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The United Arab Emirates and the World:

Scenarios to 2025

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Section 1

Preface

Since the turn of the century, the United Arab Emirates (UAE) has been riding a boom of high and rising oil prices and robust growth in property markets. Its economy has been growing at an average of over 7% per annum in real terms between 2000 and 2007. A significant proportion of the resulting assets are being re-invested in the country at both the federal and local level in a bid to develop an economy that does not rely on energy resources; such reinvestments take the form of public-private partnerships, infrastructure investment and schemes to support specific programmes such as education and training.

However, the country and the region still face important political, economic, social and environmental challenges. Externally, there is the increasing threat of geopolitical instability, including unresolved national and intercultural relationships which have the capacity to negatively affect the UAE's economic and social structure. Likewise, a number of global economic risks threaten the UAE's smooth international expansion, both in terms of volatility in regional and international markets, and the possibility of increasing protectionism in the global trading system. Internally, the UAE also faces challenges in resolving social and political imbalances, including unemployment, skewed income distribution and fractures in the federal framework. Finally, environmental pressures threaten the availability of water resources, marine areas and an unpolluted atmosphere, all of which are required to support the UAE's growing population and its burgeoning tourism industry.

At the World Economic Forum, we are committed to improving the state of the world by shaping the global, regional and industry agendas, and promoting dialogue on key issues that face our members and stakeholders.

To explore the long-term effects of the challenges and opportunities faced by the UAE and the GCC countries in general, the World Economic Forum developed a set of scenarios for the GCC countries covering a period of 18 years to the year 2025. These scenarios, *The GCC Countries and the World: Scenarios to 2025*, were featured at the World Economic Forum Annual Meeting 2007 in Davos and publicly launched at the World Economic Forum on the Middle East in Jordan in May 2007.

In response to continued interest in the region and individual countries within the GCC grouping, the Forum has now developed in-depth country scenarios for the United Arab Emirates, the Kingdom of Bahrain and the Kingdom of Saudi Arabia. These three sets of “deep-dive” scenarios focus on country-specific issues within the context of the regional scenarios. The resulting scenarios including this work, *The United Arab Emirates and the World: Scenarios to 2025*, are designed to challenge, elicit new ideas and push the thinking of those involved in business and policy in the region. They are the joint creation of the wide range of individuals who took part in the project and as such go beyond the assumptions and perspectives held by any individual, interest group or organization. While each scenario set has been designed to be read and used on its own, reading all four scenarios sets will offer a broader understanding of the possible futures presented for both the region and individual countries.

We hope that these scenarios will spur debate and action. The decisions we make today create tomorrow – and these scenarios raise crucial questions about the strategic decisions that will shape the future of the United Arab Emirates.

Sherif El Diwany
Director, Middle East Team
World Economic Forum

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Introduction to scenarios

Scenarios are stories about the future – informed and provocative narratives which reflect different assumptions about how current trends and issues will play out and what new factors will come into play to create a range of different futures. Good scenarios are plausible, challenging and rigorously constructed to address the most critical questions that decision-makers need to face. The scenarios presented here were developed over a period of 18 months at workshops in Abu Dhabi, Doha, Jordan, London, Manama, New York, Riyadh, Sharm El Sheikh, and Washington D.C. They synthesize the perspectives of more than 300 leaders in business, society, government and academia from both within and outside the GCC countries who participated in workshops, interviews and scenario sessions. Although the scenarios represent 'imagined futures', they are supported by detailed economic and energy modelling provided by our research partners.

For a region as diverse as the GCC countries, no single set of scenarios can claim to describe all possible futures for the region or for any country. Each story that has emerged describes one of many different, plausible futures for the region and the United Arab Emirates (UAE), and does not claim to be any more or less likely than any other. Importantly, they are not predictions but rather possibilities and are intended to provoke readers, challenging their assumptions about what may happen and providing a useful shared basis for debate.

How can these scenarios be used?

Leading global companies often engage in constructing large-scale scenarios to help formulate their business and investment strategy. Specifically, scenarios:

- **Enhance the robustness of strategies** by identifying and challenging underlying assumptions and 'business-as-usual thinking' and, hence, contributing to robust and pre-emptive positioning of corporations.
- **Allow better strategic decisions** by discovering and framing uncertainties and better understanding of risks prior to making substantial, irreversible commitments.
- **Raise awareness of the external environment** by helping business communities understand the complex interplay of underlying drivers and critical uncertainties while increasing sensitivity to weak signals that precede a significant change in direction, but often go unnoticed.
- **Provide impetus for current action** by providing users with common languages and concepts for discussing current strategies across various businesses, in a non-threatening context of possible futures.
- **Increase response speed to unexpected events** by visualizing possible futures and mentally rehearsing responses, thereby raising the degree of preparedness and agility.

The World Economic Forum is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional and industry agendas. The Forum is an impartial, not-for-profit organization and is tied to no political, partisan or national interest.

As such, the Forum is ideally positioned to convene the diverse group of individuals at an international level that is necessary to form robust scenarios. The Forum intends to use these scenarios to communicate a shared understanding of the UAE and the broader region and initiate dialogue and action at the international level.

These scenarios are not predictions or forecasts, and are intended to be discussed, challenged, updated and reviewed as time passes. We hope that the scenarios will be used widely both within and outside the UAE, encouraging people from diverse backgrounds to engage in a productive discussion of their shared vision of the future.

Fiona Paua

Fiona Paua
Senior Director, Strategic Insight Teams
World Economic Forum

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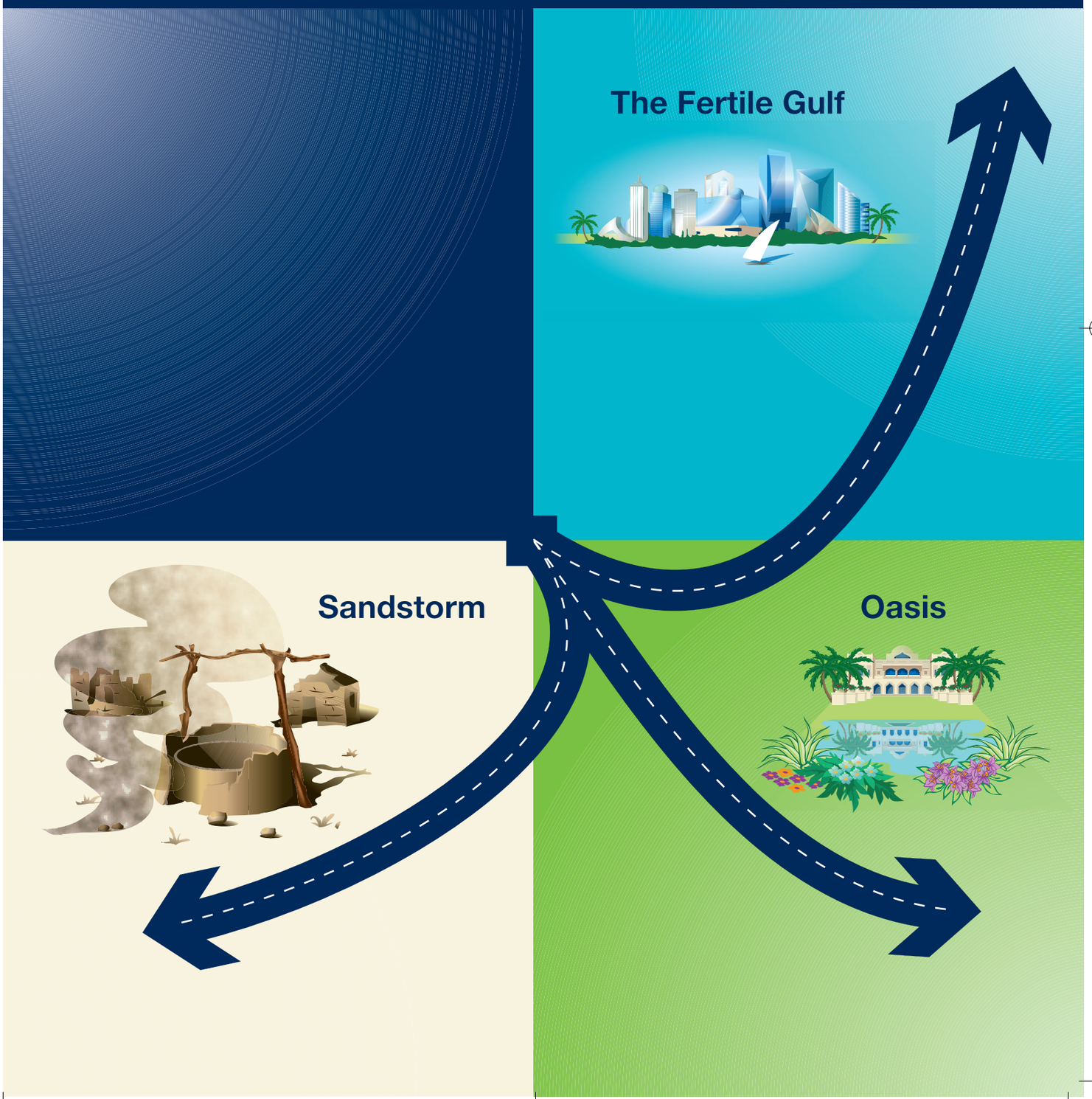
Section 2

Executive Summary



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Section 2 Executive Summary

The United Arab Emirates (UAE) is currently undergoing rapid expansion, with Emirati governments fuelling growth by investing the proceeds of high oil prices and international investments into a huge array of public and public-private ventures. Recognizing that this increase in available funds is not in itself a long-term growth strategy, the UAE government has made a number of public commitments to strengthen the country's macroeconomic foundations, reform its regulatory environment, invest in human capital and sustain the rapid growth of the non-oil sector.

A major challenge for the UAE's future is to accelerate the reform process and ensure that implementation effectively transforms the economy into one that benefits its citizens by providing abundant job opportunities in a stable, diversified growth environment. Since the establishment of the Federation, the UAE has been a regional leader of innovative development plans; however, there is no assurance that this success will continue. These scenarios look at how the UAE can best employ its resources to offer opportunities to all its citizens and to continue as an economic leader in the region.

The focal questions for the scenarios

From the many drivers identified by participants in the project during the construction of both regional and country scenarios, the scenario process identified two key 'focal questions' that could alter the fortunes of the GCC countries over the next two decades. These focal questions are relevant to both the GCC region in general and the UAE in particular, and distinguish the scenarios from one another:

- Will leaders in the UAE be able to implement the necessary economic and political reforms and enforce the rule of law, both in public and private governance?
- Will the UAE be able to maintain internal order and stability, in particular vis-à-vis a complex and uncertain regional situation?

These focal questions represent the broad structure of the scenarios, but as important as they are, the insights that can be gleaned from considering what these questions imply are even more crucial. In positing three possible futures that address them in different ways, two key themes consistently emerged as being critical to the future of the UAE:

- Education and innovation: One of the UAE's key challenges is to ensure that its education system provides nationals with the skills demanded by its growing private sector, thereby helping to diversify the country's industries and redressing the demographic imbalance in its workforce. The scenarios demonstrate that ensuring highly-qualified Emirati workers with relevant skill sets are available in an innovative economy is crucial to the country, both in terms of capitalizing on present oil wealth and achieving its goals of long-term economic stability.
- Leadership and governance: The UAE's leadership and governance structures are critical determinants of the country's future development. While regulation at both the federal and local levels has been improving vis-à-vis international standards in recent years, there is room for improvement in bureaucratic management and openness in government structures. The scenarios indicate that this would have a significant influence on increasing the efficency and effectiveness of governement programmes, and contributing to the country's ability to attract foreign investors.

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Figure 2.1 **The UAE and the World: Scenarios to 2025**

Scenario paths

Three different paths for the UAE through to 2025 are represented in Figure 2.1; they are displayed as movements through a matrix defined by the focal questions mentioned above.

Will the UAE be able to use its wealth and its GCC relationships to insulate itself from the effects of regional unrest, continuing its rise as a diversified, knowledge-driven economy? In the ***Oasis*** scenario, the UAE leverages regional integration to minimize the volatility caused by regional instability, while upgrading its human resources to involve its national populations in a robust, however, still a primarily government-driven economy.

Will Emirati leaders allow regional violence to spill over to the UAE, creating uncertainty for investors and hindering reform efforts? ***Sandstorm*** is a scenario whereby a confluence of dramatic regional events places the UAE in a difficult situation which leaders are only able to manage reactively. Reforms are compromised in an attempt to stabilize local conditions, and increased government spending does not result in long-term solutions to local demographic and economic problems.

Will the UAE government achieve its goals of developing a world-class, market-driven economy, taking advantage of the stable regional environment and increased access to global markets to attract local and international private sector investment? ***The Fertile Gulf*** is a future where the UAE consolidates its role as a global economic player by becoming an innovation hub and a centre for industry, with investment and prosperity spreading across the seven emirates.

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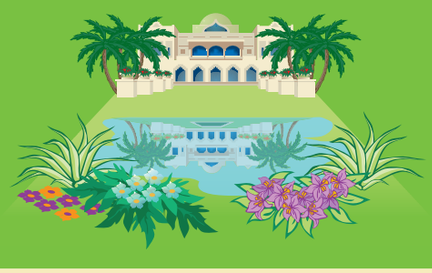
Oasis



Regional environment

Oasis describes a scenario where regional stability continues to be a challenge for the GCC countries, which are nevertheless able to achieve substantial institutional reforms. The GCC countries develop strong identities and work together to coordinate diplomatic and economic policies through technocratic governance and a strong internal market. Over-regulation slows the process of globalization, impacting the GCC countries, however, the UAE remains an oasis of stability and prosperity in an otherwise troubled region.

The story is written as a consulting report from 2025, reviewing the results of institutional and economic reform policies in the UAE between 2009 and 2025.

Sandstorm

Regional environment

Sandstorm describes a future where regional instability is a defining factor that undermines the ability of GCC countries to effectively carry out much-needed institutional reforms. In a depressed global environment, reform efforts deflate or collapse due to a lack of attention to the deeply rooted causes of internal issues and a tendency for governments to focus on short-term stability at the expense of long-term solutions. Caught in a shifting, violent environment, the GCC is blinded and unable to navigate its way out of the sandstorm and identify opportunities for prosperity for its populations.

This scenario is written as a Web forum looking at the evolution of the political, economic and social situation in the UAE from the vantage point of 2025.

The Fertile Gulf

Regional environment

The Fertile Gulf describes the rise of the GCC countries as innovation hubs in a global environment characterized by robust demand for energy and increasing globalization. Regional stability gives the GCC countries the opportunity to focus on enhancing their human capital at all levels, investing heavily in education while proceeding carefully with political and institutional reforms to support their growing economies and societies. In this way, a fertile garden of prosperity is established along the Persian Gulf.

Written as an online publication for entrepreneurs published in 2025, ***The Fertile Gulf*** illustrates the economic, political and social situation in the country and its development.

Country-level dynamics

2007-2012: UAE leaders further encourage the development of a robust private sector through structural changes to markets and increased openness. However, improvements in regulatory frameworks at local and federal levels are somewhat offset by increases in global protectionism. The UAE engages in regional environment initiatives and in developing alternative energies. With a commitment to combat the threat of domestic terrorism driven by regional instability, the UAE maintains a high level of surveillance and security. GCC integration is enhanced by introduction of single currency and enhanced internal trade ties.

2013-2020: The UAE takes a pivotal role in environment initiatives and alternative energies. The country achieves success in the alternative energy and health tourism sectors, while other clusters in logistics, port infrastructure and biotech also experience strong growth. However, volatility increases as financial markets and FDI flows are disrupted by a downturn in property markets, exaggerated business cycles, intermittent terrorist threats and heightened global trade regulation. Disputes between emirates raise concerns about the viability of the UAE's federal framework and a unified Emirati identity, exacerbating tensions surrounding foreign workers. Concerns about corporate governance are dealt with through successive disclosure of wrongdoings and a number of high-profile prosecutions.

2021-2025: The UAE sees continual economic expansion with a relatively strong position in the regional and global economy. However, the country is yet to achieve its maximum potential due to a continued reliance on public sector-led growth, reducing reliance on oil. Strengthening the private sector remains on the agenda. While regional security issues and volatile business cycles persist, these are mitigated by enhanced regional cooperation, and the UAE continues to lead the region in economic innovation.

Country-level dynamics

2007-2012: The UAE struggles to insulate itself from regional disruption triggered by the US bombing of purported Iranian nuclear sites in 2009. With the conflict-led spike and subsequent plummeting of oil prices caused by global recession, federal government revenue is significantly affected. A collapse in business confidence translates into failing real estate projects, an exodus of expatriates, and a significant decline in tourist figures. The UAE is placed in a sensitive position as the US increases its presence on Emirati territory. Lack of proper economic coordination among GCC states becomes secondary to overcoming this crisis, and competition on overlapping industries diminishes the comparative advantage of Emirati industries.

2013-2020: Despite the economic slow down, the UAE manages to somewhat shield the country from the impact of recession using its significant foreign assets. However, fundamental reforms in the economy, politics and society are compromised, overruled by short-sighted piecemeal measures. Internal terrorist attacks, conflicts with foreign workers and the increasing number of radicalized Emirati youth erases any possibilities for FDI inflow. The substandard migrant workers' condition worsens and tension with origin countries heightens. With the collapse of the property market, shockwaves resonate across the financial markets resulting in further capital flight. Federal integration is strained as economic slowdown exacerbates disparities between emirates.

2021-2025: Passive international policy and reactive domestic policies are ineffective in preventing further degradation of economic and social conditions and the integrity of the country. The long-compromised public and private investments and institutional reforms rupture as aging infrastructure proves inadequate to support the economy and the population. A ray of hope shines as active youth movements demonstrate their desire for change and to make their country safe again, despite the limited availability of state resources.

Country-level dynamics

2007-2012: The UAE focuses on transforming the country into a diversified self-sustaining market-driven economy. Emboldened by increasing stability across the Middle East and improved regional integration, the UAE implements a range of significant reforms to education systems, labour markets, and economic policy. Property and foreign ownership laws are progressively implemented to enable full ownership of land and business, while the emergence of Emirati "mega-banks" and partnerships with international stock exchanges reflect efforts to improve transparency and regulatory control in the financial market. The first elected woman to the Federal National Council in 2010 marked a milestone for gender integration. Critical and creative thinking become central to Emirati education, which is geared to nurture the next generation of innovators as well as the Arts.

2013-2020: The evident upgrade in human capital is supported by the rise of online and off-line executive and vocational courses. The availability of skilled human resources in the private sector increases, and the wage differential vis-à-vis the more efficient public sector decreases. Free but responsible press laws increase media freedom and reduces the information disparity between news outlets. A centralized online agency at the federal level, granting one-stop-shop permits to set up business across the Emirates, facilitates new business and entrepreneurial opportunities. As tourism continues to expand, the country sees the emergence of a middle class and new national champions expanding beyond its boundaries, although environmental degradation becomes a major problem for the local and federal governments.

2021-2025: Resources are allocated by market forces across an integrated, private sector-driven national economy, leaving leaders to ensure a responsive regulatory framework is in place and enforced. The UAE has become an increasingly balanced society in terms of income distribution, but also in terms of gender, political and economic participation. A risk-taking culture with a robust entrepreneurial spirit to create wealth is predominant and contributes to the country's innovating economy. Discussions begin on enhanced citizenship to retain talent in the UAE. The Emirates consolidates its position as a hub for multinational operations in travel and tourism, biotechnology, entertainment and logistics. However, environmental issues remain critical; pollution, water scarcity, coastal degradation and waste management are amongst the most pressing problems.

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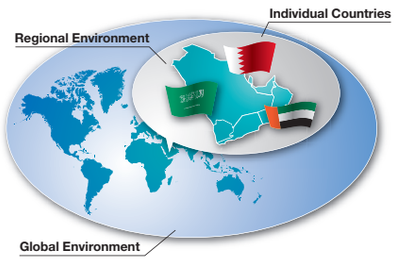
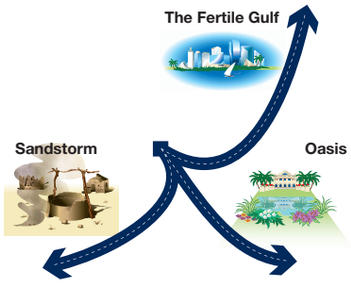
Figure 2.2





Global and regional environment

These scenarios were constructed within a distinct global and regional environment, drawing from existing global scenarios as well as previous regional work in the form of *The Gulf Cooperation Council Countries and the World: Scenarios to 2025.* Figure 2.2 illustrates relationship between the three levels of scenario analysis. As a result, this publication shares the same regional and global environment as its related publications, *The Kingdom of Bahrain and the World: Scenarios to 2025* and *The Kingdom of Saudi Arabia and the World: Scenarios to 2025.*

Comparing the three scenarios

This table provides a comparison of some of the most important aspects of the scenarios, with more quantitative analysis presented in Section 6.

	Oasis	Sandstorm	The Fertile Gulf
Global environment	Globalization continues, tempered by security concerns. More coercive rules and regulations lead to less integration between different cultures and societies.	Security issues of increasing turmoil and violence, domestic concerns and national focus dominate.	Heightened globalization. More cohesive societies and integrated cultures.
Economic performance	Government-driven economy focuses on traditional sectors such as energy (incl. green), financial services and tourism. Growth limited by shocks from boom-bust cycles and external instability. UAE firms and individuals continue to rely to a limited degree on government support and intervention to succeed in the global economy. Income disparity within society and between Emirates widens.	Lack of substantial reforms mean financial reserves can only partially shelter the economy from the effects of low oil prices, and eventually the economy degenerates. Very limited diversification. UAE firms and individuals become increasingly dependent upon the state for their economic welfare and viability.	Integration with the global economy increases significantly. Investments in education and integration help support GDP growth and economic diversification in both traditional (tourism, financial services) and innovative (biotech, healthcare and entertainment) sectors. UAE firms and individuals are able to compete independently and effectively in the global economy.
Social development	Internal stability is maintained, but there are occasional threats from outside the GCC. Limited improvement in educational performance. Internal income disparities between UAE nationals increase. Federal integration progresses, although some stress appears.	Threat of terrorism, not only from the outside but also from internal elements. Educational performance stagnates. Strained relations with foreign workers. Unemployment grows. Federal integration is in crisis.	Improved public and private governance as well as educational performance. Unemployment is successfully tackled and dependence on foreign workers is reduced. There is a stronger federal integration.
External relationships	Some tensions with the US and the EU surrounding their relationship with Iran. The UAE is forced to play a complex go-between role in effort to minimize fall-out from tense East-West relations.	Relationship with the US and other major powers dominated by security considerations. Essentially passive international role focused on a small number of key alliances.	Business ties developed with Iran and reconstruction of Iraq contribute to strengthening of relationship and to stability in the Gulf. The UAE is able to develop a broad and diverse set of mutually beneficial relationships with regional and global powers.
Leadership and governance	Limited political reforms as security concerns frequently steal the government's focus away from substantial institution building and power division. The government plays a paternalistic role in the political and economic life of the nation.	Reform programs largely abandoned as resources and attention are consumed by pressing internal security challenges. Increasing difficulty of leaders to cope with internal instability. Government legitimacy questioned by significant segments of the population.	Stronger governance benefiting from the reforms on power division that foster transparency and accountability. Greater stability facilitate participatory governance. Government becomes an effective instrument of the collective national will in shaping the political and economic future of the nation.

Exploring the future of the United Arab Emirates and the World

You are about to read three stories about the future of the UAE. Boxes on selected topics have been included within the scenarios and are presented in creative formats to further illuminate the key drivers that will shape the future of the UAE, as well as provide depth to the stories. We now invite you to turn the pages, travel through time, and see for yourself what the future of the UAE and the world may be like in the next 18 years.

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Section 3

Oasis

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Section 3 Oasis

Consulting report by Gulf Foresight for the Gulf Cooperation Council, 2025

An independent review of the Economic Cooperation and Development Board (ECDB) Three Pillars Policy in the United Arab Emirates, 2009 to 2025

Commissioned for the 16th anniversary of the Three Pillars Policy, this report by Gulf Foresight, an independent consultancy, evaluates the success of these reforms and how they have influenced the development of the United Arab Emirates (UAE). The report considers three primary questions:

1. *How has an enabling business environment been constructed with regards to the Three Pillars Policy?*
2. *What innovations and industries have been subsequently developed to take advantage of the results of the policy?*
3. *What challenges has the UAE faced in achieving its successes, and which still remain?*

Over the 25 years since the turn of the 21st century, the countries that make up the Gulf Cooperation Council (GCC) region have established themselves as a dominant force in the Middle East, an oasis of political stability and economic growth in a region that has been plagued by periodic bouts of financial instability, volatile oil prices (see Figure 3.1), political tensions and security concerns. Given such an unstable regional environment, this oasis has only been achieved through high levels of intra-GCC coordination. One example is the Three Pillars Policy, instituted in 2009 by the then newly-formed GCC Economic Cooperation and Development Board (ECDB) [1]. This report seeks to evaluate how much the UAE's success reflects the aims of the policy: to encourage the development of public-private partnerships, economic diversification and to improve governance.

[1] See box page 13: ECDB FAQ website

We find that the Three Pillar Policy's aims have been clearly pursued by the UAE through policies of integration in the economic, political and social spheres. Indeed, the UAE's track record is particularly strong for all three pillars and has been well-documented in previous reports. Through its efforts, the UAE has established itself as an innovative, forward thinking and increasingly cohesive nation that still has one of the highest GDP per capita rankings in the world. This report also focuses on specific issues that are of particular note to the UAE, either because their example should be cited more frequently, or because we have identified an issue requiring ongoing monitoring.

The key to the UAE's economic and policy successes, as recorded by many commentators elsewhere, has been the leadership's ability to anticipate and take advantage of some of the key non-market forces acting upon the region. As such, the government has remained highly influential in directing industry policy in the UAE, working hard to stimulate the private sector, while also attempting to minimize much of the boom-bust cycles, particularly prevalent in the real estate and construction industries when the oil price softened between 2014 and 2016. The government has also strived to establish the UAE's position on the environment and climate change, providing a beacon of hope in the global debate. However, despite recording the most significant progress within the GCC, domestic challenges remain and regional instability, including nuclear proliferation, poses an ongoing threat to the UAE's economic and social fabric [2].

[2] See box page 13: Foreign Policy Magazine

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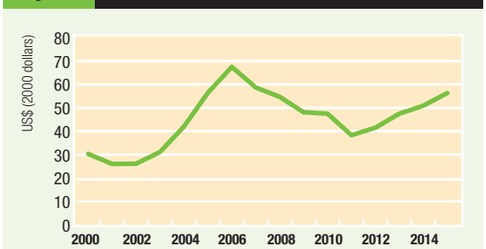
Frequently Asked Questions

Find the answers to frequently asked questions about the Gulf Cooperation Council Economic Cooperation and Development Board

What is The Three Pillars Policy?

The GCC Economic Cooperation and Development Board (ECDB) was set up in 2009 by the GCC states as a coordinating body and advisory council to the GCC countries' ministries and development bodies, to ensure mutual economic success. It quickly formulated and released what is now called the Three Pillars Policy, a set of principles outlining three policy directions for GCC states towards which to orientate their development. To a large extent, the Three Pillar Policy's aims – development of public-private partnerships, economic diversification and improved governance – have been substantially fulfilled by GCC member countries. As a result, the GCC has become a regional powerhouse, the force of which far surpasses the expectations that many have had for the GCC as a coordinating body. The signing of a series of bilateral trade agreements has meant that the GCC has forged ahead despite a world investment environment hampered by a lack of commitment to furthering globalization. As a consequence, where global growth has averaged 3% over the last 15 years, the GCC states have enjoyed a very respectable average growth rate of 4.75% (see Figure 3.2).

Figure 3.1 **Real Oil Price**



Source: PFC Energy

Figure 3.2 **Global and GCC Real GDP Growth**

Source: PFC Energy

FOREIGN POLICY MAGAZINE 7 January 2022

IAEA forthcoming inspections in the Gulf

Nuclear Proliferation

Over the past decade the withdrawal of the US from Iraq and a general increase in protectionist policies around the world has resulted in a shift in the balance of security guarantees to being regionally determined in the Middle East. For instance, with the US withdrawal, the Kingdom of Saudi Arabia increased the scale and purpose of its military research and began to regard itself as a guarantor of security to other countries in the GCC, and as a counterbalance to Iran's increasing influence in the region, especially in Iraq. When Iran tested its first nuclear weapon in 2014, rumours quickly emerged that Saudi had also acquired nuclear technology, presumably with help from foreign sources.

It seems we have entered a new age of a high-stakes arms race in the region; Egypt refuses to deny rumours of a forthcoming nuclear acquisition and with the recent strengthening of the oil price, other GCC states have increased capital to pursue more clandestine forms of research into nuclear technologies. While oil prices have risen recently to support increased military spending, there are undoubtedly huge opportunity costs to these purchases which are almost certainly not offset by increased security. The IAEA inspections in the Gulf planned for this summer could be a flashpoint for tensions surrounding these issues.

I. Creating an enabling environment

A notable achievement of the UAE has been the consistency and clarity of its leadership's decisions. This is clearly demonstrated by the enabling environment created by federal and local governments, which have instituted a secure climate for business, a strong regulatory framework and a range of public assets including improved education and health infrastructure. In addressing these three issues, the UAE has maintained a strong platform upon which the country could satisfy the Three Pillars Policy's priorities.

First, given regional instability, the UAE has been keen to reassure its people and the market that the country would remain insulated from the surrounding geopolitical tension. Two major concerns for the UAE government have been the threat of violence led by the states and the threat of domestic terrorism. As one of the more open economies of the Gulf, the UAE is particularly exposed to the risk of market disruption and capital flight. To counter these threats, the UAE has sought closer ties with its GCC neighbours and has maintained a high level of surveillance and security throughout.

Second, the UAE has recognized the need to continually improve regulatory frameworks. Given the environment of regional instability, increasing global trade regulation and GCC integration, the UAE has been selective about the regulatory frameworks it could put in place. For instance, while it determinedly set about improving property rights with simplified business start-ups and implemented anti-corruption laws between 2002 and 2010, it hesitated to increase the freedom of banks and of the press because of perceived risks from outside influences. Regulatory reform also afforded a greater consistency among emirates; regional integration at the GCC level was matched by increasing coordination between the individual emirates themselves, and a range of regulations relating to the private sector were harmonized at the federal level, easing barriers to domestic and foreign investment and cleared up much of the confusion created by multiple codes under free zone, local and federal law.

[3] See box page 15: Vocational Leader, Editorial

Third, important successes for the UAE government in terms of improving its domestic business environment were achieved through reforms addressing the availability and quality of human capital [3] and efforts to promote entrepreneurship. The federal government established a significant entrepreneurial fund in 2010 which was met with mixed reactions from economists, some of whom accused the government of distorting the market. Yet many of these start-ups have developed into successful businesses, and even the prestige of simply accessing the fund has been found to be a major incentive driving young entrepreneurs today. Meanwhile, improvement in public infrastructure, such as the completion in 2011 of the magnetic levitation transport systems linking Dubai with Abu Dhabi and Sharjah, stimulated trade between the Emirates and neighbouring GCC countries, particularly after being extended to the other emirates and to Muscat by 2017.

The combination of the above reforms in education, human resources and public infrastructure ensured that domestic and foreign investors in the UAE had access to a range of assets to take advantage of a business-friendly regulatory framework and a secure local environment. They also encouraged further private sector-led initiatives, such as the privatization of water and electricity companies across all of the emirates and levelling of subsidies. At the regional level, the increasing devolution of trade agreements to the GCC created some friction between members, however much of this friction was off-set by stronger internal markets within the grouping, including interlinked trading platforms.

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VOCATIONAL LEADER 21 August, 2019

EDITORIAL

Layla Beyad, Editor

Welcome to this issue of Vocational Leader, the magazine covering the latest vocational developments in education in the United Arab Emirates. This month's edition is a special 10-year review of how far the country has come in providing focused and practical education curricula for Emiratis.

One of the most distinctive decisions of the government over this decade has been its structured engagement with the private sector on issues of skill sets and it is heartening to see how committed both parties have been to shaping our education curricula to more accurately represent the demands of today's working environment. As a result, university budgets for job databases and career consultation process were expanded in 2009 and volunteer programmes and extensive internship schemes were put into place at junior high schools.

Over the course of the past ten years, the government has continued to develop a strategy of public-private hybrid education. At the secondary school level, this has resulted in a number of schools in Abu Dhabi and Dubai now being managed privately with government oversight. At the tertiary level, in 2011, the government announced the development of specialized universities in partnership with the private sector, and largely funded through government subsidies. Sharjah was the first emirate to seize this opportunity, and began its steady ascent to its current status as the pre-eminent educational centre in the UAE. In 2013, the first meeting of university vice-chancellors across the GCC to discuss a GCC-driven tertiary policy was well attended by UAE representatives.

Vocational education programmes beyond secondary and tertiary education have also been reinforced over the past decade. The emphasis has been to create a set of innovative training programmes for nationals preparing for remunerative jobs in the private sector. Meanwhile, a teachers' retraining scheme was introduced to revitalize teaching skills in Dubai and Abu Dhabi, with a focus on relatively new technologies. Financial incentives were offered to build up professions in sectors traditionally short of nationals, such as nursing and engineering. There have been hitches. For example, the oversupply of engineers in 2019 necessitated a brief reassessment of UAE education plans and investment. Overall, however, the consistency of the UAE's vision in completely modernizing the country's education system from the primary school level right through to university and vocational training, has been truly noteworthy.

It has been a pleasure for all of us at the magazine to reflect in this special edition on the UAE's remarkable success in educational reforms, and I hope you enjoy this issue.

II. Building on the foundations

Creating a solid enabling environment was a critical aspect of the UAE's implementation of the Three Pillars Policy. Despite the challenges of implementing regulatory and institutional reform in a relatively hostile regional environment, the UAE largely achieved its goals. This section looks at the economic successes that can be attributed to the policy and its precursors, and cites examples of major projects that benefited from it.

The first core aspect of the policy was built around enhanced engagement between the public and private sectors. The best-known example of this is the UAE's success in positioning itself as a leading green economy and a celebrated research centre for alternative energies. In 2009, the MASDAR Green Community Free Zone adjacent to the Abu Dhabi airport opened. This is an example of a government-led initiative that succeeded in both galvanizing the private sector and profoundly influencing public policy. The private sector was initially attracted to the US$ 100 million "clean technology fund" that the government established to co-invest with private sector partners in companies focused on emerging renewable technologies. However by 2011, the success of the zone and the companies investing in it led the government to float the Abu Dhabi Future Energy Company on the UAE exchange, transforming a state-led innovation into a more flexible public enterprise. In 2020, this entity rebranded itself as "FEC Global" and at the time of writing of this report it is one of the most sought after global stocks. Meanwhile, the market capitalization of UAE-based green technology firms is now judged to be in excess of US$ 1.5 trillion.

This rise of the UAE as a centre for environmental technologies was influenced heavily by its connection with the first World Future Energy Summit 2008, from which the Abu Dhabi Initiative was launched. This initiative reiterated the UAE's commitments to tackling climate change and developing sustainable energy alternatives such as large scale photovoltaic, solar-thermal energy plants. While the combination of government-led initiative followed by private sector buy-in worked well in the energy sector, it was less successful in other free zones such as information and communications technology and media, perhaps due to intense competition from Bahrain and Qatar in these sectors. However, other emirates recognized the need to propose innovative projects to circumvent regional competition. Sharjah, for example, has experienced great success focusing on education and its integrated transport and logistics ties with the subcontinent.

Energy projects such as MASDAR were also a means of spurring economic diversification away from fossil fuel production, thereby implementing the second pillar of the policy (economic diversification), while capitalizing on the UAE's expertise in energy [4]. Another example of this is the UAE's engagement with nuclear energy. Power shortages between 2009 and 2011 prompted the UAE to work within the GCC to investigate nuclear power as an alternate energy source, collaborating with the International Atomic Energy Agency for technology transfer on carbon-free nuclear energy. This, combined with the release of the Abu Dhabi Protocol at the Intergovernmental Panel on Climate Change (IPCC) meeting in the UAE in 2012, created a range of new opportunities for Emiratis and international companies that formed clusters across the emirates around the technical and environmental educational institutes and research centres.

[4] See box page 17: Energy snapshot

The Emirates' economic diversification efforts were not limited to energy projects. Diversification also took place in tourism and biotechnology. In the case of tourism, the most notable success has been the Dubai Healthcare City established in 2012, and which is now the regional champion for health tourism. Biotechnology, originally growing from Dubai's DuBioTech, has proved an unexpected success, attracting a wide range of international companies as well as incubating many of the firms that now form the BioWorld consortium. As it did with energy and tourism, the timely transfer of control to the private sector has enabled the government to keep looking for innovative spaces in which to invest the Emirates' wealth, while fuelling sustainable and efficient economic growth and decreasing dependence on oil.

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PFC Energy 50

Energy snapshot, 1 July 2010

The outlook for the Abu Dhabi energy sector from 2010 to 2015

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Having averaged 10% a year up to 2010, growth in real GDP in the UAE is expected to average 8% per year during the five years ending 2015, buoyed by the expansion of the green economy. With population growth expected to slow to about 3.5% per year, the level of real GDP per capita will rise to more than US$ 50,000, placing UAE in the top 10 countries per capita worldwide (see Figure 3.3).

This has a significant impact on our outlook for the Abu Dhabi energy sector (see Figure 3.4). Abu Dhabi energy demand is dominated by three uses – transportation, industry and power generation. Over the next five years, total demand is expected to increase rapidly (8% to 9.5% per year) in all sectors. This is roughly in line with the forecast rate of growth in real GDP. Despite recent investments in alternative energies, particularly the soon-to-be-commissioned nuclear plant in Abu Dhabi, oil and gas will continue to dominate supply with gas supplying just over three quarters (76%) of the growth and oil supplying the balance. Current renewables are in the picture, but volumes are expected to remain small for the next five years (see Figure 3.5).

Looking at trends in five year intervals, Abu Dhabi has long had one of the highest levels of energy demand in relation to either real GDP or population of any country in the world, thanks to its strong growth. Demand per unit of real GDP – which has been declining – is expected to flatten out as the mega projects start to come on line. At the same time, demand per capita is expected to continue to move upward, especially as the rate of population growth begins to slow (see Figure 3.6).

Meanwhile, Abu Dhabi gas demand has traditionally been dominated by power generation and industrial use with total volumes being set by domestic production. Going forward, power generation and industrial use will continue to grow rapidly with power accounting for about 56% of the growth and industrial accounting for about 42%. After 2015, we expect these percentages to decline slightly as nuclear power and renewables become widespread (see Figure 3.7).

Fig. 3.3: Abu Dhabi Economic Indicators

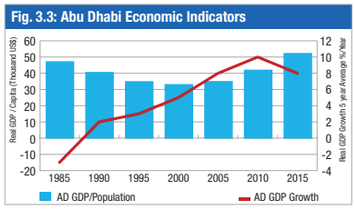


Fig. 3.4: Abu Dhabi Energy Demand and Real GDP

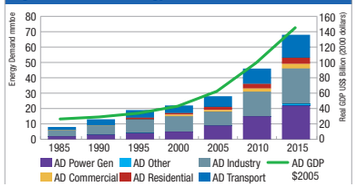


Fig. 3.5: Abu Dhabi Primary Energy by Fuel

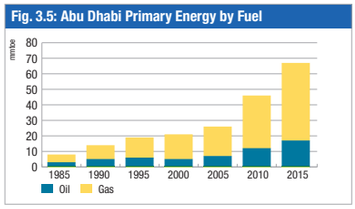


Fig. 3.6: Abu Dhabi Energy Indicators

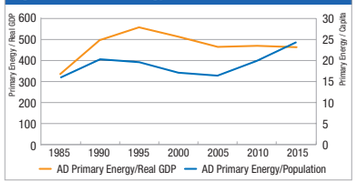
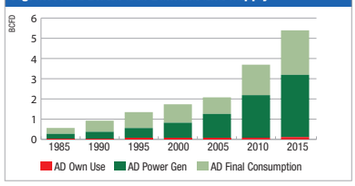


Fig. 3.7: Abu Dhabi Gas Demand and Supply



III. Key challenges

These successes in improving the business environment and building sustainable, high growth industries with significant private sector engagement did not come without substantial challenges. Most pertinent to the implementation of the Three Pillars Policy were issues regarding corporate governance, economic disruptions in the form of exaggerated business cycles, intermittent terrorist threats and increasing friction in the global trading environment. Further concerns were raised by the stability of the UAE's federal framework [5] and by tensions surrounding policies on foreign workers [6].

[5] See box page 19: Federal system under threat

[6] See box page 19: Foreign labour

Corporate governance – falling within the third pillar of the Three Pillars Policy – became an increasingly important issue between 2008 to 2011 as domestic markets expanded rapidly. Financial sector regulation was severely tested by a string of corporate scandals in 2015, which highlighted the issue and led to a series of high-profile investigations. Successive disclosures of corporate wrong-doing and the subsequent penalties given to those convicted proved to both domestic and international markets that regulators were both sufficiently independent and had the full support of the government in policing corporate governance, even at the expense of the reputations of a number of well-connected political and business leaders.

The UAE economy meanwhile was adversely impacted by a series of boom-bust cycles in the local property market that disrupted both financial markets and FDI flows between 2012 and 2016. While early predictions of a crash in 2008 proved exaggerated, in 2012 concerns surrounding domestic inflation, flare-ups in tensions in the wider Gulf region and a softer oil price induced asset values to fall dramatically, particularly luxury property developments geared towards high net worth individuals and foreign investors. With buyers in short supply as increasing numbers of wealthy expatriates left the country, average apartment prices in Dubai slipped 15% in three months and the situation was exacerbated as new supply came onto the market in 2014 in Abu Dhabi and Dubai. This resulted in the demise of a number of smaller mortgage firms and two prominent developers, including Dubai Deluxe Properties. This had subsequent knock-on effects that wiped significant value from financial markets. While development approval regulations have been revised and the market has now largely recovered, increased volatility and recent large-scale developments in the smaller emirates has raised new concerns of an impending property bubble.

Concerns related to regional security have also threatened the UAE's economic stability in recent years. Two highly-publicized attempted terrorist bomb attacks in Dubai and Abu Dhabi in 2018 caused short-term market disruption and continues to create concern for investors. A report by the Dubai International Finance Corporation from February 2025 states that while the risk of state-led violence seems to be largely priced into the market, the threat of terrorism may well be underestimated by investors, potentially explaining the overreaction of investors to the 2018 incidents.

Finally, while downturns in the price of oil have only marginally impacted the UAE's public spending and private investment, friction in the international trading environment has caused concerns for the expansion of some Emirati companies on two fronts. Firstly, US and EU tariffs on certain goods from the GCC region remain high, putting these goods at a competitive disadvantage in western markets. Secondly, the recent decision by the German government denying Dubai Infrastructure International the right to purchase Berlin Airport is an indication of persistent limiting factors for GCC-based companies seeking to expand the scope of their investment and operations in western markets.

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AL-SHARJAH NEWS

MAY 1, 2020

Editorial

FEDERAL SYSTEM UNDER THREAT?

Doubts continue to surface regarding the efficacy of the UAE's federal framework, despite the government's efforts to downplay criticisms of enduring inequalities and fundamental disagreements within the Federal Supreme Council.

Although these doubts are not without substance, it should be noted that there have been indications of a far greater cohesiveness over the past decade than was the case previously. Examples of this include the policy of streamlined subsidies of water and energy services across all emirates, which were standardized in 2015; and the implementation of a single integrated set of legal procedures for establishing new businesses in the Emirates. At the same time, Abu Dhabi has been generous with sharing its carbon capture and recovery techniques with other emirates.

However, the economic downturn between 2012 and 2016 increased pressure on federal relations as some attributed the depressed property market to overzealousness by the Abu Dhabi and Dubai governments. Indeed, many tensions seem attributable to income disparity among emirates. These tensions have been observed more often as reforms in education, healthcare, labour and business have been implemented.

In broader terms, a general note of uncertainty is routinely sounded regarding what constitutes an Emirati identity. To some, Dubai and Abu Dhabi's rapid economic growth has liberalized cities in more ways than one, and not all of them regarded as positive. The federal government responded to concerns surrounding local cultural identity by subsequently establishing the National Arts Authority, commissioned not only to preserve past heritages, but also to nurture local creativity and artists. While the fruits of this and similar efforts are noticeable with an increased number of Emirati architects, artists, photographers, and fashion designers holding successful exhibitions in the country and abroad, there are ongoing concerns that the Emirati, especially the younger generation, eschew their traditional culture and values in favour of a more liberal and apparently attractive, western value systems.

Given the waxing power of the GCC regional grouping, it is ironic that these federal tensions have dogged the UAE. The federal framework may not be perfect, but as we reap the benefits of greater integration at a GCC level, it seems churlish to reject the benefits of integration within our own federal system.

UAElife.ae

March 10, 2021

Special Report: foreign labour

As a country with a disproportionately high ratio of foreign labour, the balance between national and expatriate labourers has consistently remained a sensitive issue for us here in the UAE, creating a potential risk to domestic stability. Not that we haven't tried to wean ourselves off our addiction to expatriates: in 2010 the UAE followed Bahrain's model of introducing new license fees to employ expatriate workers, to reduce the cost disparity between local and foreign labour. However, the renewed expansion of recent years has brought with it an increasing number of foreign labourers, and the expatriate population has now reached a new high, as have tensions about their role in society.

However the tensions cut both ways. While the UAE has entered into bilateral negotiations with countries such as India to ensure that local labour standards comply with those proposed by the International Labour Organization, reports of mistreated and illegal workers persist. Further, recent changes in labour regulations at the GCC level make migration between GCC countries easier. We should ensure that our foreign workers are viewed both as an important asset that our country requires in order to keep growing, but also as human beings who deserve to be treated with equal respect as our fellow nationals. For this reason alone, a proper re-think on nationalisation of expatriate workers is well overdue.

IV. Conclusion

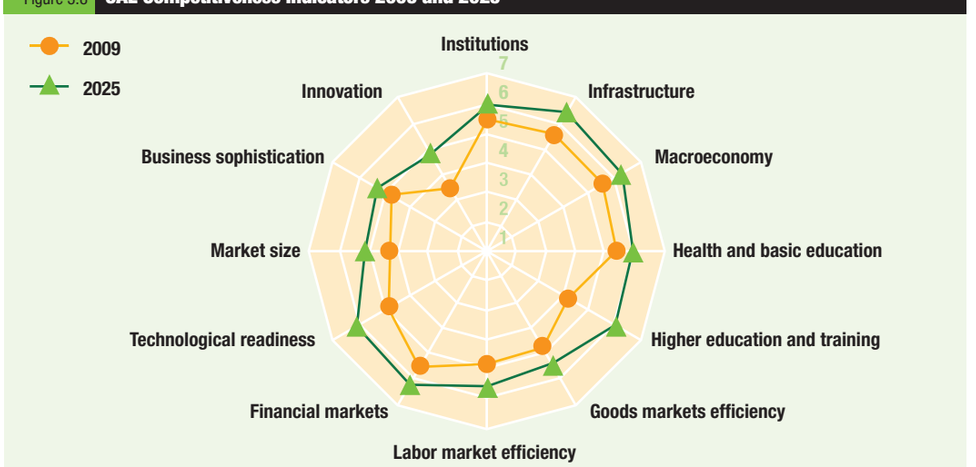
As noted at the beginning of this report, despite surrounding instability in the Gulf region, the UAE has achieved considerable success over the years. The Three Pillars Policy has been, and remains, a relevant guide for policy development. The government has played an extremely active role in developing public-private partnerships and economic diversification, and its efforts to improve governance have resulted in remarkable improvements in transparency and accountability as well as competitiveness (see Figure 3.8).

Yet, while the strength of the government's voice has proved an efficient and pragmatic instrument, it has also had less positive consequences. Chief among these is the fact that despite the increased activity of the private sector, the UAE has not diversified away from a hydrocarbon based economy as much as some would have liked, and there is still a strong reliance on oil revenue and government initiatives. At the same time while the government has done much to develop and promote a strong foundation of entrepreneurial culture (and there are many testimonials to its success) concerns remain around the notion of competitiveness, as many new businesses find themselves relying on government subsidies to compete with international peers. There are also indications that one of the consequences of strong public sector leadership has been underinvestment in private sector led innovation. Recent figures which show rising numbers of new firms being established outside of the government "target" sectors, would suggest that this trend is reversing, but it is too early at this point to establish if this will continue.

Looking ahead, there is ongoing concern regarding movement in global trade negotiations, and the impact that a possible further retrenchment from globalization could have on the UAE's growth. The stability of the UAE's FTA with the US was called into question by the US Congress last year amid renewed unease in the US with respect to UAE's economic relationship with Iran. In the past five years the US has also witnessed France and Germany rejecting attempts by Emirati companies to acquire 'sensitive assets' in these countries. Should this trend continue and spread to Asia, the UAE's ability to expand its national companies and collaborate on further cross-border innovations could suffer, along with its financial institutions and energy exports.

Despite all of the foregoing, Gulf Foresight is pleased to report that the UAE maintains a strong position in both the regional and global economy and has domestic assets to build upon as opportunities arise. The Three Pillars Policy remains an overarching framework that has served the country well for the past 16 years, and all things being equal, should continue to do so for the next decade.

Figure 3.8 **UAE Competitiveness Indicators 2009 and 2025**



Source: World Economic Forum

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Section 4

Sandstorm

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Section 4 Sandstorm

WEB FORUM

Al-Khaleej Online

SEARCH

Welcome

Welcome back to our ongoing series of web discussions on Gulf issues. This web forum is dedicated to the evolving political, economic and social situation in the United Arab Emirates (UAE).

Posted by Kihrbash
Moderator
26/5/2025 12:20

Abdallah Khalfan bin Khirbash, our moderator for this discussion, is a reporter in our UAE office of Al-Khaleej.

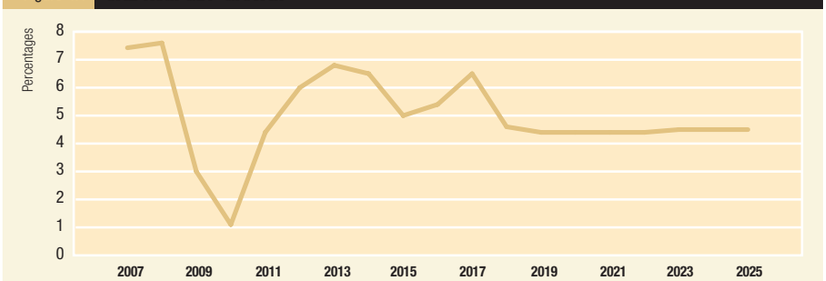
Kihrbash: Welcome to your daily dose of Al-Khaleej Online. You may have seen our special televised debate on Al-Khaleej Primetime yesterday, which discussed the evolution of the Gulf Cooperation Council (GCC) and its member countries over the past 25 years [1]. Now this is your chance to debate the issues raised during this show, focusing on the UAE.

I was born in Abu Dhabi in the early 1980's, so I've experienced first-hand the changes here in the Emirates. We don't seem to have progressed much further than we had when I left university in 2007. A lot has happened: the oil boom, the US strikes on Iran in 2009, the massive spike in oil prices that year followed by the price crash in 2011 when the global economy went into recession [2], the fragmentation of the region and the terrorist bombings in 2018. It's certainly been interesting times for us here in the Gulf, and often not very pleasant. That being said, we seem to be getting back on track now, with growth rates here in the Emirates picking up to a healthy, if less-than-ideal, 4.5% per year this quarter (see Figure 4.1). We certainly haven't suffered as much as some of our neighbours in terms of budget difficulties or massive internal strife.

But there is no doubt that we have failed to achieve what we wanted to 20 years ago. We are still very much reliant on our energy resources and the private sector is not the powerhouse we desired. With the global economy picking up again and the region seeming to stabilize, what can we do to ensure the next generation is not only aware of our mistakes, but also able to avoid repeating them?

I look forward to reading your posts and comments on this forum.

Figure 4.1 **UAE Real GDP Growth**



Source: PFC Energy

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[1] See scenario publication, The GCC Countries and the World: Scenarios to 2025

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[2] See box page 23: Foreign Policy Review

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After the dust has settled

The Long View (Opinion) Foreign Policy Review v.35 n.4 April 2014

MICHAEL SWORD, EDITOR

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Last week in Riyadh, a GCC ministerial-level conference discussed the tensions that have dogged the region over the last five years and reached the predictable conclusion that they are essentially attributable to the US air strikes on Iran in 2009. This seems an overly simplistic interpretation. In fact, experts agree that this regional tension can be more accurately explained as a confluence of events up to and beyond these strikes. It is a convincing argument, and also illustrative of the events surrounding the strikes, so worth repeating here.

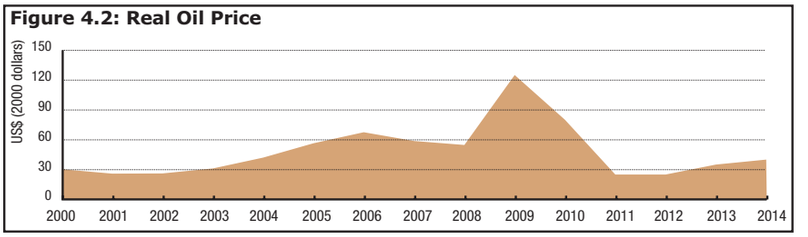
The US's sabre-rattling against Iran had been going on for some time when, in 2009, a rhetorical war of words between Washington and Tehran heightened tensions in the region and increased the volatility of the oil price. By this time, Iraq had descended into a full-scale civil war fuelled by a proliferation of externally funded, well organized sectarian and ethnic militias. The Iraqi government, its own forces outnumbered, had essentially lost any semblance of control in the country and was on the point of collapse. Due to domestic political pressures, the US had little option but to withdraw the bulk of its troops from the country, and compensated by increasing its strategic presence in other Gulf states, a decision that further heightened tensions across the region. Concurrently, Israeli-Palestinian negotiations broke down over the perennial issue of the proposed borders of the Palestinian state.

Then, on 21 November 2009, the US aggressively responded to the suggestion of an Iranian nuclear capability by making a series of air strikes on industrial complexes across Iran. These strikes further unsettled the international oil markets as Iran launched retaliatory attacks on American installations and interests in the region, and declared the Straits of Hormuz closed to crude oil and LNG tankers other than its own. Subsequent clashes between Iranian fast-attack boats and US naval forces dramatically increased the risk for transiting tankers; indeed one tanker, the Oryx, was caught in the conflict and caused a severe oil spill along the coast of Saudi Arabia that could not be attended to by either Bahraini or Saudi environmental teams due to the lack of security along the coast.

As a consequence of the conflict, the price of oil surged to US$ 130 per barrel (See Figure 4.2). Travel warnings for the region were issued by western governments, resulting in a collapse of tourist and business travellers. Although the armed conflict between Iran and the US had stabilized by the beginning of 2010, fear of further unrest caused a widespread exodus of expatriate and migrant workers from the region and productivity sagged. As the Chinese and western economies began slowing, largely due to disrupted markets and the increased price of oil, the world moved inexorably towards a global recession and the oil price went into freefall, with OPEC able to do very little about it. By 2011, the oil price had bottomed out at US$ 20 a barrel, rising to average just over US$ 30 for the year.

Which brings us to today. Lower oil prices have failed to stimulate the global economy over the last three years as investors and companies come to terms with depressed stock prices and fears of further instability around the world. The 'long boom', the longest period of sustained global growth the world had witnessed, had finally ended and left us with a highly adverse regional environment. The experts are right, it wasn't just the strikes that caused the current situation, but in my view we still could have done without them.

Figure 4.2: Real Oil Price



Source: PFC Energy

When I think back to all the wealth I earned on paper between 2007 and 2011, I laugh

Posted by Farbod Mohammadzadeh
Businessman
26/5/2025 12:50

Farbod: Things are getting better, true, but that doesn't make it better for many of us who were hit hard by the regional problems. I moved to Dubai in 2007 from Iran, intending to take advantage of the booming property market; we all believed that real estate prices could only continue to rise, at least in the medium term. Then of course came the US strikes on Iran in 2009. It seemed, for a while anyway, as if the protests that engulfed the rest of the Middle East would not substantially affect the UAE. Although Iran did fire missiles at the UAE, they were token expressions of anger against US interests and the cities at least escaped damage. Financial and property markets seemed to recover and were quickly buoyant, helped by the liquidity that the high oil price produced in the price spike between 2009 and 2010.

However, with hindsight, it's very clear that the UAE was a lot more exposed to losing its position than everyone had thought. As a result of underlying market fragility that the government had failed to address, the economy began to deteriorate. Sure, the UAE had the financial liquidity to temporarily shield itself from the drop in oil prices and didn't suffer to the same extent from the spending cuts affecting other countries, but it wasn't a favourable economy for firms like mine that were focused on the outside world. I think the government simply underestimated the extent to which regional tensions could affect business confidence [3].

Link

[3] See box page 25: MEsecurity.com

After the strikes there was an exodus of expat workers, skilled and unskilled, either because they had more stable jobs to go to in other countries, or because they were afraid of further Iranian military action and terrorism. Both tourist numbers and market attractiveness fell. A shoulder-launched rocket strike on a group of expat apartment buildings in Abu Dhabi in 2010 accelerated the flow of people out of the country. It was around then that capital flight began in earnest as people started to move their cash to more secure locations in the West and the East.

Then, as the oil price dropped, so did the value of all the mostly highly leveraged big real estate projects that were nearing completion. Almost overnight, real estate developers were unable to find buyers. Incomplete projects were suspended and planned ones indefinitely delayed, all of which contributed to the ongoing labour unrest. It turned out that my career in property development was short-lived. When I think back to all the wealth I earned on paper between 2007 and 2011, I laugh. I was a rich man then. I tried to offload my investments in 2013, but of course so did everyone else, and I got almost nothing. I've stayed in Dubai and have managed to get things largely back together now, but you're right, it's nothing like it was supposed to be. I'm glad things are picking up, but I certainly won't be able to retire in Geneva as I thought I would!

COMMENTS (1 - 3 of 282):

Kihrbash (moderator) - 26/5/2025 13:01 - Post Reply
So what are you saying, Farbod, that regional conflict was the cause of our problems today? We've had wars on our doorstep many times before and managed to do ok.

RasKid99 - 26/5/2025 13:20 - Post Reply
My parents moved from Ras Al Khaimah to London in 2014, after my dad lost his job. It was tough to get visas because of all the people trying to get out of the region, but my parents managed because we had family in the UK. The government should have done more to recognize the hardship the population was going through. Even before the strikes there were a lot of social problems in the Emirates that everyone seemed to ignore, especially in the northern emirates. For all our oil wealth as a country there are still people marginalized by society. I hope that as things get better economically the government will decide to address these issues.

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Terrorism in the United Arab Emirates

By Malika Ismaily
23 January 2019

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Looking at the news reports of the terror attack in Jeddah yesterday, it struck me once again that one of the greatest tragedies in the 21st century is how accustomed we have become to the daily news of atrocities across the Middle East.

We are certainly not immune from such attacks here in the UAE any longer. For some time at the beginning of the 21st century, it seemed as if the UAE might maintain a distance from the violence plaguing neighbouring countries in the region. Yet in 2010, a successful terrorist attack against a community of western expatriate workers killed half a dozen and injured hundreds. Although these numbers were small compared to the daily violence in Iraq, the shock of the UAE's plunge into violence had a disproportionate effect on the psychology of the market, impacting tourism, real estate values and foreign direct investment.

This first attack proved not to be an isolated incident. In 2011, the authorities infiltrated a network of terrorist cells financing themselves through the Hawala system of informal money transfer throughout the UAE, but, despite this success, the following year a US base was targeted with a truck bomb, causing significant damage.

In a search for reasons for this surge in domestic terrorism, articles started to appear in the regional press linking these attacks on US interests to a variety of sources, including estranged Emirati youth. It is certainly true that the diminished economic prospects of the UAE left its young people vulnerable to recruitment by extremists. Reports began to emerge that Al Qaeda had rebuilt cells and established a leadership structure in the UAE. Just as in Saudi, later targets included desalination plants, precipitating the water crisis in 2016 and exacerbating the already weakened real estate and tourism sectors.

But these events pale in the light of what happened on April 4, 2018. Though the attack on the Heritage Shopping Centre in Dubai meant to target visiting officials, 372 people died as the building collapsed. A subsequent investigation revealed that the terrorists involved included a number of Emirati youth. This finally brought it home that terrorism was no longer imported, but home-grown.

We have to address this violence at all levels of society. If we don't, the decisions by the future leaders of our country will inevitably be defined by this atmosphere of extremism. Next week, a series of marches are planned in major cities across the region for those tired of the violence. The Arab Peace Marches are an opportunity for you to register your discontent with the current state of affairs. Visit www.arabpeacemarches.net for more details.

...

BigMo - 26/5/2025 13:31 - Post Reply

A big problem around the time of the strikes was the fact that the government spent all of its time placating neighbours and treading carefully, meaning that UAE foreign policy was largely reactive and the government failed to use its position to properly mediate between the US and Iran. In my opinion this was a major missed opportunity for the UAE. Surely it could have used its influence and long-established relationships to pursue a more diplomatic solution to the regional tensions that have caused so many problems over the past years?

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Failed government structures have to take their share of the blame

Posted by Fatima Bowardi
Former Member of Federal National Council (FNC)
26/5/2025 13:21

Fatima: If we're going to look back at all this properly, I think Farbod neglects the negative effect of government structures over the last 15 years. As a former member of the FNC, I believe that our economic problems haven't just stemmed from regional instability, but also from our lack of systematic cooperation and good governance at both the state and federal level. Divisiveness between the emirates, corruption, corporate governance and budgets problems are all things we should have been able to handle.

First, we have been too divided here in the UAE to deal with the pressures around us. Each state acting on its own is ok when there is high demand and no need for cross-state coordination. But there was an element of hubris in every emirate building as fast as it could to cash in on expected future demand that didn't eventuate. There are some apartment buildings in Dubai that are only just being finished, 13 years after the 2011 crash, due to stalled funding and lack of demand! And no wonder that with a plummeting oil price investors began to doubt the sustainability of the Abu Dhabi and Dubai markets as each continued to compete in the same niches of real estate, financial services and tourism. It felt like state governments were ignoring the property bubble for fear of missing the boat, but the problem was that we then all went down in the same boat when the iceberg suddenly came upon us.

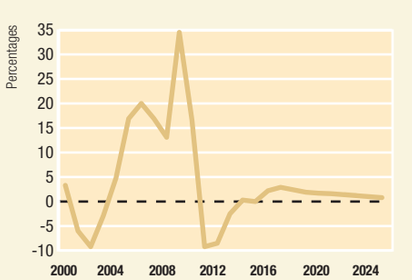
Second, our governments weren't tough enough in dealing with corruption. In 2013, allegations of money laundering and a string of breaches of corporate governance, exacerbated partly by different standards across the Emirates, hit stock market prices. The resulting market instability caused a lot of finger-pointing. In conjunction with the capital flight that Farbod talks about, this caused problems for the banks, and at least two financial institutions had to be bailed out by government. When falling stocks once again wiped out a lot of savings, UAE nationals protested, seeking government intervention in the stock market. But even that was too little to late. The fact that no one went to prison for the obvious breaches in corporate governance made things even worse.

Lastly, lower government revenues due to the oil price and slower growing economy caused friction between the emirates and resulted in a pull-back of reforms. In 2012, the federal government faced a budget crisis, the first in a long time (see Figure 4.3). Higher than expected social and utility costs, (particularly related to the water shortages and an increase in diabetes), together with increased security spending, put all of the emirates into the red. It was suspected that there was also some capital leakage from within government. A more restricted federal budget exacerbated income disparities among the emirates and made a mockery of promises of expanded spending programmes, such as the incentives for teachers to raise student standards [4]. Although the federal government did finance some programmes with its reserves, these were largely stopgap measures rather than investments in long-term solutions.

Link

[4] See box page 27: Emirates Education Gazette

Figure 4.3 **UAE Budget Balance**



Source: PFC Energy

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Emirates Education Gazette *12 September 2016*

Enrolments – the why's and the where's

So you're thinking of where to enrol your child in school or university? Few decisions are weightier than this one. More than ever, the broad range of education quality in the UAE means that which school your child attends will have a very real effect on his or her life. With the recent economic downturn and slowing of reforms, the government simply doesn't have the resources to cater to your child's needs – and private schools are finding it difficult to attract the high quality teachers they require.

With the wealthier class sending their assets abroad, it makes sense to "pack" your child as well, if you can find a way past the Byzantine and increasingly difficult visa requirements for countries outside the Gulf. This tactic has its downsides for the country, even though as it makes sense for gifted children; in a recent Gulf Survey, more than 80% of Emirati graduates last year indicated their determination not to return here. So what can we do? Well, the outlook is bleak. Without sustained investment in teacher training and infrastructure, our schooling system will continue to slide from second-tier into the genuinely mediocre. In the meantime, the key is to ensure that you get the best education for your child that you can afford, and hope that things improve over time.

...

Of course, the economic situation is picking up now. But let's not fool ourselves that it's because we are better at doing what we've always done. No, it's just once again due to increased spending thanks to higher oil prices, which isn't enough. We need to sort out how we govern ourselves and work together better as a country rather than fighting among ourselves and relying on oil.

COMMENTS (1 - 3 of 425):

Kihrbash (Moderator) - 26/5/2025 13:25 - Post Reply
Interesting. It seems that along with the importance of cooperation among the emirates, you also imply a cycle of unhealthy reliance: the federal government relies on oil revenues, some of the Emirati governments rely on the federal government, and many Emiratis rely on their local governments for support. So when things go wrong due to adverse circumstances in the context of dysfunctional relationships, we get a host of interconnected problems appearing throughout the country and no one takes responsibility for addressing any of them.

Fatima - 26/5/2025 13:34 - Post Reply
Absolutely. But I also think that we need to work harder to consolidate Emirati identity on a federal level. It's not just politicians and the leadership who need to see the UAE as a whole rather than a set of parts, but also the people and tribal leaders. By working separately we are in danger of fighting for a pie that can suddenly shrink. Working together we can better increase the size of the pie and all be better off.

Khatibby - 26/5/2025 13:38 - Post Reply
What is Emirati identity? I say I'm from the UAE, but that doesn't mean much. There are still only about 1.5 million national Emiratis. Even with a lot of foreign workers leaving, we're still surrounded by 6 million expats. How can we develop national identity under these circumstances?

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People should be more important than the project sites they work on or the Emirates they come from

Posted by Ramveer Rai
WorkSafe Middle East
26/5/2025 13:50

Ramveer: Geopolitical and economic discussions are fascinating, but there are far more basic problems to be sorted out first. The labour issue has affected the UAE far more than questions of property markets or federal frameworks over the last 25 years, and I think it deserves greater consideration here.

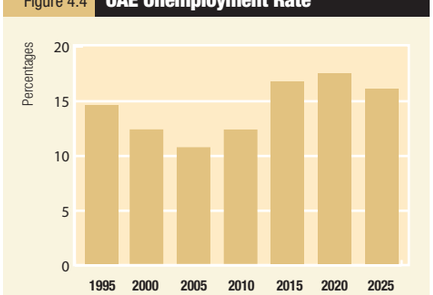
It's an unfortunate fact that migrant workers' conditions have been consistently substandard here in the UAE, but they worsened after the economic downturn in 2011. Many of the foreign workers who didn't want to or couldn't leave after the strikes suffered from non-payment of salaries and summary termination of their employment contracts in 2013, which by the way, violated bilateral agreements with a range of countries including India and the Philippines. As a result, we had those massive worker protests and strikes across the country. And the government has blamed acts of violence and arson on foreign workers because they are easy targets. The most obvious example is the 2018 mall bombings, where migrant workers were an easy scapegoat until the government finally admitted that the culprits included a group of radicalized Emirati youths. That, and the very public criticism of the UAE by Human Rights Watch for human rights abuses of workers, cost us in reputation and foregin direct investment.

I guess the crux of the problem is misunderstanding and mutual mistrust, with nationals viewing foreign workers as potential economic and political threats, and foreign workers appalled at the apparent double standards and decadence of nationals. Actually, unemployment of nationals has caused huge problems, and not just economic hardship – there was a report on how recruitment for terrorist groups stepped up as the economy declined, offering a future and identity for people who had little prospect of meaningful employment. The labour situation for nationals was and still is really bad, with university graduates forced into looking overseas for employment opportunities as there are very few in the UAE; meanwhile everyone finds it difficult to gain visas, either to study or work in the US or Europe, which explains why many are increasingly looking to the East.

Finally, to touch on the issue of identity raised earlier, tension hasn't just increased the fracture lines of nationality, but also the gap between generations. I'm 35, and the social and economic pressures I've experienced in my life are a world away from the average 18-year-old right now. Their standard of living will actually be lower than mine which 15 years ago was an inconceivable thought, and they'll wait years to find a job – it took me just under two years as it was! Fewer options mean that crime or terrorism is a real alternative, and increasing security measures won't solve the problem. All they will do is alienate young people further.

Everyone's been commenting that life is getting better in the cities, but that's not what the UAE should be about. We should be creating an inclusive society across the board, regardless of where you come from.

Figure 4.4 **UAE Unemployment Rate**



Source: PFC Energy

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FROM: **Khaleed Al Fahad**
31/3/2025 17:28

To: Jemaine Conchord
CC: Istilah Davidson
CCC:
Subject: **Update from the Gulf**

Hi Jemaine,

I am writing from Fujairah, my last destination for this exploratory trip to the Middle East. I have talked to many people in the UAE over the last week, and the more I discuss the country and the region with them, the more I think that we should put the UAE back on our list of places to consider. I have met a few of the senior politicians here who were very frank about the problems that they've experienced recently, especially the "stagflation", their regional relationships and the spate of bombings, and so on. However, recent indicators look as though things are improving. I'll tell you more about it when I get back, but keep this in mind when you start cutting down the long list of potential locations for us. Here's a quick pro/con list for you in the meantime.

Positives:

- **Natural resources:**
  The country still possesses vast gas and oil resources and facilities – if they can sort out how that cash can be spent productively over the next few years, that's a huge positive.

- **Human resources:**
  Some of the expatriates who left following the Iran strikes and mall bombing are returning now that there is evidence that the country is in better order. Despite the instability and negative economic outlook, the younger generation are keen to get educated and prepare for the future opportunities.

- **Government:**
  There is good support for the private sector, and a rising oil price means new incentive packages following almost a decade of the private sector being in the wilderness.

Negatives:

- **Regulation:**
  Fragmentation among the emirates means a confusing array of regulatory codes, so we'll need a good local legal team if we go ahead.

- **Terrorist risk:**
  This is still a big risk in my opinion, although the number of attacks has dropped recently. Too many disaffected youths. However, this might also deter our competitors, which could be a pro.

- **Infrastructure:**
  The free zones urgently require upgrades and for FDI to take off again. The transport system is ageing and low quality.

I will send you some supporting data and charts tomorrow morning before your meeting with the big boss. As they say, the place to make money is where others are afraid to be.

Regards,
Khaleed

...

COMMENTS (1 - 3 of 310):

Kihrbash (moderator) - 26/5/2025 14:14 - Post Reply
True, it's unfair to lay the blame at the feet of migrant workers, but you have to concede that they were a vector for terrorism and social tension in general. A lot of domestic instability has come from outside the country – what could we have done to prevent it?

h@y@h - 26/5/2025 14:28 - Post Reply
Well, post 9/11, our leaders worked hard to address the issues that had turned certain groups of Emirati nationals towards violent political and religious expression, and that was actually very successful. I think it's a pity that the same well thought out and humane approach hasn't been extended to solving issues with our foreign workers, and indeed to addressing other social issues across the country.

BigSBanker - 26/5/2025 14:42 - Post Reply
Too much gloom and doom, people! Have you seen some of the deals that have been going down in Dubai recently? Have confidence in your country. We're back on the upswing and things will work out. I'm expecting a big bonus next year if things pan out according to trends. There are big incentives for foreign companies again and FDI is picking up. In the M&A world we're going to see a lot of action!

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What next?

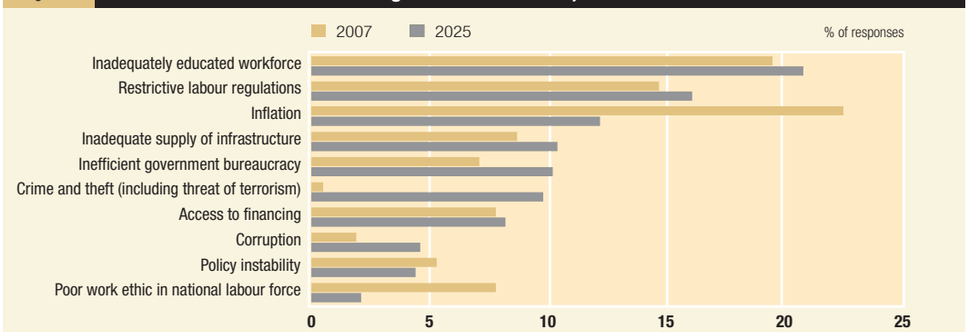
Posted by Kihrbash
Moderator
26/5/2025 18:00

Kihrbash: Thank you for everyone that wrote in! Here at Al-Khaleej we've been stunned by the response, and if you look at our forums on Bahrain and Saudi you'll see that people from all over the Gulf are writing in to discuss the problems that we've experienced and the recent upturn in the economy. If nothing else, it seems that the relative hardships we've gone through have given everyone an opinion on what went wrong. But now let's talk about what we can do right to keep things going forward in a positive direction. As many of you have pointed out, we need to address the big social issues as well as tackling anew the persistent barriers to doing business in the UAE (see Figure 4.5). So far some of the best suggestions in your comments have been:

- Cut back on military spending.
- Develop a GCC-sponsored humanitarian volunteer group that operates across all the GCC countries to monitor problems and help out where needed.
- Use popular social networking sites such as MyFace to develop a youth parliament and enhance our under-funded e-government services.

We want to keep this thread going, and are preparing a special news series focusing on what the lessons that the youth of today have for society. One aspect of the series will be looking at the solutions you suggest to ensure that young people today have a more stable regional and economic environment as they grow up and have children of their own. Keep an eye out for more reports here and keep your comments coming in!

Figure 4.5 **Most Problematic Factors for Doing Business in the UAE, 2007 and 2025**



Source: World Economic Forum

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Section 5

The Fertile Gulf

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Section 5 The Fertile Gulf

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2025 Country Profile: United Arab Emirates
What you really need to know to do business in the United Arab Emirates

The United Arab Emirates (UAE) is the centre for international business in the Gulf region, now firmly entrenched as a hub for multinational operations as well as a global leader in travel and tourism, biotech, entertainment and logistics. Over the last 25 years it has transformed itself time and again, starting with the ascendancy of single cities and becoming the integrated economy that has seen domestic and foreign investment spread across all seven emirates. As the UAE and its innovative cities continue their drive to lead the MENA (Middle East and North Africa) region in terms of economic success, entrepreneurs are spoiled for choice when it comes to specialized locations offering first-rate infrastructure in a favourable business environment. Taken as a whole, the UAE has all the right ingredients: abundant natural resources, a skilled and motivated workforce, a range of strong and fast-growing sectors, a highly sophisticated infrastructure, and an excellent track record in key supporting sectors such as financial markets and logistics [1].

At first, the Emirates can be a bit daunting as a place to do business. Although the brand today is very much "the UAE", rather than particular cities, there are still seven individual emirates to consider. The country has experienced a very rapid rise to the top: only 20 years ago Abu Dhabi was just emerging as an international city. However, the UAE government has worked hard to ensure that investors are well catered for and complexity has been greatly reduced because the regulatory system for foreign investors has been harmonized across the country since 2014.

In addition, the UAE's location and strong economic ties with surrounding countries means that it is well-placed to act as an economic and political bridge on one side to Europe and Africa, and to Asia and the Far East on the other side. Regionally, the UAE's involvement in the GCC-supported reconstruction of Iraq as well as its close relationship with Iran, have been instrumental in enlarging the markets that businesses in the region can tap. Globally, the UAE has exported some of the biggest logistics and aviation firms around, having taken advantage of numerous multilateral trade and investment agreements entered by the GCC as a group.

The UAE's success has been achieved thanks to the ability of the private sector to deliver the necessary conditions for sustainable growth and prosperity. Historically, the UAE had a top-down driven system with leaders in the individual emirates each taking responsibility for enriching their respective populations through oil revenues and diversification programs. For the last 15 years, however, this system has gradually evolved to one in which resources – including investment in large projects – are allocated by market forces across an integrated, private sector driven national economy, leaving leaders to ensure that the regulatory framework is in place and enforced, and that social needs are met.

As part of our series on the Middle East, this article in EntrepreneurshipOnline.com gives you the key information you need to consider whether the UAE is the right place to start your next business. The following report and accompanying information examines three important factors for entrepreneurs: key sectoral opportunities, the business environment and quality of life.

[1] See box page 33: Gulf Post: Fifteen years of peace

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Last updated: 03:18 (GMT+04) 10 August 2025 .

Gulf Post

REGION

Fifteen years of peace, 2010 to 2025

Shortly after the turn of the 21st century the Middle East was unequivocally deemed an unstable hot-spot: the Arab-Israeli confrontation was on a downward spiral, the US-Iranian relationship was deteriorating amid fears of nuclear proliferation in the region, Iraq was descending into chaos… the list goes on. At the same time, despite some economists predicting a Chinese hard-landing, the world continued to enjoy the benefits of globalization and economic stability. The challenge for the Gulf region was to participate in the global prosperity without being consumed or distracted by its regional troubles.

With all these historical rifts, who imagined that peace in the Middle East would be possible within a generation? With a few caveats, this seems to be what we have achieved. Of course tremendous efforts were required (and made) to solve the Israel-Palestine conflict. Saudi Arabia pushed itself forward as a regional peacemaker and moderator, and other Arab States and the US followed suit. A treaty of mutual recognition between the Israeli and Palestinian governments was signed in 2011, and the Arab states together contributed US$ 5 billion towards the reconstruction of Palestine. To further boost peace-making in the region, the Gulf Security Cooperation Council (GSCC), an extension of the GCC's security relationships, was established. This was an attempt to enlarge the GCC's security role in the Gulf region, by making overtures to Iraq and Iran for regional peace, marking the expansion of substantive integration beyond the Gulf peninsula and a positive shift in the effectiveness of regional security agreements.

Regional stabilization was not the only progressive achievement of the GCC countries. First, limited monetary integration was achieved in 2010 between the GCC countries (except Oman, who joined three years later) and went smoother than expected, resulting in increased intra-GCC infrastructure and trade, with the new Dinar immediately floated. Serious efforts were made in 2010 to implement a set of standards to encourage complementarity, maximize the opportunities for growth across the region, and minimize race-to-the-bottom competition. Recognizing Saudi Arabia's rising economic power, the GCC Central Bank was nominally established in Riyadh, with a rotating presidency amongst GCC members. In reality, GCC monetary policy remains a hybrid model, which each country still maintaining its own central bank. Second, enhanced transportation links were installed to support increased intra-GCC trade. An example of this is the high-speed Magnetic Levitation (MAGLEV) system now linking the Emirates to Riyadh and beyond, which has affected the distribution and reach of trade and industries (see Figure 5.2). Third, in 2021, the GCC adopted a common visa policy, building on initiatives of bilateral visitor visas among the UAE, Bahrain and Qatar in 2015. For some time now, the governments of the Middle East have been clearly on the same page vis-à-vis how open the region should be to the rest of the world and how its relationship with the United States should develop.

This integration has undoubtedly brought prosperity for the region, but at a cost. Rising consumption has created major environmental issues which must be tackled from a regional standpoint. Thanks to greater agreement between states, today this may be a possibility. However, it would have been nice to combine peace and greater economic prosperity in the region with a healthy environment as well as a healthy oil price (see Figure 5.1).

Figure 5.1

Real Oil Price

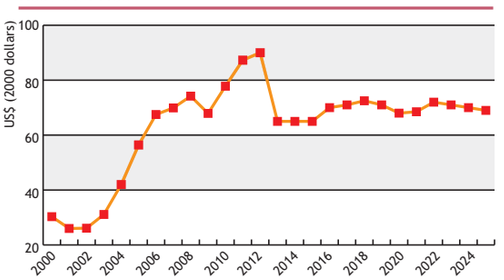
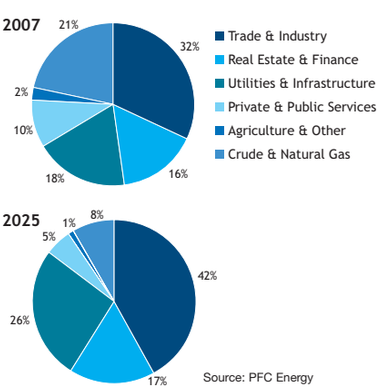


Figure 5.2

UAE Industry Contribution to GDP 2007-2025



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WHAT OPPORTUNITIES DOES THE UAE OFFER?

"Private equity hasn't peaked yet. If the number of opportunities in the UAE market at the moment is any indication, I think we still have a long way to go."

CEO of a Private Equity Firm, Dubai

The best-known UAE sectors are the energy and chemical industries, tourism [2] and logistics and transport; national champions that have expanded far beyond this small country on the Gulf. However, for those looking for the next big thing both regionally and globally, the UAE offers opportunities in fast-growing sub-sectors such as biotech and vocational education, as well as in more traditional areas such as the financial sector. These new industries were initially nurtured in specialized zones and supported by generous government investment in infrastructure. However, preferential treatment of certain industries ended with the harmonization of regulatory standards across the country, and new clusters of industrial and service excellence are driven by private sector initiative, supported by government policies promoting education.

[2] See box page 35: Online Inflight Magazine

The **biotech industry**, focusing primarily on white biotech associated with the UAE's chemical industry, has surged ahead in the last five years, becoming a surprise global player with companies such as CleanChemAE being one of the best performers on the Abu Dhabi and Singapore stock markets since its listing in 2021. CleanChemAE's extension of biological processes to reduce both the feedstock needs and pollution outflow from the UAE's major chemical plants has boosted the region's downstream efficiency considerably, while simultaneously giving rise to a new cluster of white biotech firms looking to take advantage of the renewed global demand in similar technologies.

Another high-growth area is the **vocational and executive education** sector. The government's focus on upgrading national skills, ongoing economic expansion and demand for highly-qualified workers across all sectors has contributed to the massive expansion of executive education and technical skill providers in the region. With international education-focused firms and institutions spreading outward from the UAE's numerous Education Cities, and local providers scattered throughout the market, consolidation is occurring as the combination of regional skill standards and almost universal internet access create economies of scale for providers. However, the lack of a common platform for online training and the constant emergence of new technologies mean that the market is still wide open.

Finally, since the beginning of the 21st century, the **UAE's financial sector** has gone from strength to strength. Already in 2010, the Dubai International Financial Centre (DIFC) was considered as a world-class institution and had earned a strong reputation for transparency and good governance. Many aspects of its legal frameworks were extended beyond the free zone in subsequent years. Two years later we saw the dawn of UAE mega-banks, which sought to compete with Bahrain's financial services industry. At the same time, the international position of the UAE financial services has been strengthened through partnerships and agreements with other stock markets, most notably the Singapore Stock Exchange and London's Alternative Investment Market. Hedge funds and private equity firms have long since flocked to the country, competing for deals in the UAE and regional markets, which has increased the country's exposure to the current trend of regional expansion beyond the GCC. While most important for entrepreneurs in terms of the financing it offers, the financial sector is also a place of innovation, particularly in the insurance industry [3].

[3] See box page 35: Insurance in the UAE

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Not Just for the Shopping

July 2020

The UAE has become a destination for the whole family over the past decade, branching out from exclusive residential waterfront developments offering a number of choices that will please culture addicts, sports fans, students, young families and the retired. The possibilities seem endless with the UAE's range of accommodation and activities now available: the Abu Dhabi Formula 1 Grand Prix and the 2018 FIFA World Cup in the UAE put the country firmly in the top 10 global tourist destinations.

And it's not just the big cities that have benefited. Advertising campaigns by Fujairah and Ras al Khaimah to attract middle-income tourists who were being priced out of the Dubai and Abu Dhabi markets have been remarkably successful, helped by upgrades to the public transport, making it easier to move between the emirates and reducing road congestion.

GCC integration has also helped: in 2014, calls for the reduction of visa red tape for tourists wishing to travel freely between GCC countries were finally answered. The improved security situation in both the UAE and Bahrain meant that a bilateral visa system was agreed upon. This system expanded until, in 2020, a tourist visiting the GCC could apply get a single visa for all member countries.

So where should you go this European winter? The UAE deserves at least a good, hard look. Given the investment across the country in the last fifteen years, whatever your holiday need, the UAE looks set to fulfil your every desire.

ECONOMICINSIDER.com

SPECIAL REPORT
August 4, 2015

Sector Profile: Insurance in the UAE

The GCC Insurance market has grown from US$ 7.2 billion to US$ 14.2 billion in the last five years, exceeding the expectations of even the most bullish analysts. In the UAE alone, the market has more than doubled, from US$ 3.1 billion to just over US$ 7.0 billion, outpacing economic expansion. What has been driving this spectacular growth and what are the prospects for the industry looking forward?

Well, there has undoubtedly been massive expansion in the life insurance market, and assurers commonly offer both Takaful and non-compliant products, making wide-scale consumer uptake possible across the region. However, many say the answer boils down to a single firm, AssureGlobal. This Fujairah-based private fund, whose prospectus for public listing is eagerly awaited by investors across the globe, has taken on AIG's local entities and now controls more than 20% of the GCC market and 40% of all contracts in its home country.

AssureGlobal's recipe for success has been simple but daring: while competing directly with other insurers on mainstream consumer and institutional products, their focus has been in extending operations to new insurance markets. In a move that analysts have likened to Milken's and DBL's strategy with junk bonds, AssureGlobal has positioned itself as being able to handle almost any risk, giving it access to a lucrative slice of what is sometimes called "junk insurance" through 34 (and counting) offices around the world.

So where is the edge for entrepreneurs? Well, first, AssureGlobal has opened up high-risk insurance markets across the world, and policies are trickling down to new areas, especially in the region. Second, with the explosion of new technologies that the recent wave of innovation across the Gulf has brought, particularly in the UAE and Bahrain, there is a growing need for independent outfits to assess risks from companies dealing in nanotechnology, biotech and other emerging technologies that have implications on both public health and the environment. Finally, with global financial fragility still an open question in the minds of many economists, analysts are predicting a further expansion in securitization of these new insurance products as AssureGlobal continues to grow and acquires yet riskier contracts across the world. Helping the new breed of GCC insurers to do this is another opportunity for readers of EntrepreneurshipOnline.com.

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INSTITUTIONAL SUPPORT AND SET-UP IN THE UAE

"The trick to balancing business and government is to have clear boundaries between the two and simultaneously nurture a symbiotic relationship. Businesses will comply better if they are well informed and integrated with the government decision-making process. The UAE is almost there in this respect."

Former President, O&G Industry Group, Abu Dhabi

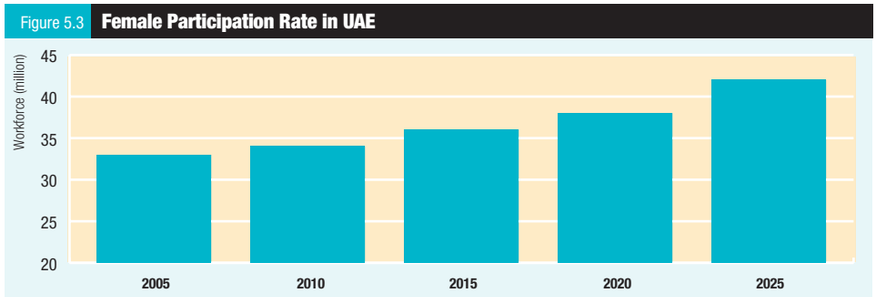
Even with strong economic growth and a range of still-maturing sectors, how easy is it to set up a business in the country? Well, last year's economicinsider.com regional survey of places to do business, ranked the UAE second in terms of "favourable cost of start-up" metric for the region, which helps to set the scene. Let's take a closer look at how this has been achieved and what it means for entrepreneurs.

The government worked hard to make it easier for both domestic and foreign companies to do business in the United Arab Emirates. Following are some of the most compelling examples:

- Since 2014, the seven emirates have harmonized their business regulations; aside from variation at the local council level, all necessary permits to set up anywhere in the country either as a domestic or foreign investor are accessible online through a single agency at the federal level.
- Free zones across the country represent the best in purpose-built business infrastructure, however, investors are not limited to these specialized areas. Since 2009, property and foreign ownership laws have enabled companies to locate almost anywhere in the country.
- Financial markets have been strengthened with improved transparency and regulatory control geared towards the international standard. While corporate governance has occasionally been of concern, high standards of Board oversight and compulsory training of company directors has no doubt contributed to the relatively few corporate scandals the UAE has experienced in the last five years. Anti-corruption laws have been aggressively enforced of late.
- The status and availability of women in the workforce has improved, providing a welcome influx of skills into the economy. Since the beginning of the century, the gender mix has improved considerably both in the public and private sector, being 40% in the former and 35% in the latter, with female participation rates rising (see Figure 5.3). This is reflected in politics: in 2010, the first elected woman to the Federal National Council came from Fujairah and since 2016, there has always been at least one female judge elected to the DIFC.
- Human capital has been upgraded significantly thanks to education reform and the rise of online and offline executive and vocational courses for workers. Accompanied by significant labour reform, this has lowered training costs for companies and increased productivity. Today a focus to up-skill national workers and stabilizing wages in the reduced public sector has meant that relative wage costs are driven by market demand for high-skilled nationals.

Such changes proved fruitful from an early stage. In 2011, World Business ranked UAE ninth on its list of innovative countries. By 2018, the UAE was seventh, indicating it had staying power in terms of commitment to improvement and innovation. Further, although economic competition between the emirates has occasionally been fierce, their leaders also recognized the benefits of cooperation, and have ensured that their competition has been beneficial to all and occurred without marginalizing the smaller emirates.

Figure 5.3 **Female Participation Rate in UAE**



Source: PFC Energy

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Interview with an Entrepreneur

Farook Al Yousef, CEO of FutureRail

EntrepreneurshipOnline.com

July 2025

Q. How did you get into this business?

Well, before the Dubai Metro opened at the end of 2009, we had a growing emissions problem created by the UAE's transport infrastructure, which overwhelmingly relied on petrol-burning cars. The Dubai Metro Project took about 25% of the intra-city passenger load, but inter-city connections were still reliant on exhaust-emitting vehicles. I was involved as a project manager in the extension of the Dubai Metro Project to the Abu Dhabi border, and then as a senior consultant on the Abu Dhabi metro that linked the cities together, so I knew what it took to build an integrated, high-speed rail system in the region. When negotiations on further extensions to the other emirates, Qatar, Oman and Saudi stalled at the government level, I realized that there might be an opportunity for the private sector to take the initiative and push a GCC rail network as a business opportunity rather than merely a public good.

Q. Building an international transport system is quite an ambitious plan. How did you manage this?

I like to say that I always work with people smarter than myself. It did take a lot of time and a lot of lobbying, but I was blessed with visionary partners who helped me get access to the people who could support the project at the government level. Once the various entities realized that our consortium was willing to invest in a system that would enhance economic integration while taking on much of the initial risk ourselves, they were happy for us to act as an intermediary for what otherwise could have been a complicated diplomatic negotiation. Having trusted private sector representatives from all the countries involved on our the Board of Directors helped allay concerns, as did a long-term agreement on fares, indexed to inflation on the new Dinar.

On the financing side, with equity jointly provided by the UAE Federal Entrepreneurial Fund by a number of the big private equity houses and by private backers, we raised three tranches of leveraged finance to fund the development. Governments meanwhile committed land and some funding for stations and excavations. Once we started building the line into Qatar in 2011, it suddenly hit everyone that high-speed rail was actually going to happen in the region and everything started moving very fast. I took the inaugural journey from Doha to Muscat just over 10 years ago today.

Q. Has your company always had an environmental focus?

Yes. Some students who were working with us as part of the UAE government's internship programme came up with a brilliant idea for the launch in 2015 – the “Gulf Blackout”. On the night when we opened the integrated line linking Doha to Dubai via Abu Dhabi, all three cities cut residential and most commercial power for 15 minutes at 22.00, and donated the unsubsidized value of the power saved to a fund for environmental conservation. This was designed to hammer home how much turning off the lights can do to help the environment. Unfortunately, we haven't been very good about taking care of the environment here in the UAE so far, but at least FutureRail has made a large impact on cutting emissions in the Gulf. We also donate a portion of every rail journey to water management and reducing emissions, so that we can combat the problems caused by the 16 million car journeys that still occur in greater Dubai every day.

Q. Where to next?

Good question. We're upgrading the network to the latest Maglev technology, and planning expansion through Iraq and Syria. But lately I've been thinking a lot about how to reduce emissions caused by the space tourism industry, which is dumping huge amounts of carbon into the atmosphere with every commercial flight. It's still on the drawing board, but a train to take people into orbit is something we've been thinking about for a while, so we'll see.

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WHAT IS IT LIKE TO LIVE AND WORK IN THE UAE?

"In my eyes, the most significant change comes from how people's mindset and awareness have changed. We managed to cultivate a shared and unique Emirati identity across the country. I am genuinely proud to say I come from the Emirates and have contributed to its change."

Artist and Poet, Ras al Khaimah

For high-skilled expatriates, the Emirates has long enjoyed a reputation as a posting with a good quality of life, and the recent improvements in transport infrastructure have helped with one of the UAE's most persistent lifestyle problems: traffic. For low-skilled foreign workers, things haven't always been so rosy, but over time the working conditions and rights of more than 10 million foreign workers have improved substantially. The recent discussion surrounding an enhanced citizenship programme as an incentive to retain talent is a significant milestone in the recognition of the long-term commitment that the vast number of foreign workers have made to the economic and social success of the country, notwithstanding ethnic divisions. Thankfully, the economic boom has raised standards for almost everyone, as well as providing a range of activities to keep even the most energetic expatriate or teenager busy.

Both the UAE's economic growth and accepting society owe much to its political stability, which has helped achieve very low risk rankings for the country throughout a process of social liberalization. Political stability has also been supported, rather than undermined, by the "free but responsible" press laws. The improvement in media freedom has increased government awareness of social problems throughout the UAE, and the UAE media industry now rivals Qatar's for the number of broadcast programmes. In addition, the UAE media group Al-Thaqafa has grown rapidly by providing simultaneous Web translations of Arabic and English news feeds across the region.

Education in the Emirates is very good across the board, including in the government schools, which today are primarily managed by private companies under the oversight of local authorities and judged on federal standards. Since 2009, the government has focused on fostering both critical and creative thinking as a way of developing school children beyond literacy, numerical and scientific proficiency and increasing school-leaver standards and skills to better suit the needs of the economy. This, along with new incentives for teachers has done much to raise standards of the schools and graduates. At higher education level, liberal arts foundation courses were introduced in 2010 with the intention of encouraging interdisciplinary thinking and wider perspectives, while students have a wide choice of institutions for scientific and vocational further study.

The Arts are also well supported. The government supported the creation of the Gulf Region Art Fair, which is now in its 13th year, as well as Dubai Fashion Week, which now attracts local as well as foreign designers. Additionally, the government's decision to attract international film productions by offering fiscal incentives and a state-of-the-art sound stage and special effects studios has paid off. This also helped domestic film production houses benefit from know-how and talent spillovers. They have since taken off and have firmly established Dubai as the leading centre in Islamic films and TV production, surpassing Egypt as the centre of the Arabic movie industry in just a few years.

Unfortunately the one area of concern for residents across the UAE is the environment. Coastal developments have led to concerns about pollution, water scarcity, waste management and carbon emissions, while fish stock levels have plummeted and coral reefs are more than 60% degraded. The fragile environment of offshore islands such as Al Yasat and Marawah have caused great concern, especially as ecotourism is one of the more promising tourism developments in recent years in these areas. The government has a fine line to tread between encouraging industry development and conserving environmental resources. Their latest attempts in encouraging green building have met with global approval, as has the environmental monitoring system of the International Oil Company [3].

[3] See box page 39: Topic: Interview on the environment and water

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Topic: Interview on the environment and water

Aisha Mohammed, Deputy Chief, GCC Environment Agency
Khalil Ali, Senior Researcher, Project Team for GCC Environmental Review

Khalil **06.18.2023 - 14.01**

Good afternoon Aisha, thanks for your time. As I mentioned in my e-mail I wanted to tease out the ideas that would be valuable for the GCC Environmental Review in 2025 publication.

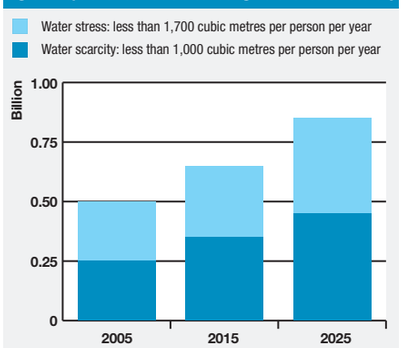
As you know, we've spent some time looking at how much environmental issues have cost us in economic terms. It looks as though we've incurred a greater cost than anticipated through climate change – something along the lines of 5-7% of GDP. However for the region the big issue is still water. As the expert on this in the GCC, can you comment?

Aisha **06.18.2023 - 14.19**

Well, of course the cost of reducing emissions could have been limited to around 1% of global GDP per annum. However, despite global consensus on the importance of climate change, we couldn't quite get everyone committed enough to global CO_2 emission levels, particularly the US and China.

But you're right, water is far more important for the Gulf. We have been experiencing a chronic water shortage (see Figure 5.4). By 2025 average water availability in the Arab States will be just over 500 cubic metres per person, having dropped from 1,200 cubic metres in 2005, and demand in the Gulf is actually now 170% of available sustainable water sources. Although we've managed to design good ways to collect rainfall, we haven't solved some of the least visible but most pervasive problems; for example, declining water tables leave aquifers vulnerable to saline contamination and are a result of using groundwater faster than the hydrological cycle can replenish them. Water is most definitely a finite resource in this regard.

Fig. 5.4: Population of Arab States Facing Water Stress or Scarcity



Source: UNDP Human Development Report 2006, World Economic Forum

In addition, water pollution, from oil and other industrial productions, has accelerated, threatening the purity of both coastal and ground water, damaging coastlines, coral reefs, and marine vegetation through oil spills and other discharges. Not good, especially for the tourism industry around the Gulf and Red Sea, as coastlines have been damaged by industrial pollutants.

To rectify the water shortage, conventional desalination has been upgraded to reverse osmosis (which forces water through a membrane and captures salt compounds – a technology less reliant on energy). This has reduced the cost of desalination from more than US$ 1 per cubic meter three decades ago to less US$ 0.25 now. Of course, as our populations have expanded and so has demand, the total cost of providing this water has risen dramatically, which puts more pressure on our public finances.

Khalil **06.18.2023 - 14.32**

So what needs to be done to reverse environmental degradation?

Aisha **06.18.2023 - 14.37**

First and foremost, we haven't quite achieved the needed change in our mindset to stop further damage; for consumers, producers and our leaders, environment issues need to be at the centre of decision-making. In parallel, we need full implementation of environmental requirements and enforcement and compliance to environmental legislation. Finally, we need to change policies that currently encourage inefficient land use, overuse of non-renewable water resources, and ecological damage. It's ironic that environmentally-focused industries are now approaching the size of the pharmaceutical industry in 2012, but we still can't solve most of our environmental issues. The world is not running out of water as a whole, but many countries are running out of time to tackle the critical problems.

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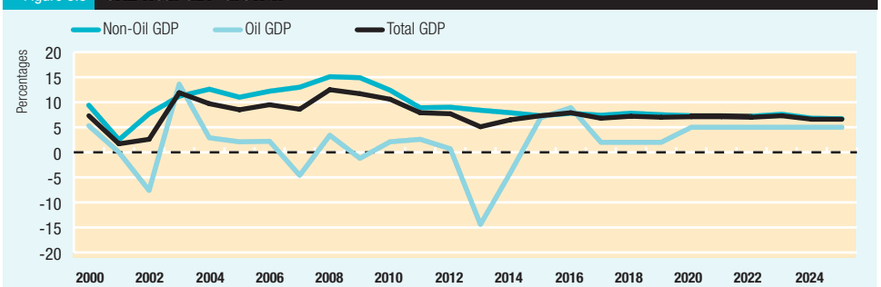
CONCLUSION

So, has this report whet your appetite for the Emirates? Here's a parting thought for you. There is no doubt that the UAE has had a good run, economically and socially, growing at an average of 8% per year over the past 20 years, with a bright future ahead (see Figure 5.5). However, experts are saying that based on the experiences of other countries, had the environmental issues affecting the UAE today been addressed earlier, the annual costs would have been only 1.5% of GDP per year, saving the country billions in foregone wages, healthcare expenses and pollution costs over the period.

The environment aside, the UAE is an increasingly balanced society in terms of gender, income and political and economic participation. The country has established a robust, flexible and responsive foundation for innovation with respect to institutions, infrastructure, and human capital. Within this system, the government has gradually moved from the primary driver of innovation and growth to a regulator and provider of capital, ensuring that market inefficiencies are resolved when they occur. The government is also working with regional countries within the GCC, the Gulf Security Cooperation Council (GSCC) and beyond to ensure that these favourable conditions continue as long as possible.

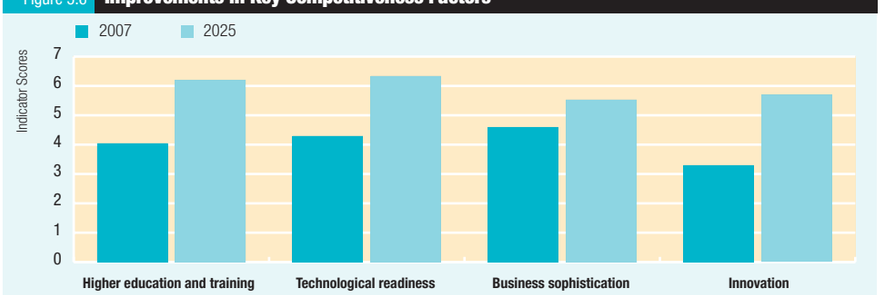
Consequently, the UAE has produced a generation which, more than ever, is prepared to take risks and pursue entrepreneurship as a way of creating wealth helped by large improvement of the competitivness of the UAE economy (see Figure 5.6). In this way, the private sector is following in the footsteps of the UAE's leaders, who took large risks to successfully create beneficial change. However, this time it is private consortia and public markets that are absorbing the risks and everyone is reaping the benefits. Like the other Gulf countries at the moment, it's a place to consider if you want to join the high-growth party.

Figure 5.5 **UAE Real GDP Growth**



Source: PFC Energy

Figure 5.6 **Improvements in Key Competitiveness Factors**



Source: World Economic Forum

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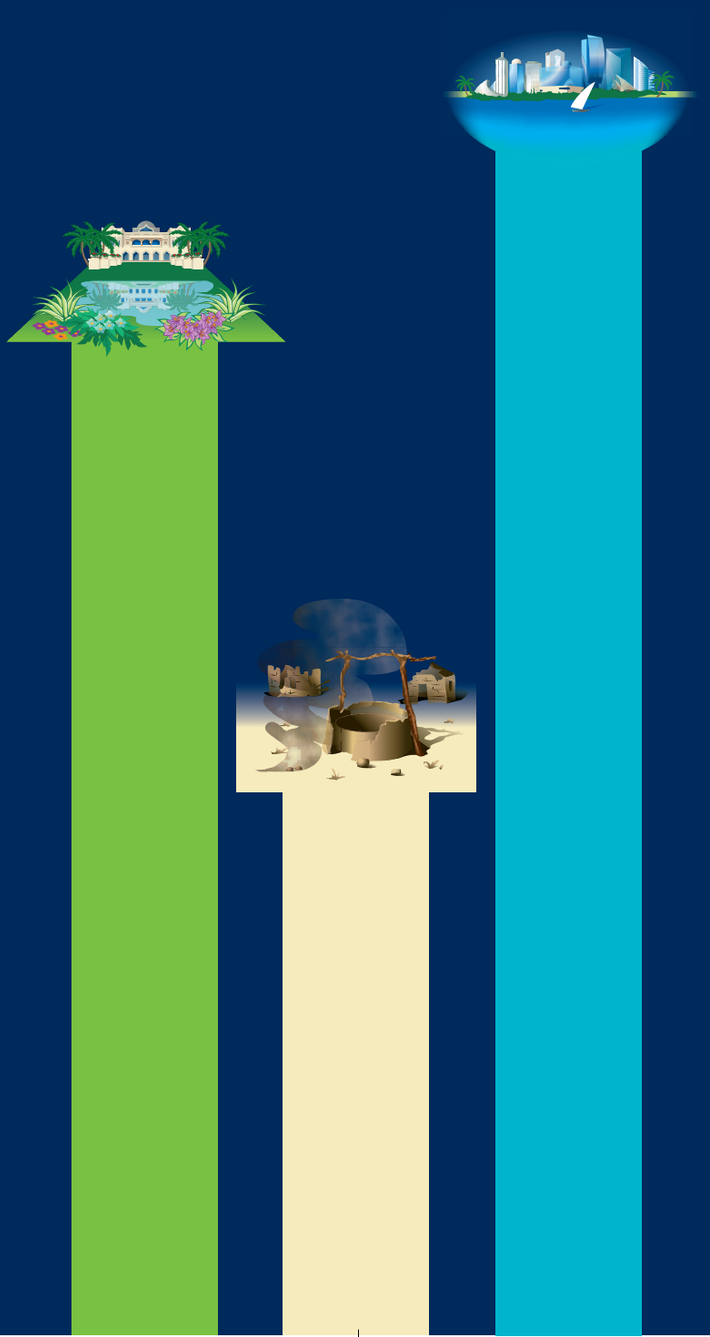
Section 6

Comparing the Three Scenarios



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Section 6

Comparing the Three Scenarios

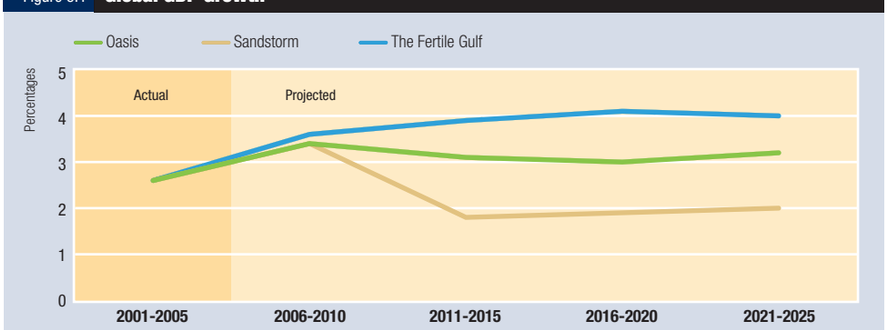
The following section allows a side-by-side comparison of the evolution of some key economic and social indicators as featured in each scenario. The various futures described in the scenarios have been quantified using macroeconomic and project-driven energy modelling to ensure plausibility and consistency.

Global Indicators

1. Global GDP growth

In ***Oasis***, globalization continues despite regional conflict but friction in global markets caused by security concerns means that global growth averages around 3-3.5% throughout the period. In contrast, in ***Sandstorm***, oil shocks and lack of trust undermines international cooperation and trade integration, causing a global recession in 2010 to 2012, followed by slower growth thereafter. In ***The Fertile Gulf*** the global economy benefits from increasing globalization and trade in a harmonious global environment and reaches average five-year growth rates of over 4%.

Figure 6.1 **Global GDP Growth**



Source: Oxford Economics

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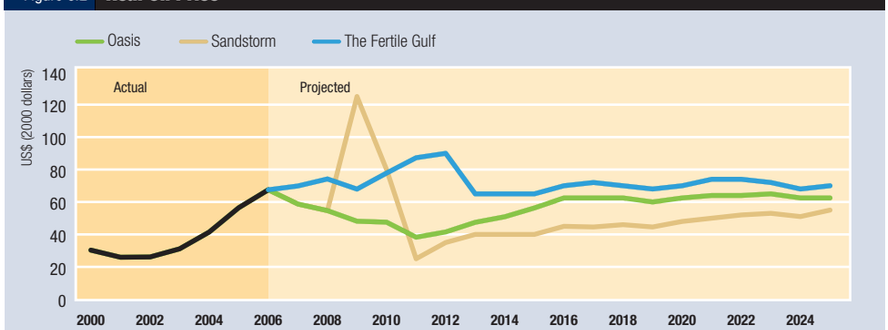
2. Oil price (constant US$ 2000)

In ***Oasis*** a downward slide in oil prices occurs after 2006, due in part to a slowing of the world economy and increasing non-OPEC supply as large projects come online. OPEC successfully defends a floor of US$ 45 per barrel. By the end of 2016 there is a rising call on OPEC, excess cap is being reduced and prices achieve a new price range of approximately US$ 100 by the end of the period.

In ***Sandstorm*** a global slowdown causes a fall in oil prices, which dramatically reverses itself due to the US bombing of Iran in 2009, when prices shoot to an average of US$ 125. The resulting regional instability and sudden oil price shock combine with economic weaknesses in the US market to precipitate a global slowdown. A reduction in oil demand over a four-year period dramatically pushes prices down, as OPEC is unable to adjust quickly enough in a coordinated fashion. From 2016, recovery is slow due to festering problems in geopolitics. However a reduction in non-OPEC supply due to delayed projects enables OPEC to defend a floor of US$ 45 in real terms until 2025.

In ***The Fertile Gulf***, increasing global demand for oil (driven particularly by China and India), capacity constraints and delays affecting some large non-OPEC projects drive a rise in prices from 2009-2012. Saudi's excess capacity falls under 2mbd as production rises above 12mbd, causing sustained price rises, tempered somewhat by increased output from Iraq. Prices in nominal terms are well over US$ 110 per barrel by 2025.

Figure 6.2 **Real Oil Price**



Source: PFC Energy

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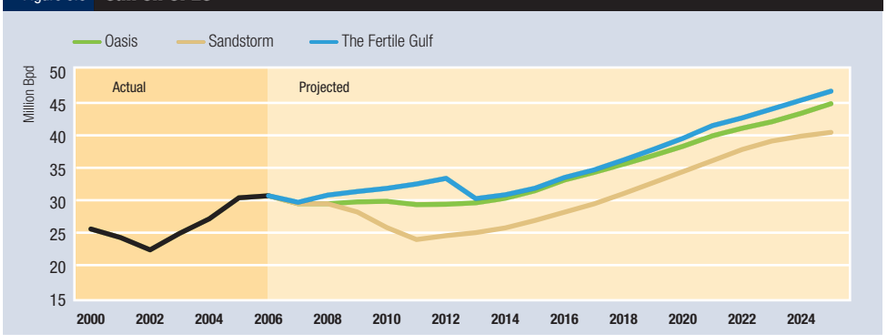
3. Call on OPEC

The call on OPEC remains very strong and rises to unprecedented levels in both ***The Fertile Gulf*** and ***Oasis*** scenarios. OPEC demand lowers in ***Sandstorm*** due to a combination of falling global demand and increasing supply of non-OPEC capacity as new projects come online. However, following a global slowdown, increasing demand and non-OPEC capacity restraints cause the call on OPEC to expand through the end of the period.

Figure 6.3 **Call on OPEC**



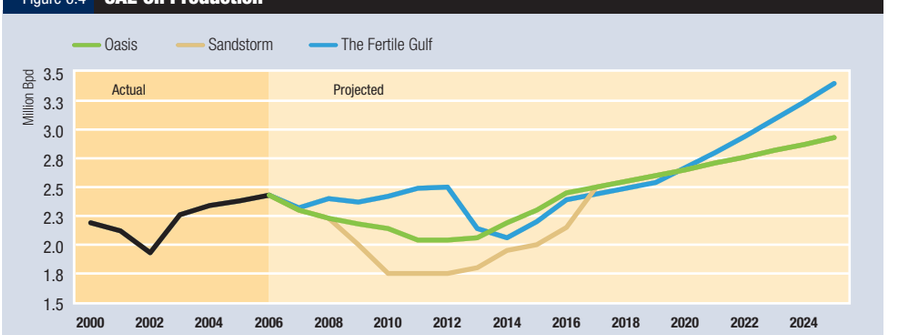
Source: PFC Energy

Country indicators

4. Oil production

The UAE oil production varies with the call on OPEC, as it produces in line with OPEC negotiations on sharing output, however, in all scenarios, Saudi Arabia remains the dominant producer of oil among the GCC countries. In ***Sandstorm*** Saudi Arabia acts as the swing producer and lowers its output by 20 to 30% when the world economy experiences a slowdown. This fall in oil demand from 2009 to 2012 results in declining oil production for the UAE, recovering only in 2016 as demand returns to 2007 levels.

Figure 6.4 **UAE Oil Production**



Source: PFC Energy

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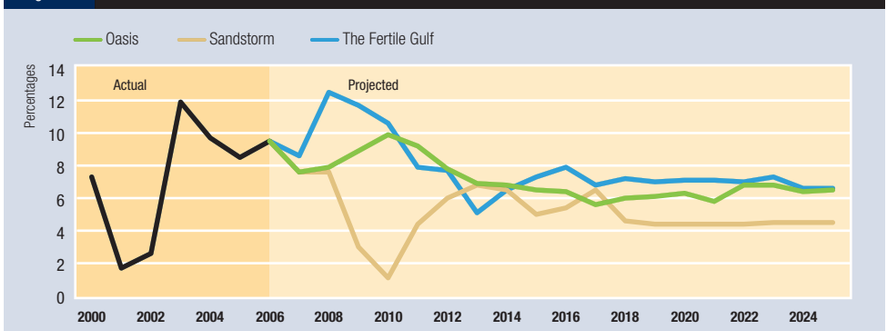
5. Real GDP

Despite various attempts to diversify, in all the scenarios, GDP growth rates remain highly correlated with the oil price. In ***Sandstorm***, the collapse in oil prices following the US-led bombing of Iran leads to a period of negative growth rates in the UAE. In ***The Fertile Gulf***, real growth reflects business cycles and a short slow-down caused by energy shortages in 2012, stabilizing at 7 to 8% in the over long term.

Figure 6.5 **UAE Real GDP Growth**

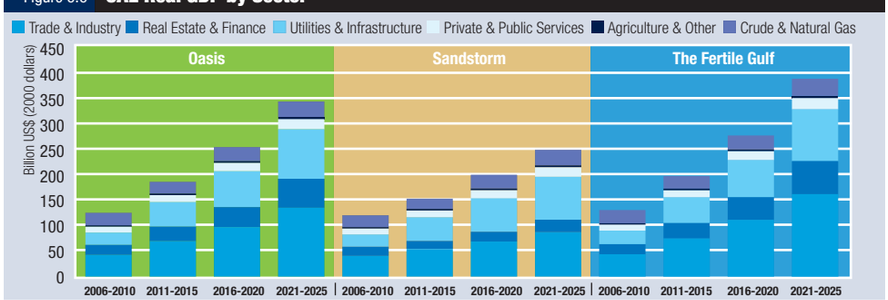


Source: PFC Energy

6. GDP composition

Breaking down the UAE's real GDP into sectors shows that Utilities & Infrastructure (consisting of electricity and water, roads, rail and other construction) is fairly stable across all three scenarios. In ***Sandstorm***, however, the Real Estate & Finance and Trade & Industry sectors are relatively smaller as lower global demand and internal friction hold back real growth.

Figure 6.6 **UAE Real GDP by Sector**



Source: PFC Energy

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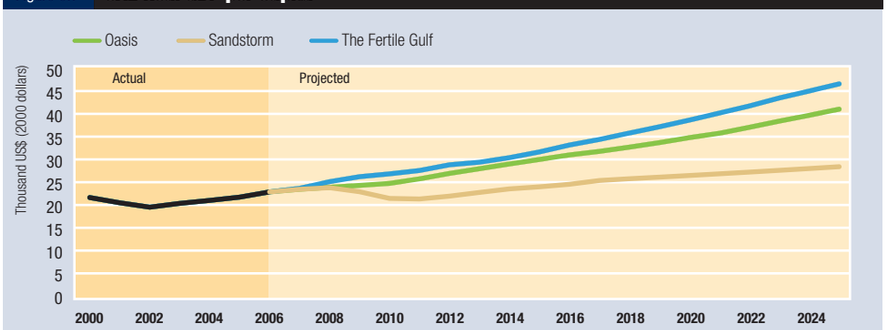
7. GDP per capita

Real GDP per capita reflects economic output by keeping all commodity prices, including oil, at 2000 prices. This neutralizes the effect of the oil price and other price factors on GDP and provides a more comparable measure of output for the scenarios, although these figures are not purchasing power parity adjusted. In ***Oasis***, per capita growth rises evenly, reflecting increasing output tempered by demographics and friction in the global trading environment. Per capita growth is strongest in ***The Fertile Gulf***, as real GDP outpaces population increases. In ***Sandstorm***, the domestic recession means GDP per capita falls and then stabilises, reaching just under US$ 30,000 in 2025.

Figure 6.7 **UAE Real GDP per Capita**

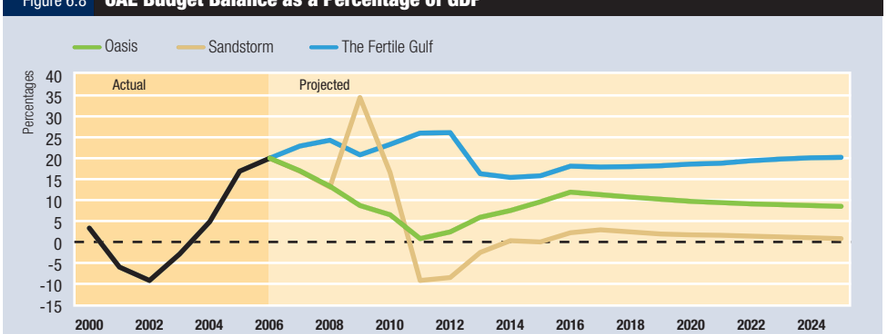


Source: PFC Energy

8. Budget performance

The UAE government budget remains highly correlated with the oil price in all three scenarios, reflecting both the source of government finances and relatively steady non-oil output. In ***Oasis***, declining oil revenues and a rising population creates falling surplus until 2011, which is corrected in 2013 by a recovery in the oil price and alternative sources of income. In ***Sandstorm***, following the oil price spike in 2009, a dramatic fall in oil revenues creates a deficit between 2011 to 2013. A sluggish recovery takes place from 2015 onwards, which is managed by cutting back expenses. In ***The Fertile Gulf***, the government benefits from robust revenues from high oil prices, keeping the budget in surplus despite falling volumes.

Figure 6.8 **UAE Budget Balance as a Percentage of GDP**



Source: PFC Energy

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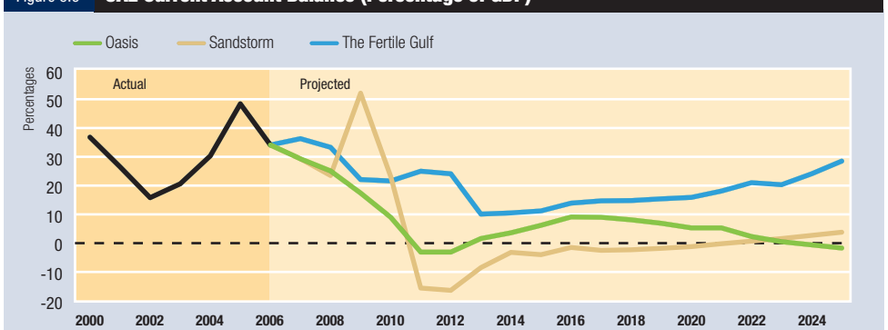
9. Current account balance

As with the budget balance, the UAE's current account balance reflects both oil prices and global conditions. In ***Sandstorm***, falling oil revenues forces the UAE to borrow money to pay for imports between 2010-2022. In ***Oasis*** a large rise in demand for imports towards the end of the period creates a trade deficit.

Figure 6.9 **UAE Current Account Balance (Percentage of GDP)**

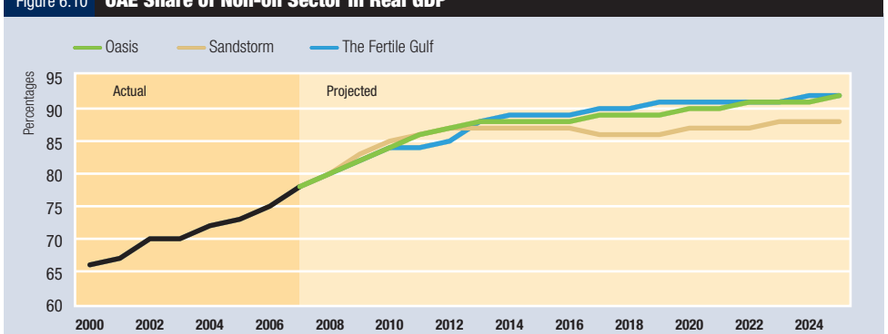


Source: PFC Energy

10. Non-oil sector

The strong growth of the UAE's non-oil sector in real terms continues in ***Oasis*** and ***The Fertile Gulf***. In ***The Fertile Gulf***, the percentage of non-oil contribution to GDP is reduced between 2009 to 2012 as new energy projects come online. Favourable domestic and international conditions enable the non-oil sector to contribute more than 90% of real GDP by 2018. In ***Sandstorm***, the non-oil sector stagnates as oil production volumes fall, reflecting the global recession and unfavourable local conditions.

Figure 6.10 **UAE Share of Non-oil Sector in Real GDP**



Source: PFC Energy

About the data and modelling

To provide a quantitative representation of the GCC regional and country scenarios, the World Economic Forum worked closely with PFC Energy and Oxford Economics. All country-level data were modelled in partnership with PFC Energy.

PFC Energy employs an econometric forecasting model, which is designed to capture the numerous interconnections and trends that will determine a country's economic growth rate. The model was constructed to take several exogenous factors into account, including the respective country's oil and gas production levels, country-specific export price, investment levels throughout the economy, as well as numerous context altering factors including a global recession, domestic policies and terrorist attacks threatening infrastructure. The charts and other quantitative output contained herein are derived from PFC Energy's proprietary econometric model as well as analytical estimations drawing from numerous experts consulted by the World Economic Forum.

Using the data

The data can be used to develop leading indicators to determine which of the three scenarios is tending to unfold at any point in time. Users should bear in mind that the scenarios and related analysis are descriptions of a set of possible futures as seen from the current perspective. The data, charts and graphs should not be seen as forecasts or predictions; rather they are a cohesive and consistent representation of the quantitative elements of the scenario dynamics. The data provided therefore serve as a guide to possible trends, and should be monitored, interpreted and applied with careful judgment.

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Section 7

Conclusion

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Section 7

Conclusion

In the six months since we finished the regional scenarios for the GCC countries, the Gulf region continues to boom mirroring the sentiments of most of our workshops. The participants at our scenario-building sessions for the UAE remain optimistic about their country's future. They remain focused on the many opportunities to take advantage of the recent liquidity through expanding the private sector, investing in productive assets and upgrading public infrastructure.

At the same time, the UAE faces a range of challenges, addressed in these scenarios, which could potentially threaten a stable and prosperous future for the country. History shows that a cycle of reform does not necessarily result in the creation of sustainable wealth and improved social integration. Even without the threat of external disruption or lower oil prices, the UAE must confront a number of internal challenges. Financial reserves built up due to high oil prices will not be available forever. For this reason, it is particularly important that current investments be carefully managed to ensure they contribute towards building a diversified, sustainable and innovation-based economy and a more balanced, integrated social structure.

The next five years will be crucial for the UAE's development. Decisions made in today's domestic and regional context have the potential to cement the current optimism in a framework for solid growth, while at the same time managing potential discontent. The involvement of a wide range of actors and decision-makers, including government, business, civil society and representatives of all regions, could produce the insights and momentum required to shift the UAE onto a swifter track. This would enable the country to accelerate its development without compromising internal stability. Alternatively, the scenarios indicate that delay or a reluctance to engage with controversial issues could coincide with external events to create a future where the UAE enters a negative cycle of conflict and economic decline, leaving the country unable to move forward on the global stage.

These scenarios offer three very different futures for the UAE, all of which are plausible and coherent. We hope that these scenarios will help raise awareness about the important issues facing the country and the long-term consequences of a confluence of events, both positive and negative, in the short term. As such, the scenarios can play a key role in raising awareness of the core issues to be addressed by stakeholders.

These scenarios do not and cannot predict the future. However, they do take into consideration a wide range of knowledge used to sketch the boundaries of what is plausible. They also present storylines, logical connections and analyses that can be used to help reflect on what is possible.

We hope that this publication, like its related publications, ***The Gulf Cooperation Council Countries and the World: Scenarios to 2025***, ***The Kingdom of Bahrain and the World: Scenarios to 2025*** and ***The Kingdom of Saudi Arabia and the Word: Scenarios to 2025*** will stimulate a broad and engaged discussion on the future of the UAE and the GCC region. In this way, we hope a wide range of stakeholders will be better placed to debate, consider and make decisions that benefit not just the UAE and the GCC countries, but the world at large.

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Acknowledgements

This publication is a result of substantial research and a number of workshops and interviews held during the 18 months. The project team is grateful to the many people who responded to our invitation to join our workshops and who gave so generously of their time, energy and insights. In particular, we would like to thank our scenario partner, the Executive Affairs Authority of Abu Dhabi, for their continual support and helping us to convene a set of outstanding workshop participants, without whom this project would not have been possible.

While it is not possible to acknowledge and thank each of the hundreds of academic, social, government and business leaders who have been involved, the project team would like to acknowledge the following participants who were instrumental in leading the discussions at workshops in Manama, Riyadh, Abu Dhabi, London, Sharm El Sheikh, New York, Washington D.C. and the Dead Sea, Jordan. They took up the challenge to think hard about the future and we appreciate their commitment, discipline and courage.

- Adel Al Aali, Bahrain Chamber of Commerce and Industry
- Othman A. Abahussein, Arabian Health Care Supply Co.
- Omar El Abd, A. Rahman Saleh Al Rajhi and Partners Co.
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- Jasim Al Ajmi, Bahrain Transparency Society and University of Bahrain
- Dhawia Al Alawi, Supreme Council for Women
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- John E. Xefos, Baker & McKenzie Limited
- Fares Yabhouni, Office of HH Sheikh Hazaa Bin Zayed
- Abdulla Al Yousef, Executive Affairs Authority
- Nabil Al Yousef, The Executive Office, Abu Dhabi
- Dr Noorah Al Yousef, Gulf Cooperation Countries Council
- Dr Ahmed Al Yousha, The Royal Court
- Nejib Zaafrani, Shell International
- Dr Abdulrahman Al Zamil, Al-Zamil Group
- Khalid Al Zayani, Zayani Investment
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The United Arab Emirates and the World: Scenarios to 2025

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