Economy

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Introduction
While Abu Dhabi, the largest and wealthiest emirate, still has abundant oil and natural gas – the UAE has the seventh largest oil reserves in the world – other emirates have all but run out of oil and have therefore been trying to diversify their economies. Abu Dhabi has joined this effort, investing heavily in other economic sectors, such as banking and finance, construction and real estate, trade and commerce, industry, tourism, and entertainment.

According to 2011 Worldbank figures, the UAE’s total (nominal) GDP was USD 360.2 billion, the 30th largest in the world. Its per capita GDP (USD 45,653) was, according to the Worldbank, the 21st largest in the world. The UAE’s Abu Dhabi Investment Authority (ADIA) is considered the largest sovereign wealth fund (SWF) in the world, with an estimated value in managed assets totalling USD 627 billion. The UAE’s currency, the dirham (Arab Emirates Dirham, AED), is pegged to the USD (in 2011, AED 1 = USD 0.3).

Gross domestic product (GDP) in 2015 was $370.3 billion, compared with $401.9 billion in 2014 and $388.6 billion in 2013. According to the International Monetary Fund (IMF), GDP per capita in 2015 was $38,650. It predicts that GDP in 2017 will grow by 2.5 per cent, compared with 2.3 per cent in 2016 and 4 per cent in 2015. Inflation is expected to be 3.1 per cent in 2017, down from 3.6 per cent in 2016 and 4.1 per cent in 2015.

Despite sweeping reforms, the impact of declining oil prices has led to a deceleration in economic growth, a weakening of investor and consumer confidence, and a slowing in the amount of credit extended to the private sector, although the non-oil sector was predicted to grow by 2.4 per cent in 2016.

The World Bank expects economic growth will recover slowly, reaching 3 per cent in 2018, in part as a result of the predicted improvement in oil prices and the impact this will have on government revenues and consumer confidence. The Emirates will benefit from the implementation of a number of large projects before hosting Expo 2020. It is also expected to benefit commercially from the lifting of the sanctions imposed on Iran.

However, structural reforms are needed to support diversification towards a knowledge economy, part of the Emirates’ Vision 2021. According to the World Bank, helping small and medium businesses to obtain financing and supporting innovation are among the priorities the government should consider. Among the most pressing issues are the reform of labour regulations and foreign labour sponsorship,
and the decline of incentives to raise skill levels.


The UAE used its oil revenues (discovered in the early 1960s) and a growing network of commercial and financial ties to attract global investment, skilled expatriate professionals, and migrant workers to achieve phenomenal economic development in a record short time. The country’s name became synonymous with economic boom, and cities such as Dubai became world-famous for unique, modern shopping malls and other facilities and huge, architecturally stunning real-estate and business projects, such as the Palm Islands and the Burj Khalifa, the tallest building in the world. In 2008-2009, however, the combination of falling oil prices, collapsing real-estate markets, and the international financial and banking crisis struck the UAE economy hard. Dubai was the hardest hit and needed to be bailed out by its rich neighbour, Abu Dhabi.

Energy

For an in-depth overview of the United Arab Emirates’ energy sector click on the button below.

Infrastructure and Transport

The UAE has some of the most modern infrastructure and transport facilities in the world. Multi-lane highways connect the seven emirates and their main cities, and several international passenger and cargo airports and seaports serve millions of travellers and thousands of ships and cruises every year. A new expansion planned at Abu Dhabi International Airport, the home base of Abu Dhabi’s flag carrier, Etihad Airways, will allow the airport to handle 15 million passengers per year by 2015.

Dubai opened the first phase of its new airport, then known as Dubai World Central International Airport (DWCI), in the specially created free zone, Jebel Ali Airport City, in October 2008. The airport opened on 27 June 2010 under the new name Al Maktoum International. The project is expected to be completed by 2017, though the 2008 financial crisis may cause the project to be delayed by several years, possibly until 2022.

In addition, Dubai has a large three-terminal airport, Dubai International Airport (DXB), which is the hub of its main carrier, Emirates Airlines. DXB is used by 130 airlines that fly to and from some 300 destinations across the globe. The airport and its flag carrier have won many awards for excellence in service and design and are widely regarded for their comfort, luxury, and hospitality. In 2011, the airport traffic reached a record 50.9 million passengers.
The UAE has an extensive taxi system for transport between and within cities. As of August 2008, Dubai had an estimated 12,000 taxis, serving the city’s 1.5 million population and the hundreds of thousands of tourists who visit every year. The taxi companies are run by the Dubai Taxi Corporation (DTC), which was established in 2005, under the authority of Dubai’s Roads and Transport Authority (RTA).

**Metro**

The Dubai metro system’s Red and Green Lines are fully operational. The metro has been very popular with passengers and has helped reduce traffic congestion in the city. The metro is managed by the RTA Rail Agency. The two lines have 47 stations and 70 kilometre of rail across Dubai. A similar initiative for a metro system in Abu Dhabi is underway, and another one connecting Abu Dhabi and Dubai is being planned as part of a 350-kilometre national railway network to ease road congestion. In addition to the metro, Dubai has ferries that carry passengers and cargo across Dubai Creek.
The UAE’s ports are some of the busiest in the Gulf region and the larger Middle East, with millions of tons of cargo and thousands of passengers using them for transit or as business and tourist destinations. Among the largest are Port Zayed (in Abu Dhabi) and Jebel Ali Port (in Dubai), the largest man-made harbour in the world. An expansion planned for 2020 will provide 82 berths and 125 port cranes, and allow the handling of 21 million containers per year. Fujairah Port expanded its fuel-storage facility to 12 million tonnes per year, making it the second in the world in fuel storage.

The services sector – trade, restaurants, and entertainment; hospitality, including hotels; transport, transit, and storage; communications; finance and insurance; construction and real estate; business services; community, social, and personal services – employed 58 percent of the labour force in the late 1990s, reflecting its dominance of the UAE economy. The value added by the service sector in 1998, in terms of GDP, was ranked second, after the oil sector. More than a decade later, services still make up the second largest economic sector in the UAE, estimated at 47.6 percent in 2009. Dubai has one of the largest service sectors in the country. The services sector has contributed to the economic growth with an annual growth rate of 21 percent since 2000, constituting USD 27.6 billion or 74 percent of Dubai’s GDP in 2005, decreasing to 45.3 percent by 2011 (CIA World Factbook est.). In comparison, the trade sector has experienced the highest increase in GDP share, and the
manufacturing and oil- and gas-sectors combined have decreased, while the manufacturing sector has grown by an average of 12 percent annually since 2000.

The growth of the business-services sector reflects growth in other businesses in the UAE. A 2006 Dubai Chamber survey revealed that the main activities in the Dubai business-services sector were marketing services (19 percent), professional services (18 percent), renting and leasing services (17 percent), and technical services (16 percent). The rest was distributed among research and development, labour, recruitment, and personnel services. The sector’s annual growth from 2000 to 2006 is comparable to that of other business subsectors, such as real estate and hotel, averaging 18 percent, though its share of the UAE GDP remained limited to 1 percent.

UAE’s Minister of Economy has declared that the country will begin allowing total foreign ownership of companies in certain areas of the services sector. The revised law would open up some areas to full foreign ownership, while permitting greater foreign participation in other areas, such as the financial-services sector. Under the new Companies Law, the UAE may allow foreigners to own 100 percent of companies in the services industry. Foreign investors are currently permitted to own a maximum of 49 percent of a UAE company, and, in certain areas of the financial sector, such as insurance, the limit on foreign ownership is as low as 25 percent.

**Industrial Sector**

Together, oil and non-oil-related industries comprise the UAE’s largest sector, totalling 51.5 percent of its economy. In 2009, the export of natural resources still accounted for more than 85 percent of the UAE’s economy. According to Minister of Economy Sultan Bin Saeed al-Mansouri, however, the UAE Economic Report of 2009 shows that oil’s contribution to the UAE’s gross domestic product has fallen. In addition to oil-related operations, there is a wide variety of other industries in the UAE. The manufacturing industries have developed quickly, taking advantage of several factors, such as favourable tax laws, low labour costs, excellent facilities, and political stability. The non-oil sector’s contribution to the GDP increased from 66.5 percent in 2008 to 71 percent in 2009. According to the report, manufacturing represented 16.2 percent of GDP, followed by construction at 10.7 percent, while electricity, gas, and water contributed 1.6 percent.

According to the UAE Ministry of Economy, investment in the UAE’s industrial sector was predicted to rise from USD 21.8 in 2007 to USD 30 billion by 2010 and USD 36 billion in 2012. Also, by the end of 2009, the number of industrial plants in the UAE reached 4644, with a total capital of USD 24.3 billion,
compared to 4219 plants, with a total capital of USD 23.2 billion, in 2008.

The breakdown is as follows: food, beverages and tobacco 379 plants; textiles and ready-made garments 282; wooden ware and furniture 615; paper, printing and publishing 362; chemical industries 810; non-metallic mineral products 616; machines, equipment, and metal industries 1,315 plants. Geographically, the plants are distributed as follows: 346 in Abu Dhabi (with total capital of USD 12.6 billion); 1875 in Dubai (USD 5.9 billion); 1340 in Sharja (USD 1.4 billion); 860 in Ajman (USD 0.5 billion); 186 in Ras al-Khaima (USD 1.6 billion); 162 in Umm al-Quwain (USD 179 million); 73 in Fujaira (USD 2.1 billion).

Diversifying the Economy

Minister of Economy Sultan Saeed al-Mansouri remarked that, ‘Despite the hard global economic situation last year, 425 new plants were constructed throughout the UAE. The increase reflects the successful efforts by the federal government and local governments to drive industrial development.’ More evidence of the rise in industrial manufacturing as part of the drive to diversify the economy is found in the economic indicators of manufacturing activity in Abu Dhabi in 2009, showing that the number of industrial establishments rose from 326 in 2008 to 346 in 2009. Investment in manufacturing rose from USD 10.8 billion in 2008 to USD 12.6 billion in 2009. The largest share went to the food, beverage, and tobacco industries. The number of workers in manufacturing rose from 49,052 in 2008 to 55,849 in 2009, and wages in the manufacturing industries were estimated at USD 2.3 billion that year. The relative values of production among the branches of manufacturing fluctuated during 2009. Refined petroleum products and chemical products were in the lead, followed by other non-metallic products. The values of other goods, such as timber, paper, clothing, textiles, electrical equipment, and appliances, were low.
The country is focusing on vital and strategic industries, such as petrochemicals, steel, cement, and aluminium. At the regional level, the industrial sector contributes ten percent of the Gulf Cooperation Council’s GDP and is expanding.

![Artist impression of Masdar City in Abu Dhabi](image1)

![Khalifa Industrial Zone (KIZAD) in development](image2)

Revenues rose from USD 48.5 billion in 2002 to USD 92.1 billion in 2006 and to USD 146.3 billion in 2007. Among such major industries are the Dubai Aluminium Company (Dubal) and fertilizer plants in the Jebel Ali industrial zone. Dubal is the second largest aluminium smelter in the world and the largest in the Middle East. It provides 50 percent of Dubai’s government non-oil revenue (12 percent of Dubai’s GDP).

Fishing, cement, building material, furniture, plastic, fibreglass and processed metal, commercial ship repair, construction materials, boatbuilding, handicrafts, textiles, food stuffs, and dairy products are among the country’s expanding industries, driven by local and international demand. In the last decade, alternative energy and environmental sustainability have spun off several new industries, in solar energy, organic foods, and recycling. The largest of these are located in Masdar City in Abu Dhabi, a new community planned to be environmentally-friendly and sustainable.

Planning for ambitious industrial projects continues. Abu Dhabi has unveiled its largest infrastructure project, envisioned to be the world’s largest industrial-zone project, currently being built in al-Taweela. Some industrial units in the complex would be granted free-zone status, thus permitting full foreign ownership. The Khalifa Industrial Zone, or KIZAD, is investing USD 7.2 billion, including the cost of the first phase of Khalifa Port. In the technology sector, the UAE is one of the fastest growing nations. The Telecommunications Regulatory Authority (TRA) has encouraged the innovation and development of mobile-phone applications and created a strong and advanced infrastructure across the whole country. As a result, the UAE is ranked among the 25 countries with the highest penetration
of mobile-phone applications, achieved a prominent rank in various types of applications, and became a centre for publishers in the Arab region.

**Agriculture**

The UAE has a small but steadily growing agricultural sector, despite the country’s harsh desert conditions. Modern irrigation techniques, water from aquifers deep underground, and desalination have made possible the cultivation of large areas. The government supports agriculture through the free distribution of farm lands, extensive price guarantees and subsidies. Such efforts resulted in a fourfold increase in agricultural production in the country between 1975 and 1998, with an average annual growth rate of 17 percent. Agriculture’s share of employment was 4.2 percent in 1998. The Ministry of Agriculture and Fisheries oversees regulations and activities in this sector. There are more than 800 companies working in the agriculture sector, mainly in the richest emirates, Abu Dhabi and Dubai.

Some small-scale farming thrives in oases and artificial farms, using various methods of climate control and irrigation. Among the country’s products are vegetables, watermelons, poultry, eggs, dairy products, and fish. The most important product is dates, from the 40 million date palms grown in oases, such as in the Liwa area in Abu Dhabi, and occupying most of the cultivated land. Much of the farmland is found in Diqdaqa (in Ras al-Khaima), Falaj al-Mualla (in Umm al-Quwain), the Dhaid Valley (in Sharja), al-Aweer (in Dubai), and the coastal area of Fujaira.

**Local markets and exports**

The country produces a large percentage of its vegetable needs, including tomatoes, cucumbers, aubergine, cabbage, squash, mushrooms, lettuce, and cauliflower. Despite the decrease in cultivated area, the quantity of vegetables produced increased by 26 percent on average from 2005 to 2009, and production increased from 494,000 tons to 1.3 million tons. This indicates an increase in productivity per hectare. In addition to dates, some fruits, such as mango, citrus, papaya, and watermelons are also produced on a smaller scale, as is tobacco. The UAE also produces about 25 percent of its poultry meat and 60 percent of its eggs from local poultry farms. In 1991 local dairies produced approximately 92 percent of the domestic demand for milk.

The UAE exports fruits and vegetables to markets in the United States and Great Britain, dates to Japan, Indonesia, and Malaysia, and flowers to Gulf Cooperation Council countries, Lebanon, Great Britain, Australia, and Japan.

**Trade**
Trade has always been an important economic activity in the UAE. Much of the prosperity of cities such as Dubai and Sharja was historically dependent on sea trade across the Gulf, with people in Persia, India, the islands of the Indian Ocean, and the east coast of Africa. The same trade routes were used to smuggle gold into the Indian subcontinent and to carry slaves from Africa to the Arab Peninsula. The UAE, especially Dubai, is a major trading centre for transit, export, and import, including illicit trade. The UAE has also become a global shopping centre. The country is a member of the World Trade Organization and is keen on encouraging free trade by establishing free-trade zones (such as the one in Jebel Ali), technology parks (such as Media City, Internet City and International Media Production Zone), and world-class ports, airports, and land transportation systems. Its large ports and airports have some of the best facilities in the world and are constantly crowded with ships and cargo planes transporting goods back and forth or making a transit stop on their way to other destinations.

UAE trade with 228 countries increased by 43 percent in 2008 over 2007. According to the Federal Customs Authority’s annual statistical report, the UAE was the prime trade gateway in the Middle East and Near East, and the UAE’s foreign trade in 2008 was worth USD 236.7 billion (compared with USD 166.2 billion in 2007), including USD 169.8 billion of imports, USD 18 billion of exports, and USD 48.9 billion of re-exports. One of the UAE’s top trading partners is Japan. In 2011, the Japan External Trade Organization (JETRO) reported that bilateral trade between Japan and the UAE amounted to USD 50.3 billion, of which crude-oil exports to Japan amounted to USD 33.1 billion.

There were considerable increases in imports of manufactured goods, machinery, and transportation equipment, together amounting to 70 percent of total imports. Another major foreign exchange source is the Abu Dhabi Investment Authority, which controls the separate investments of the wealthy Emirate of Abu Dhabi and manages about USD 360 billion in overseas investments and an estimated USD 900 billion in assets. With Dubai saturated with shopping malls and with no short-term plans to open new significant retail spaces, retailers have used Dubai as a base for their flagship property, while looking to expand to other markets in the region. Despite the increasing focus on Abu Dhabi as a retail and business centre, Dubai still holds significant interest, as is the case, for example, with the landmark Dubai Mall shopping festival.

Many of UAE-based companies are apparently taking advantage of the phenomenal rise in East-West trade flows. India has been identified as the largest international market for UAE companies, with 28 percent of surveyed firms including the country in their top three, followed by Saudi Arabia at 24 percent and mainland China at 22 percent.
Imports, non-oil exports and re-exports

<table>
<thead>
<tr>
<th>Country</th>
<th>Value in USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>31.7%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>12.7%</td>
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<tr>
<td>Saudi Arabia</td>
<td>5%</td>
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<tr>
<td>Iran</td>
<td>4.2%</td>
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<tr>
<td>Singapore</td>
<td>2.9%</td>
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<tr>
<td>Kuwait</td>
<td>2.8%</td>
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<tr>
<td>Turkey</td>
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<tr>
<td>Canada</td>
<td>2.6%</td>
</tr>
<tr>
<td>Iraq</td>
<td>2%</td>
</tr>
<tr>
<td>Thailand</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: National Bureau of Statistics, UAE

Tourism

Since the mid-1990s, the UAE, especially Dubai, has transformed itself into a major tourist destination. The city embarked on an aggressive marketing campaign to brand and sell Dubai and the UAE as a unique tourist spot. The city’s assets, including its architecture, modern transport system, high-class hotels, shopping malls, year-round sunshine, beaches and deserts and other features, such as Ski Dubai and Atlantis, attract millions of visitors a year. Many tourists from the region and beyond find in Dubai a place to experience a post-modern city, indulge themselves a little, and do their personal shopping for relatively low prices, whether buying electronics, textiles, cosmetics, shoes, chocolates, or gold. Though officially never recognized, prostitution and sex tourism are part of the ‘underground’ economy and among the popular attractions.

Reports by the Department of Tourism and Commerce Marketing (DTCM) show that hotels in Dubai hosted more than 9 million guests in 2011, an increase from 8.2 million in 2010. There were 387 hotels in 2011, with a total of 53,000 rooms. Reflecting the effects of the financial crisis, however, the hotel occupancy rate remained flat, at 70 percent for 2010 and 74 percent in 2011. According to the DTCM report, tourism revenues were USD 4 billion in 2010, up from USD 3.7 billion in 2009. Of this amount, about USD 3.4 billion came from hotels and the rest from hotel apartment rentals.

Abu Dhabi and Northern Emirates

Abu Dhabi for the past five years has invested billions of dollars in polishing its image and turning the city into a desirable tourist spot and a cultural centre. Its new skyline and massive sports projects, such as the Abu Dhabi Grand Prix, with its magnificent Formula 1 race track on Yas Island, and bold artistic ventures, such as the establishment in the city of satellite museums by the Louvre and Guggenheim, are some of the city’s new showpieces, for residents and visitors. Both Dubai and Abu Dhabi now host an increasing number of music shows, theatrical performances, art galleries, book
fairs, and film festivals, which are attracting increasing numbers of visitors from around the globe.

The country’s growing business sector and its tourist industry have helped fuel the construction boom, with billions of dollars being pumped into showpiece schemes. Figures show that hotel occupancy in Abu Dhabi in 2008 was 85 percent and that the growth in the emirate’s hotel income was 35 percent more than in 2007. The same year saw 9 million passengers using Abu Dhabi’s airport, compared with 6.9 million in 2007. According to the strategic plan, Abu Dhabi 2030, the city plans to attract 4.3 million tourists in 2012, an increase of 13.3 percent from 2006. Similarly, airport passengers are projected to increase to 12 million in 2012, 20 million in 2020, and 30 million in 2030.

**Northern Emirates**

The northern emirates have been also emphasizing the hospitality and tourism industry, after the economic slowdown in the property and finance sectors in the aftermath of the 2008 crisis. Tourists in Sharja in 2008 were estimated at 1.53 million, an increase of 5 percent over 1.45 million in 2007. The emirate is differentiating itself in the tourism industry by focusing on family holiday-makers. As a result, hotel occupancy rates are increasing. According to the Sharjah Commerce and Tourism Development Authority, hotel occupancy rates reached 70 percent in the third quarter of 2010, a 5 percent rise from the same period in 2009.

**Development Aid**

A World Bank report from June 2010 commends the UAE for having given generously to development and humanitarian aid. Overall, the UAE’s foreign aid during the last four decades is estimated to have exceeded USD 48.9 billion. Tracking foreign aid granted between 1973 and 2008, Arab Development Assistance: Four Decades of Cooperation identified the UAE as one of three countries that together accounted for 90 percent of the total aid of USD 297.9 billion. According to another report from 2012 by Global Humanitarian Assistance, a group that monitors charitable aid by world governments, the UAE and Saudi Arabia are included in the global top-twenty humanitarian-aid donors.

In 2009 the UAE government established the Office for the Coordination of Foreign Aid (OCFA) to coordinate all humanitarian efforts undertaken by the country. OCFA was set up in collaboration with the UN Office for the Coordination of Humanitarian Affairs and is chaired by Sheikh Hamdan bin Zayed al-Nahyan, the ruler’s representative in Abu Dhabi’s Western Region. According to OCFA’s first annual report (June 2010), government and non-government bodies distributed USD 2.7 billion to 92 countries in 2009. The amount is equal to 1 percent of the country’s gross national income (GNI),
exceeding the UN target of 0.7 percent. 95 percent of the 1,500 contributions were unconditional grants to humanitarian, development, and charity projects. Asia received USD 2.3 billion (87 percent of the total), while Africa received USD 273.3 million (10 percent). The rest was divided among Europe, the Americas, Oceania, and multilateral organizations. The leading recipient was Yemen, at USD 0.8 billion. Other major recipients included Pakistan (USD 0.5 billion), Afghanistan (USD 0.4 billion) and the Occupied Palestinian Territories (USD 289.5 million). Substantial development assistance has increased the UAE’s stature among recipient states, including Arab and Muslim states.

In 2007, the UAE pledged and delivered USD 300 million to Lebanon and was the first country to fulfill its pledge to help rebuild the country’s infrastructure following the conflict with Israel in the summer of 2006. The UAE has also provided significant monetary and material support to the Iraqi government, including a pledge of USD 215 million in economic and reconstruction assistance, and it has provided substantial aid to Afghanistan.

Dubai has also become a global centre for humanitarian-aid and non-profit organizations. The establishment of the International Humanitarian City (IHC) in a free zone in Dubai was a major step in this process. The IHC works to facilitate international aid and development projects by providing logistical, storage, and operational facilities and services to relevant international humanitarian NGOs and UN bodies and other aid groups. IHC was formed by the merger of Dubai Aid City (DAC) and Dubai Humanitarian City (DHC), to serve as a hub for the humanitarian-aid and development community and better respond to their needs. IHC is a non-profit, non-political organization, chaired by Jordanian Princess Haya bint al-Hussein, wife of Sheikh Mohammed bin Rashid Al Maktoum, Vice-President and Prime Minister of the United Arab Emirates.