trade Zones**

The massive growth in the service sector has prompted the launch of Free Trade Zones (FTZ) for media, knowledge and technology services. The UAE government has developed 32 free trade zones. At present, 5000 companies with an approximate investment of $4 billion are operating in these areas. The most successful free zones are Jebel Ali and Jafza. Nearly 80 countries are operating in Jafza. The main attractions of these free zones are as follows:

\begin{enumerate}
\item 100 percent ownership by foreign companies.
\item Full import and export tax exemption.
\item Exemption of commercial levies.
\item Full repatriation of capital and profit.
\item Long term (multi-year) leases.
\item Easy access to the sea and airport.
\item Energy connection (often at subsidized prices).
\item Proper guidance in labour recruitment.
\item Various kinds of support services.
\end{enumerate}

All these favourable incentives attract new companies to these areas. Recent major companies in India are planning to shift their head offices to Dubai.\textsuperscript{36}
In short, it can be stated that these FTZs have played a key role in increasing the non-hydrocarbon export. A tax-free environment combined with other benefits such as no restriction on foreign ownership and freedom to repatriate the capital and profit have attracted many companies to set up operations in these FTZs. These FTZs also operate as major distribution centres, providing storage and warehousing facilities. Currently, most of the companies here are engaged in assembling electrical products, light engineering and manufacturing.37

**Dubai Internet City**

FTZs, the industrial muscle of the UAE economy, were able to attract many global information and communication technology (ICT) companies such as Microsoft, Oracle, Sony, Ericsson and HP, as well as Indian companies, to the Dubai Internet City (DIC). The state-of-the-art technology base at the DIC provides cost-effective Business Process Outsourcing (BPO) facilities to these companies. The ICT cluster at the DIC provides high-quality networking facilities among many other business utilities, resulting in better enhanced knowledge-sharing and problem-solving capabilities. It is the biggest IT infrastructure facility in West Asia. However, the FTZs, the DIC in particular, primarily depend on an expatriate workforce. It has been criticized that the UAE tax havens could not generate many job opportunities for UAE nationals. But compared to the FTZs, many nationals are engaged in the IT sector in the UAE.

Sharjah has focused on tourism and small- and medium-scale manufacturing centres as its economic strengths. Ras Al Khaimah specializes in cement production and pharmaceuticals. The northern Emirates, besides being popular tourist spots owing to their scenic beauty and climate, have also been developing their shipping, agriculture, mining and quarrying industries.

**Labour and Employment-Related Information**

The knowledge of all existing Labour and Employment laws of the UAE will be of immense value to those who wish to invest, do business or work in the UAE. In the following passage the study will highlight some such legal/national policies the knowledge of which, the study believes, will help those willing with calculating their benefits and risks. The UAE government has recently taken measures to implement its Emiritization policies. This is to check the growing imbalance between the UAE
nationals and the émigrés. The UAE nationals are under the threat of becoming a minority against the 98-percent-strong expatriate/non-UAE workforce in the private sector. To bring this imbalance under control various steps have been taken by the UAE government. To increase the number of UAE nationals in the workforce of the economy, the government has been encouraging the private sector to conduct various training programmes involving UAE nationals to ensure that they are integrated into the workforce as swiftly as possible. The government has also introduced special employment quotas for UAE nationals in the public sector, e.g., oil and gas, banking and telecommunication, etc. These divisions are taking various measures to provide the nationals with working positions in the UAE economy. Etisalat has successfully introduced various recruiting and training programmes for UAE nationals. There is no law granting the “right to organize and bargain collectively” in the UAE, however, the UAE government does not prohibit workers from engaging in collective bargaining. The ministerial resolution no. 307, of 2003, stipulates that “masters and workers have to solve their collective disputes through direct negotiations, reconciliations and then arbitration according to the procedure mentioned in this resolution”. Recently, workers have been demonstrating peacefully outside the Ministry of Labour to address their grievances regarding non-payment of their wages.

The UAE government has been revising its labour laws regarding creation of labour unions or associations. In the FTZs, each company deals with its labour disputes through their own labour department, which are outside the direct control of UAE’s Ministry of Labour. Also, work permits are restricted to people above the age of 18 years. Normal working hours in the UAE are 8 hours a day, 6 days a week. There is no minimum-wage law and the compensation packages are aligned with market demand and supply. However, each of the labour contracts are reviewed by the Ministry of Labour and if any of the proposed wages is found to be unacceptable, it does not get sanctioned. Although, what is deemed as “acceptable” is disputable as there is no minimum wage set. Humane laws, such as work-exemption during the heat-hours in the afternoons, from 12:30 hrs to 15:00 hrs (UAE Standard Time), through the months of July and August, have been implemented. Also, the World Bank surveys have found that compared to other countries the UAE is more flexible with its laws regarding hiring and firing workers.
The Legal System in the UAE

A) Laws governing foreign investments in the UAE

The code-of-conduct for business establishments in the UAE are governed by both federal and State authorities. There are four major laws governing foreign investments in the UAE:

1. The Federal Company Law
2. The Commercial Agencies Law
3. Federal Industry Law
4. Government Tender Law

1. The Federal Company Law

All foreign companies established in the UAE and their branch offices come under the jurisdiction of the Federal Company Law. According to this law, foreign investors are allowed to own a maximum of 49 percent of the business while a minimum 51 percent is owned by a UAE-national partner. The offshore branch offices are also required to have a national agent. All general partnership interests must be co-owned by a UAE national. In the case of limited liability companies, the foreign shareholders are entitled to hold a maximum aggregate 49 percent stake. In 2006 there was an amendment to the ownership laws for insurance companies. The new law stated that 75 to 100 percent must be owned by a UAE national or a UAE corporation. However, the Dubai government has opened a number of strategic economic sectors facilitating foreign investment. “This law now allows up to 100 percent ownership in some strategic economic sectors with big investments and high technology as that adds values to the economy.”

2. The Commercial Agencies Law

This law requires foreign principals to distribute their products in the UAE only through exclusive commercial agents who are UAE nationals or companies wholly owned by UAE nationals. On June 18, 2006, the UAE government made the following amendments to the Commercial Agencies Law:

a) Mutual agreement between partners is mandatory for renewal of agency agreement.
b) Contracts were limited to a fixed time period.
c) Both parties were given the right to file a suit for damages.
d) Approval is no longer required for “liberalized goods”.

3. Federal Industry Law
According to this law, 51 percent ownership of any industrial project needs to be held by a UAE national. The law also stipulates the project has to be overseen by a UAE national or a board of directors consisting of UAE nationals. The oil companies, however, were exempted from the Industry Law. Small capital investment projects, governed under special laws or agreements, were exempted too.47

4. Government Tender Law
Foreign companies who wish to bid for a federal project must enter into a joint venture or an agency arrangement with a UAE national or company.

B) Property laws in the UAE
The UAE regulatory and legal framework is still evolving. Non-UAE nationals—expatriates, foreign individual investors and foreign owned corporations—are not entitled to freehold or own property outside of the prescribed or designated areas. Real estate comes under federal jurisdiction of the UAE but an Emirate national is permitted to seek redressal under local laws.

1. Property Law in Abu Dhabi
Property Law no. 19, effective since 2005, allows only UAE nationals to have freehold titles to land within Abu Dhabi. GCC nationals are permitted to own the freehold of land in select areas in Abu Dhabi listed under investment zones by the Abu Dhabi government. Recently Sheikh Khalifa bin Zayed Al Nahyan made an amendment to this law in February 2007, thereafter allowing non-UAE nationals to own properties excluding the land, i.e., they can own office buildings, factories and apartments within the investment zones, but not the land that the property stands on. Such right to ownership is not like a freehold title in the traditional sense of land ownership. The owner of the property leases the land from its owner and builds upon it. The law permits non-UAE nationals to have up to a 99-year renewable lease.48
2. Property Law in Dubai

Property Law no. 7, effective since 2006, states that non-UAE nationals are only permitted to hold an interest over land situated within the areas listed by the Dubai government as lands that can be owned by non-UAE nationals. There are currently 30 such designated areas in Dubai.\(^{49}\)

3. Property Law in Sharjah

In places like Sharjah that are governed by the ruler of the area, non-UAE nationals are allowed to own properties under a 25-year renewable leasehold contract only with the consent of the ruler.\(^{50}\)

With the rise in the investment trend in the UAE, it is expected that the UAE government will modify its property laws to further the confidence amongst the foreign investors.

C) Laws governing intellectual property rights

The UAE government has taken various measures to attract foreign investors. A favourable change has occurred in the system of law governing intellectual property rights in the UAE. Such rights are protected here by three main laws:\(^{51}\)

a) The Trademark Laws, administered by the Ministry of Economy and Commerce.

b) The Copyright Law, administered by the Ministry of Information and Culture.


The copyright law was enacted in July 2002. The UAE is recognized as a regional leader in computer software piracy control.

D) Funds transfer policy

Other than Israeli currency, restrictions have been imposed by the UAE government on import or export of AED (United Arab Emirates dirham) and foreign currencies. Investors, however, do not face any delay in the exchange process. But regarding high-value money transfers, there are strict requirements for documentation. After an
attack in September 2001, the UAE government put in place the Anti-Money Laundering Legislation Act by the end of 2001, which follows stringent reporting requirements for any wire transfers exceeding $545, and currency importation reporting requirements for amounts exceeding $10,800. Banks and other financial institutions also have to report to the Central Bank of the UAE if any transaction exceeds $54,000. Any violation is punishable with up to seven years imprisonment.52

The various amendments of these laws reflect the UAE’s intention to maintain its position as a global trade partner. There are many other laws that come into play when one considers setting up a business in the UAE. From January 1, 2003, the UAE has implemented an import tariff of 5 percent on most goods, whereas there is a 50 percent tariff on alcohol, and a 100 percent tariff on tobacco. Fifty-three foods and agricultural goods were exempted from this tariff.53 There is no income or consumption tax in the UAE, however, foreign banks pay a 20 percent tax on their profits and foreign oil companies with equity pay taxes and royalties on their proceeds.

Back in the pre-oil era, trade licenses were not required by investors when setting up a business. However now, no business can be carried out by a UAE resident in a Free Trade Zone unless they have a relevant license to do so.

A point that can be considered as a weakness of the UAE economy is that the dirham is pegged to the US dollar. As a result, the UAE government has minimal control over the monetary policies needed to tackle inflationary pressures.54 Although relatively a peaceful country that steers clear of any controversy, the UAE is nonetheless located in a volatile region at present, and the increased risk profile may affect investors’ decisions.

Also the court and civil proceedings here are conducted in a manner that may cause difficulties to a foreign entity. One can easily appear in court with no legal representation; however, all court proceedings here are conducted in Arabic, even written evidence must be produced in Arabic. Also, only lawyers of UAE nationality are permitted the right to audience before the court. Foreign judgments are not entertained in Dubai.

E) Immigration policy
The presence of a large working population of expatriate workers in the UAE has led to the marginalization of UAE nationals in all sectors of work. A common opinion
amongst the UAE nationals and other GCC countries about the UAE losing its identity as a result of this massive influx of foreign workers is what led to the formulation of UAE immigration policy. According to the UAE Labour Report 2000, other major problems besides the demographic imbalance are the increasing numbers of foreign workers, and the UAE’s dependence on unskilled workers. An initiative was taken to decrease this imbalance by reducing the quota of visa permits usually given to South Asian unskilled workers, as they form about one-third of the population. Also the cost of hiring and importing unskilled manual workers has been increased by the government to lessen their appointment. The deployment of modern technology is being encouraged instead. A minimum high-school certificate has also been made mandatory for an unskilled worker to qualify for a work visa.

The ability to organize, calculate and speculate properly is what distinguishes a good merchant. And that is how the Indian businessmen-turned-entrepreneurs in the UAE were able to secure themselves a superior position in UAE society compared to other nationalities. The joint-family structure prevalent amongst these Indian communities played an important role, providing them with the much needed psychological and monetary support to take their ventures into new worlds. Recently, a few prominent Keralites have also positioned themselves well in the UAE market. The trust that these Indian business communities were able to generate in the UAE played a key role in positioning themselves in that society. The trust had to be strong enough, particularly in the olden days, because business transactions in UAE were conducted without any written paperwork.55

Field interviews revealed how they mobilized their resources with alertness and timeliness to set up a firm ground for their businesses. An exemplary use of opportunity can be cited in the initiative taken by B.R. Shetty, Director of the New Medical Hospital, to quickly set up specialized swine flu medical units in the UAE at the earliest reports of the outbreak of the potential pandemic. Their alternative business skills have enabled them to find new markets and opportunities, and their global mindset has prompted them to initiate various ventures. International entrepreneurship is defined as a combination of innovation, proactive and risk taking behaviours that crosses national borders and creates value within an organization.56 Thus their capacity to adapt themselves to changing conditions while creating opportunities from nothing has been crucial. According to Maria Aggestam and James J. Keenan, entrepreneurs are like “vaults, that is, containers, stocks and
storehouses of intellectual capabilities, knowledge, experiences and energies that they brought to their work… [they are] also vessels that are conduits, flows and channels through which their intellectual capital [gets] communicated and emerge[s].” The Indian entrepreneurs in the UAE played key roles as “vaults” and “vessels” to the UAE economy as well as the Indian economy.

India’s foreign policy is now focusing more on the West Asian Gulf for new investment opportunities than on Europe. Girijesh Pant, Vice Chancellor of Doon University, stated in a Dubai conference that the Gulf is an economically beneficial area for India. The global economy is shifting its focus from the West to the East. India has successfully placed itself as the next biggest economy to China. The GCC (Gulf Corporation Council) regions are also turning their attention towards India. As a result, today UAE is the second largest market for Indian products. The UAE’s growing demand for energy is another potential market for India. In the oil and gas sector, however, as India is one of the world’s major hydrocarbon consumers, it needs to actively participate with the UAE.

An attempt is being made by the Indian entrepreneurs in the UAE together with their counterparts in India to form bilateral ties through two-way investments and joint ventures. An MOU has been signed between the Indian Chamber of Commerce and the IBPG (Indian Business Professional Group) in UAE, to provide support to Indian delegates visiting the UAE. It is important to note that the non-oil trade between India and UAE was worth over $ 26 billion in 2009. Prominent companies from either country, like Punj Lloyd in India and Emaar and Nakheel in UAE, are successfully setting up their bases in each others’ business sectors. The UAE is now pursuing business-friendly policies to initiate FDI and smoothen out the difficulties in setting up a business unit in the UAE that entrepreneurs face now. The application of economic and structural reform programmes, coupled with the increasingly effective role played by the private sector in materializing sustained development, have been instrumental in creating an attractive local and regional competitive investment environment.

**Business Environment in the UAE**

The overall impression of investors regarding the environment in the UAE is that it is “business-friendly”. A majority of the interviewees have expressed their satisfaction with the business opportunities in UAE, except for a few objections such as limited
citizenship rights and ownership restrictions. A brief overview of the business environment in the UAE has been presented below:

a) UAE has a stable economy characterized by a favourable business environment. The main driving forces there are a tax-free regime for investments in the UAE, no restriction on foreign currency transaction, and full repatriation of profit.

b) The business communities have a favourable perception of UAE from the standpoint of risks related to economy, finance, and investment.

c) The investment climate in the UAE is more favourable compared to other developing countries. The farsighted leaders of the UAE have pursued a market-oriented liberal policy and various diversified policies designed to attract foreign companies towards this region.

d) A favourable tax environment in the UAE especially in Free Trade Zones (FTZs) coupled with no corporate or income taxes further attracts global investors to the UAE.

e) Cost and access to finance is easy in the UAE. From a global standpoint, UAE has low disclosure standards towards protecting investors.

f) In UAE, timing and keeping workers are difficult. However, the position in UAE in this regard is better off compared to other GCC countries.

g) Some changes are necessary in processes of the court and legal system. The Dubai International Arbitration Centre (DIAC), however, follows the universal set rules laid down by the International Chamber of Commerce to solve business disputes quickly.

h) Based on the Executive Opinion Survey in the Arab world, the UAE has been placed first in the rankings for having the least burdensome administrative regulations and the lowest hidden import barrier. According to the Global Standards, UAE ranks fourth for its least burdensome administrative regulations. Singapore, Hong Kong and Iceland being first, second and third in rank, respectively.

i) The UAE on the whole does not suffer from any problems regarding electricity and power supply. But recently, Sharjah has been facing some problems with its power supply.
j) The UAE has excellent transportation infrastructure which helps escalate business productivity in the UAE.

The above stated factors and ongoing reforms related to business investment have made the UAE an attractive business centre for investors.61

Conclusion
The focus of this chapter has been on the Indian entrepreneurs in the UAE who have proven themselves to be agents endowed with all the special capacities that entrepreneurs ought to possess to cope with the challenges, make the most of all available opportunities, and overcome the odds with calculated risks. A major section of these diasporic entrepreneurs in the UAE are engaged in service sectors. This may raise the question as to whether their activities should be considered innovative or not. To answer that, one must point to the fact that their unique business ideas prompted them to set forth in search of new market opportunities in an unknown land fraught with restrictions. Their dynamism in that respect is praiseworthy. They had to conceptualize newer ways to establish and conduct business in a new, largely unknown region where the culture and business atmosphere was totally different from that back in their homeland. Their cognitive skills guided them to identify the demands they could cater to in this land and seize the lucrative opportunities in appropriate time. Their honest intentions, values and ethics earned them a reputation for business as well as a unique position within this host society.

The Indian diasporic entrepreneurs’ contribution towards the UAE economy has been immense. They have been engaged with the UAE economy since the pre-oil era, as money lenders and pearling industry investors and have supported the UAE people with their need for short term capital. They brought with them their knowledge, skills, and other associated capital as well as assumed a greater role in various developmental activities of this region. They not only provided much required commodities to urban areas but also stretched out their supplies to the more remote areas in the UAE.

This chapter must conclude with stress on the main points of this thesis: The Indian entrepreneurs in the UAE can act as a bridge between India and the UAE, however, their potential needs to be accentuated with better support from both their home and host countries. Pranab Mukherjee, Minister of External Affairs, India,
stated in one of his lectures at the Emirates Centre for Strategic Studies and Research: “Two of the most important pre-requisites for continued high economic growth rate in India are energy security and development of infrastructure. India needs $500 billion in resources to meet the specific targets for infrastructural development and also needs to expand its electricity production. Here are the foundations of India’s new terms of engagement with the Gulf region.” He iterated that the vast oil reserve of this region enabled the GCC countries, including the UAE, to generate excess funds, and that India wants to be in a long-term partnership with the UAE in the energy sector. He concluded the lecture by stating: “The challenge before us is to transform the present buyer-seller relationship into something more substantial and enduring, covering all economic sectors from energy to education and health.”

This chapter re-establishes the fact that these entrepreneurs and business-class diaspora in the UAE can certainly play a key role in helping both countries to strengthen their relationship. They can act as a channel for flow of information, market intelligence, updates regarding changes/amendments in law, local rules and regulations, business environment and procedures between either country. India, in particular, could gain better results by aligning its interests with the potential of this diaspora in the UAE, engaging them with its developmental strategies.

Endnotes

3 John Kilby, as cited by Elizabeth Chell, Jean Haworth and Sally Brearley, in The Entrepreneurial Personality: Concepts, Cases and Categories (New York: Routledge, 1991), 2
5 Jean Baptiste, as cited by Tripathi, “Integrated view of Entrepreneurship,” 163.
6 Marshall, as cited by Chell, Haworth and Brearley, Entrepreneurial Personality, 15–8.
7 Ibid., 18.
10 Chell, Haworth and Brearley, Entrepreneurial Personality, 19.

12 Chell, Haworth and Brearley, Entrepreneurial Personality, 22.

13 Ibid., 20.


15 Chell, Haworth and Brearley, Entrepreneurial Personality, 25.

16 Ibid., 27.


19 Ibid., 5.


23 Ibid., 96.

24 Ibid., 102.

25 Ibid., 110.


28 In an interview with Talmiz Ahmed, the Indian Ambassador to UAE, dated July 30, 2008.


31 Source: Indian Embassy in the UAE.


39 Ibid., 21.

40 Ibid., 21.


Ibid., 9.

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Ibid., 10.


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Ibid., 5.


Ibid., 16.

Ibid., 18.


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Source: Indian Business and Professional Group (IBPG)


Pranab Mukherjee, in a speech at Emirates Centre for Strategic Studies and Research (ECSSR), Abu Dhabi, May 26, 2008.