



STRATEGIC BRIEF

The Gulf Opportunity

Incentive Programs and Location Advantages for Establishing EMS and Electronics Manufacturing in the United Arab Emirates

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Introduction

Over the past few years, the United Arab Emirates have evolved from a traditional trade and logistics hub into an increasingly industrial economy with growing manufacturing and technology capabilities. With its national industrial strategy **Operation 300bn**, the UAE aims to accelerate this development further. The objective is to significantly increase the contribution of industry to GDP by 2031 while strengthening investment, local value creation, technology and employment within the country.

This development is of particular interest to European OEMs and EMS companies for several reasons. The UAE offers highly developed international logistics infrastructure and a strategic location between Europe, Asia and Africa, while at the same time expanding its support programs for industrial investment. Electronics and electrical equipment are explicitly included among the growth sectors identified within the country's industrial policy.

The UAE should therefore not automatically be viewed as an alternative to established manufacturing locations in Europe or Asia. It can, however, provide an additional option for companies looking to access regional markets, diversify their geographical footprint or establish an additional manufacturing base.

This Strategic Brief examines the main incentive programs and location factors and assesses their relevance to EMS and electronics manufacturing from the perspective of EMS Strategy Group.

The Strategic Framework – Operation 300bn and MoIAT

The **Ministry of Industry and Advanced Technology (MoIAT)** is pursuing **Operation 300bn** with the aim of increasing the industrial sector's contribution to GDP from AED 133 billion to **AED 300 billion by 2031**. The strategy focuses, among other things, on expanding local manufacturing capacity, supporting industrial investment and strengthening technology-based value creation.

The **Emirates Development Bank (EDB)** plays an important role within this framework. The bank supports companies in priority industrial sectors with financing for investment, production facilities and business growth. As part of its strategy, the EDB established a financing portfolio of **AED 30 billion** for priority sectors, with the aim of supporting the financing of 13,500 SMEs, among other objectives.

Electronics and electrical equipment are explicitly identified by MoIAT as growth sectors. Electronics manufacturing is therefore not simply a potential by-product of broader industrial development, but forms part of the UAE's defined industrial priorities.

Assessment

For EMS Strategy Group, this is an important factor when evaluating the UAE as a potential manufacturing location. Electronics manufacturing is being developed within an industrial policy framework that explicitly supports investment and local value creation. For a specific manufacturing project, this provides a potentially strong basis for discussions with investment, financing and industrial development authorities.

Key Programs at a Glance

Financing through the Emirates Development Bank

For companies planning to establish new manufacturing capacity or expand existing facilities in the UAE, the **Emirates Development Bank** is one of the relevant financing institutions. The bank offers, among other options, CAPEX financing as well as Greenfield and Brownfield financing. These facilities can support new production sites, capacity expansions and the modernization of existing facilities.

According to the EDB, since the launch of its new strategy in 2021, it has mobilized **AED 50.2 billion in investment expenditure**. This includes **AED 15 billion in Greenfield projects** and **AED 7 billion in foreign direct investment**. By the end of 2024, these activities were associated with more than **27,600 industrial jobs**, according to the bank.

KEY FACT

AED 50.2 billion

Mobilized investment expenditure

AED 15 billion

Greenfield projects

AED 7 billion

Foreign direct investment

For an EMS project, it is particularly relevant that the financing programs are not limited to established companies. The financing models also cover the development of new industrial capacity and the expansion of existing manufacturing operations. Actual financing, however, depends on the individual project, company, investment volume and the applicable requirements of the bank.

Customs Exemptions for Production Equipment

Under certain conditions, industrial projects in Abu Dhabi may qualify for customs exemptions on specific production inputs. The officially documented exemption relates to the standard **5 percent customs duty** and may cover machinery, equipment, spare parts, raw materials, intermediate products and semi-finished goods required for the industrial project.

KEY FACT

Certain industrial production inputs in Abu Dhabi may qualify for an exemption from the **standard 5% customs duty**.

For a new EMS facility, this can be particularly relevant during the investment and start-up phase, as a significant proportion of production equipment and materials may initially have to be imported. The actual application of the exemption depends on the industrial license, production status, the goods concerned and the applicable customs procedures.

In-Country Value Program and Public Procurement

The national **In-Country Value (ICV) Program** is an important element of the UAE's industrial policy. Its objective is to retain a greater share of spending by government entities and major national companies within the UAE and thereby promote local production, services, investment and employment.

For companies with their own manufacturing operations in the UAE, an ICV certificate can therefore be relevant in certain tenders and procurement decisions. The ICV calculation takes into account, among other factors, local manufacturing costs, investments and other elements of value creation within the UAE. The structure of procurement and the origin of certain expenditures can also affect the resulting ICV score.

For an EMS or electronics manufacturer, this becomes particularly relevant if government or government-related customers, as well as companies with ICV requirements, are part of the target customer base alongside private OEMs. When deciding between a Mainland and Free Zone structure, it is therefore also important to consider how the chosen corporate and procurement structure may affect the ICV calculation.

A higher ICV score does not, however, automatically result in a contract. The importance attached to ICV depends on the individual customer and the conditions of the specific procurement process.

Location Costs – Land Rebates and Energy Tariffs

In addition to financing, Abu Dhabi supports industrial investment through programs relating to land and energy. The **Land Rebate Incentive Programme (LRIP)** provides eligible industrial investors with reduced rental conditions and long-term agreements for suitable industrial land.

The **Energy Support Program** can also provide eligible industrial companies with reduced electricity and gas tariffs. The level and structure of this support depend on the individual project and the applicable eligibility criteria.

For an EMS project, these factors should not be considered in isolation. What matters is how land, buildings, energy, infrastructure and logistics affect the actual cost structure over the planned operating period.

“Make it in the Emirates” – Accelerator and Industrial Development

Under the **“Make it in the Emirates”** brand, the UAE brings together a range of initiatives aimed at supporting industrial development and attracting new manufacturing activities.

The **Make it in the Emirates Accelerator**, supported by EDB and MoIAT, is aimed at manufacturing companies based in the UAE. It provides, among other things, access to mentoring, production infrastructure, research and development facilities, logistics support and investor networks. Opportunities for industrial testing and the development of new manufacturing projects are also part of the program.

For international companies, this environment becomes particularly relevant once a local corporate or manufacturing structure has been established or a specific UAE-based production project is being developed. The practical benefits depend on the individual project and how it is integrated into the program.

Free Zones and the Qualifying Free Zone Person Regime

Free zones such as the **Jebel Ali Free Zone (JAFZA)** and the **Dubai Airport Freezone (DAFZA)** allow foreign companies to establish operations in the UAE with full foreign ownership. The legal and commercial conditions differ between individual free zones and should therefore always be assessed in the context of the planned business and manufacturing model.

The UAE corporate tax system also introduced the **Qualifying Free Zone Person (QFZP)** regime. Companies that meet the applicable requirements can benefit from a **0 percent corporate tax rate on qualifying income**. Income that does not fall within the applicable qualifying-income rules may instead be subject to **9 percent corporate tax**.

KEY FACT

0%

Corporate tax on qualifying income where the QFZP requirements are met

9%

Tax rate applicable to taxable income that does not qualify for the 0% regime

Manufacturing or processing of goods or materials is generally among the activities that can be relevant for qualification. However, simply being established in a free zone does not automatically provide access to the 0 percent rate. The relevant conditions and the actual corporate and business structure are decisive. The ongoing requirements are discussed in more detail in the section “Limitations and Due Diligence”.

Assessment

The combination of full foreign ownership in suitable free zones and the potential 0 percent tax rate on qualifying income can be of interest to international manufacturing companies. However, the tax benefit is subject to specific requirements and should therefore be considered from the outset when structuring the company and selecting the location.

Key Industrial Location Clusters

For industrial manufacturing projects in Abu Dhabi, the **Khalifa Economic Zones Abu Dhabi (KEZAD)** are particularly relevant. The industrial and logistics complex provides manufacturing, warehousing and logistics facilities close to Khalifa Port and is therefore well suited to companies seeking to combine local manufacturing with international material and product flows.

In Dubai, the **Jebel Ali Free Zone (JAFZA)** is particularly relevant for import- and export-intensive manufacturing models because of its direct connection to Jebel Ali Port and the international logistics network. **Dubai South** offers further development opportunities, with a stronger focus on logistics, aviation and technology-oriented activities.

The suitability of a location cannot, however, be determined by infrastructure alone. For an EMS project, factors such as available production space, power supply, customs procedures, workforce availability, expansion options, proximity to customers and suppliers, and the applicable incentive programs must also be considered.

Component Supply and Supply Chain

An important factor when assessing a UAE manufacturing location is the extent to which the required components and production materials are already available locally. The UAE are investing in the expansion of their electronics and semiconductor industries, but they do not yet have the breadth and depth of local component manufacturing found in established Asian electronics clusters.

For an EMS operation, this means that electronic components, PCBs and many other production materials will continue to be sourced to a significant extent through international supply chains. The initial advantage of a UAE location therefore lies less in a fully localized electronics supply chain

and more in the combination of manufacturing, international logistics, regional market access and additional geographical diversification.

OEMs and EMS companies should assess at an early stage which materials and components can be sourced locally and which product groups will continue to depend on established supply chains from Europe or Asia. This is particularly important when relocating production or establishing a new EMS facility, as the design of the supply chain is a fundamental part of the overall location and manufacturing strategy.

Certification and Market Access – ECAS and G-Mark

If electronics products are intended not only for export but also for sale in the UAE or GCC markets, the applicable technical and regulatory requirements need to be considered at an early stage of both product and manufacturing planning.

In the UAE, the **Emirates Conformity Assessment Scheme (ECAS)** is relevant for certain regulated product categories. Depending on the product and target market, GCC requirements and the **GCC Conformity Mark (G-Mark)** may also apply.

The specific testing, certification and labeling requirements cannot be determined solely by the manufacturing location. They depend on the product category, the applicable technical regulations and the target market.

For an EMS manufacturer, this means that regulatory requirements should be reviewed when defining the manufacturing model and before taking on new production programs. This is particularly relevant for OEMs that intend to use UAE-based manufacturing to serve the local market or other GCC markets.

Advantages for EMS and Electronics Manufacturers

From the perspective of EMS Strategy Group, the potential attractiveness of the UAE lies less in any single incentive program and more in the combination of several location factors.

Access to EDB financing, potential customs relief, the tax regime for qualifying Free Zone income and programs supporting industrial investment can facilitate the establishment of new manufacturing capacity. In addition, the UAE offer well-developed port and logistics infrastructure and a strategic position between Europe, the Gulf region, Africa and South Asia.

For companies that already operate established manufacturing sites in Europe or Asia, a UAE facility may therefore be particularly relevant as an additional manufacturing or logistics base. This can be the case when companies want to serve regional customers more efficiently, enter new markets or diversify their production and supply chains geographically.

The UAE can therefore form part of a **China+1, second-sourcing or broader de-risking strategy** without requiring companies to abandon existing manufacturing operations in Asia.

Limitations and Due Diligence

The potential 0 percent corporate tax rate for a **Qualifying Free Zone Person** is subject to ongoing requirements. These include, among other things, maintaining adequate economic substance in the

UAE, complying with applicable transfer pricing rules and de minimis requirements, and preparing and maintaining audited financial statements.

If the QFZP status is no longer maintained, the relevant tax period and the following four tax periods may be affected by the applicable tax consequences. The requirements therefore need to be monitored continuously rather than only at the time the company is established.

The specific tax treatment should consequently be considered from the beginning of the location and corporate planning process and reviewed by appropriately qualified tax advisers or other authorized professionals.

The workforce structure also needs to be considered when establishing a larger industrial operation. Companies with **50 or more employees** are subject to private-sector requirements concerning the employment of UAE nationals in skilled positions. For **2026, the applicable target was 10 percent** of the relevant skilled positions. When planning a larger manufacturing operation, workforce structure, qualification requirements and the applicable Emiratisation rules should therefore be taken into account at an early stage.

Location conditions also vary significantly within the UAE. Many of the programs described above, including the Land Rebate Incentive Programme, the Energy Support Program and certain customs exemptions, are documented through the relevant authorities in Abu Dhabi. Dubai follows a more decentralized approach through its numerous free zones. The applicable conditions should therefore always be checked for the specific location under consideration.

Cost considerations should also go beyond individual incentives or tax benefits. Labor and living costs are higher than in many traditional low-cost manufacturing locations in Asia. The economic case for a UAE location therefore needs to be based on the overall combination of market access, infrastructure, financing, tax structure, logistics, energy, workforce and regional presence.

Outlook

The UAE's industrial development is currently supported by substantial government and institutional activity. The **Emirates Development Bank** has already reached several of the strategic targets it originally set for 2026 ahead of schedule.

In May 2025, the bank reported that it had already achieved 90 percent of its targeted contribution to industrial GDP 18 months ahead of the original schedule. According to the bank, its original employment creation target had also been exceeded by 30 percent.

At the same time, industrial support activities have continued to expand. The EDB announced further mobilization of industrial CAPEX as well as additional Greenfield and FDI activities for 2025. New industrial programs and financing initiatives were also introduced in 2026.

With **Factory Forward UAE**, MoIAT is also pursuing an approach aimed at advancing the technological capabilities of existing factories. Companies are supported in assessing their technological position, identifying improvement opportunities and developing transformation plans. The approach also includes access to technology partners and potential financing and support mechanisms.

For EMS manufacturers, this development may become relevant when a new facility is designed not simply as a conventional SMT or assembly operation, but from the outset with a higher degree of automation and modern production and digital technologies.

At the same time, the development of local industrial value creation remains important for the electronics sector. Abu Dhabi is pursuing the development of a semiconductor cluster as well as

broader advanced manufacturing capabilities. Whether this will result in a significantly broader local electronics supply chain by 2031 cannot be assumed at this stage.

Conclusion

With **Operation 300bn**, the UAE have established an industrial policy framework designed to support investment, local value creation and the development of new manufacturing capacity. Industrial companies can access a range of instruments, including financing, location and energy programs, customs relief and tax benefits for certain qualifying Free Zone structures.

For EMS and electronics companies, the main attraction lies in the combination of these factors. The UAE offer well-developed international logistics, a strategic position between several important economic regions and a clear policy focus on expanding industrial and technology-based value creation.

From the perspective of EMS Strategy Group, the UAE may therefore be particularly relevant for OEMs seeking to diversify their manufacturing and supply chains geographically, access the Gulf and surrounding markets, or establish an additional manufacturing base alongside existing operations in Europe or Asia.

The UAE should not, however, be viewed as a replacement for established Asian electronics clusters. Components, PCBs and other production materials will continue to depend to a significant extent on international supply chains, particularly during the early stages of local industrial development.

The key question is therefore not whether the UAE can replace other manufacturing regions, but whether the combination of manufacturing, logistics, regional market access, available incentives and international supply chains creates a commercially viable additional location for the specific OEM or EMS business model.

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About the Author

Dirk Kaussen is Founder and Managing Director of EMS Strategy Group. With around 40 years of experience in the electronics industry — including founding and managing his own electronics manufacturing company in Germany — he brings deep expertise in manufacturing processes, EMS partner selection, supply chain stability, relocation projects, and risk management. His approach combines practical solutions with a direct connection to industrial reality.

About the EMS Strategy Group

EMS Strategy Group supports industrial enterprises in the strategic and operational advancement of their electronics manufacturing. Our core expertise lies in the strategic relocation of manufacturing volumes, the selection of qualified EMS partners, the establishment of new production capacities, and the expansion of existing manufacturing structures.

Furthermore, we design resilient supply chain frameworks, conduct comprehensive risk assessments, and guide dual-sourcing strategies, with operational support through to a successful series production ramp-up.

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