

## **THE ECONOMY OF THE STATE OF THE UNITED ARAB EMIRATES: ACHIEVEMENTS AND PROSPECTS**

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This paper provides a survey of the economic developments in the United Arab Emirates since the mid-seventies. Two lenses are used to present these developments: first, the heavy reliance on oil and the implications of price fluctuations this has on growth and living standards; second, the adoption of a market-based economy which sets among its priorities privatisation, a diversification of the production base, a fuller involvement of women in the process of economic development, a more effective use of information technology, trade liberalisation and cooperation. Emphasis is put on the need for a well-defined long-term strategy aimed at achieving these and other objectives in order to maintain the high level standards of living already enjoyed by nationals and foreign residents alike.

### **INTRODUCTION**

The rapid socio-economic developments witnessed by the State of the United Arab Emirates since the mid-seventies have led to high levels of economic growth and, hence, to an increase in income levels contributing thereby to higher living and consumption standards of both UAE nationals and foreign residents. All economic sectors, in both production and services, have recorded relatively high growth levels which contributed directly to an increase in macroeconomic growth rates. The various Emirates have also witnessed, in general, high growth rates in spite of differences in levels of development and growth from one Emirate to another due to differences in resources and socio-economic conditions.

However, in the light of these notable micro- and macroeconomic developments and achievements, a number of questions may be raised, the most important of which are the following:

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Are there any specific positive or negative features that contributed to these developments? What are the causes of these developments? How did the macro and sectoral economic performance develop? How did the foreign trade of the State develop in the light of its economic features? How was the labour market affected by the various economic developments, and what effect this had on the population? What were the economic policies followed during the economic process? And, lastly, what are the prospects of the national economy?

The present study attempts to answer these questions, and others, in six sections that focus on the major economic features of the Emirates, its overall economic performance, foreign trade and balance of payments, labour force and population, macroeconomic policies, and economic prospects.

## **1. MAJOR ECONOMIC FEATURES**

The economy of the Emirates is characterized by several major features that distinguish it from the economies of most developing countries. Most important among these features are: adoption of free market system, reliance on oil, reliance on incoming labour force, narrowness of the domestic market, and geographical location.

Unlike most developing economies, the Emirates has since its foundation adopted a free-economy, market-based system where demand and supply determine the main economic factors represented by prices and investment in the various economic sectors, in both production and services, and foreign and domestic trade, without any significant intervention on the part of the Government. In other words, an open economic policy was adopted, based on freedom of investment and trade in all fields, and where the private sector plays a leading role in the national economy since the Government's role is limited to formulating macroeconomic policies that reflect the overall strategy of the free economy. In this context, the superiority of the free economy system over the other economic systems followed in the socialist states is worth mentioning. And while a comparison between economic systems falls outside the scope of this study, it may be said that the evidence for this superiority lies in the breakdown of the socialist regimes in Russia and Eastern Europe and in their adoption of the free economy system instead of their earlier economic systems.

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Like the economies of the other oil states, the economy of the Emirates is characterized by its high reliance on oil revenues since oil and oil derivatives constitute the main source of public earnings necessary to finance public spending, both current and developmental, which is on the increase since the mid-seventies. Oil revenues have no doubt enabled the State to finance directly development projects, in both production and services, and infrastructure projects (roads, seaports, airports, communications, hospitals, schools, etc.) in addition to current expenditure on salaries and wages, purchases from the local market, and provision of subsidies and unrequited transfers in the various fields, thus stimulating private sector activities in all economic sectors and increasing thereby the rates of sectoral and macroeconomic growth.

It is worth mentioning in this context, however, that reliance on oil has its own drawbacks in that oil is an exhaustible and non-renewable resource which necessitates finding an alternative source of income when it runs out. Moreover, oil revenues depend on demand in the world oil markets and on price fluctuations in those markets, which leads to instability in the flow of those revenues. Such instability will have a negative effect on overall government spending as well as on the economic activities of the private sector in general.

The economy of the Emirates is also characterized by its high reliance on incoming labour due to the shortage of the national labour force needed to carry out development projects, in both production and services, which aim at ensuring the sustainability of the overall socio-economic development process implemented by the State since its foundation. And despite the advantages accruing from the use of foreign labour as it contributed effectively to the rapid economic, social and cultural development of the country and to the creation of a market to activate the various sectors of the national economy, reliance on this labour as such is considered a negative indicator. Indeed, in view of the lack of an alternative labour force and the increasing reliance of the national economy on it, the numbers of this labour force have become so large that it has become economically indispensable.

The Emirates is also characterized by a small domestic market represented by a population of approximately three millions, including

incomers, which limits the extent of development of its economic sectors. Reliance of the economy on a narrow market largely hinders the expansion of production and services projects since local demand grows only within the limits of that market. To overcome this shortcoming and expand the scope of its limited market, national production has no other option but to turn to exports to foreign markets.

One other characteristic of the Emirates is its geographical location which enables it to establish special economic relations with neighbouring Arab, Gulf and Asian states. This enables it to cater for the markets of these states more rapidly and at a relatively low cost. Naturally, this helps to enhance the growth of national exports, in both production and services, and affects positively macroeconomic and sectoral growth rates.

## **2. OVERALL ECONOMIC PERFORMANCE**

To determine the extent and the sources of the economic development witnessed by the State in the light of the above-mentioned major economic features, an analysis should be made of the development of the Gross Domestic Product (GDP) and its components or sources that reflect the macro and sectoral performance of the national economy.

The GDP represents the overall domestic economic activity over a specific period of time, normally one year, reflecting the value added achieved by the economic sectors which make it up. Development of the sectoral and macro value added is a response to domestic and foreign demand on locally-produced goods and services. In other words, following up the growth of the GDP and the development of its economic sectors from time to time reflects the overall and sectoral performance of the national economy and the extent of the contribution of each sector to GDP.

To calculate the real growth of GDP and its sectors, i. e. to exclude the effect of price rises on economic growth, deflators are normally used which vary from one sector to another due to differences in prices and weights between them. However, since these deflators are not presently available to the State, the present study will rely on the nominal growth of the GDP and its components which is based on absolute figures at current prices.

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An observer of the economic developments which took place in the Emirates over the past twenty-five years would realize that the country has managed to accomplish immense economic achievements. This is reflected by a strong economic structure represented by high standards of living and income for nationals and foreign residents alike, a modern infrastructure of advanced services in land, air and sea transport, communications, water, electricity and sewerage networks, a rapidly developing industrial sector and an active trade sector supported by an advanced banking sector.

In spite of all this, the development process did not proceed at the same pace since the mid-seventies. Indeed, a slowdown was sometimes witnessed in the overall economic performance and in the economic sectors due to the changes and effects of both domestic and foreign economic conditions. Changes in the world oil markets directly and deeply affected the domestic economic performance because of high reliance on oil revenues. Consequently, the national economy witnessed two distinct stages: the stage of the boom in oil prices in 1975-1984, and the stage of the slump in those prices from 1985 to the present.

During the boom in oil prices (1975-1984), the State's overall revenues grew at a considerable rate. This enabled it to increase development and current spending on various production and services projects and to achieve extremely high rates of growth in the various economic activities, as shown in Table 1.

Consequently, this was reflected on the overall economic performance as the GDP rose from 39.6 billion dirhems in 1975 to 101.9 billion in 1985, i. e. an annual rate of 15.7% for the said period (the stage that covers the foundation of the State and meeting its developmental, economic and social requirements).

In fact, oil had the utmost effect on this performance because of its high share in the GDP (66.5% in 1975, although it declined to about 44% in 1985). However, we cannot overlook the continuous development of the non-oil economic sectors as the non-oil GDP grew from 13.2 billion dirhems in 1975 to 57.2 billion in 1985, an annual growth rate of 33.1%. The development was notable in the electricity, water, manufacturing, agriculture, banking and finance, construction, real estate, government services and transport sectors.

Due to the notable growth rates recorded, total consumption, both public and private, grew from 9.5 billion dirhems in 1975 to 47.8 billion in 1985, an annual growth rate of 40.1%, where private spending constituted 59% of total consumption. Thus, per capita consumption rate grew from 17 thousand dirhems in 1975 to 35 thousand in 1985, an annual growth rate of 10.5%. Likewise, fixed capital formation (public and private) rose from 12.0 billion dirhems to 24.4 billion during the same period, where private investment constituted 69% of total investment (Table 2).

As for the slump in oil prices, i. e. 1985 to the present, available information indicates that the economic growth rates achieved were relatively lower than those recorded during the previous period. This was due to the decline in oil revenues as a result of fluctuations in the prices of world markets, the Gulf Crisis and its effects, and the completion of infrastructure projects that required massive investments at the first stage in comparison with less costly development projects at the second.

These developments are indicated by the growth of GDP from 101.9 billion dirhems in 1985 to 241.9 billion in 2000, an annual growth rate of 9.1%. Similarly, non-oil GDP grew from 57.2 billion dirhems in 1985 to 160.0 billion in 2000, an annual growth rate of 11.9%. Moreover, the period witnessed structural developments in the national economy, the most important of which were the following:

The share of the oil sector in GDP declined markedly from (1) 43.8% in 1985 to 33.9% in 2000, which reflects the growing share of non-oil sectors due to the adoption of the strategy of diversification of income sources in an attempt to minimize the high reliance on oil as the only source of income.

All non-oil economic sectors witnessed a marked development, (2) in both relative and absolute terms, increasing thereby their GDP share from 56.2% in 1985 to 66.1% in 2000, as shown in Table 1.

The shares of the electricity, gas and water sectors in GDP (3) remained almost constant compared with the growth of the shares of sectors like manufacturing, construction, trade, and

other services during the period 1985-2000. However, the shares of the manufacturing, electricity and water sectors should have increased more as a result of the policy of diversification of income sources which was adopted to enable the industrial sector to play a leading role in the national economy. This indicates that the industrial policy could not duly achieve its objectives.

In spite of these structural changes, the oil sector remains the largest contributor to GDP compared with the other economic sectors, which means that the strategy of diversification of income sources could not so far change this reality. Therefore, efforts made in this direction should be continued and intensified.

On the other hand, in spite of the slowdown in growth rates in the period 1985-2000 compared with the period 1975-1985, total consumption (both public and private) increased from 47.8 billion dirhems in 1985 to reach 144.1 billion in 2000, an annual growth rate of 13.2%. Private consumption constituted 73% of total consumption. Thus, per capita consumption rate grew from 35 thousand dirhems in 1985 to 46.4 thousand in 2000, an annual growth rate of 2.2%. Likewise, fixed capital formation (public and private) grew from 24.4 billion dirhems in 1985 to 57.3 billion in 2000, where private investment constituted about 43.4% of total investment (Table 2).

In this context, it is worth mentioning that the contribution of the various Emirates to the State's GDP varies from one Emirate to the other due to the diversity of the natural and economic resources available to each of them. Abu Dhabi has the highest share in GDP at 60.3%, followed by Dubai at 24.8%, Sharjah at 8.8%, Ras al Khaimah at 2.4%, Ajman at 1.7%, Fujairah at 1.4%, and Umm al Qaiwain at 0.6% (1).

### **3. FOREIGN TRADE AND BALANCE OF PAYMENTS**

The foreign trade sector represents one of the most important economic sectors of the State since the national economy depends on it in international exchanges with the rest of the world in the form of exports and imports. Export income is the main source of hard currencies which secure the purchasing power needed to import development, intermediate and consumption goods and services necessary for the overall socio-economic development process.

In the light of the high reliance of the national economy on oil, oil exports constitute most of the States's commodity exports. In spite of the increase in the value of oil export revenues from 26.8 billion dirhems in 1975 to 70.1 billion in 2000, its share in the total export revenues fell continuously since the mid-seventies from 94% in 1975 to 63% in 1986 and 44% in 2000 (Table 3). This is due primarily to the structural changes made in the national economy. Local economic developments emanating from the policy of diversification of income sources enabled the non-oil economic sectors to increase systematically their exports. The share of these exports in total exports increased from 4% in 1986 to 20.7% in 2000. These changes have also led to an increase in the re-export activities and their share in commodity exports from 6% in 1975 to 20% in 1986 and 29.5% in 2000 as shown in Table 3.

In spite of these developments, oil export revenues remain the main source of payment for the ever-increasing imports owing to the socio-economic progress witnessed by the State. Oil exports, non-oil exports and re-exports managed to record a systematic surplus in the trade balance reaching a peak of 41.7 billion dirhems in 2000. However, this surplus varied from one year to another due to the fluctuations in oil prices and, therefore, to the instability of oil revenues as shown in Table 3.

Doubtless, the other chapters of the balance of payments, showing the State's transactions with the outside world such as imports and exports of goods and services, unrequited transfers and capital movements, are directly affected by export revenues, especially those of oil, since the deficit in the balance of services and unrequited transfers is settled by the surplus in the trade balance.

Table 3 indicates that the services balance recorded a surplus in the years 1986, 1990, 1994 and 2000. Conversely, the net unrequited transfers, which are made up mainly of aids and donations, recorded a continuous deficit that reached its peak of 18.9 billion dirhems in 1990 due to the Gulf Crisis. This deficit declined to 16.3 billion dirhems in 2000. Nevertheless, the current account in the balance of payments, which is the sum of the trade balance and the services and net unrequited transfers balance, recorded a systematic surplus since the mid-seventies reaching its peak of 33.7 billion dirhems in 2000 due to the large increase in oil revenues.



As for the capital account in the balance of payments, which reflects capital transfers outside the State made up of official loans, capital investments abroad and net errors and omissions, it has recorded a continuous deficit. In other words, there was a continuous outflow of capital that reached a peak of 23.3 billion dirhems in 2000. Capital outflows are normally covered by the current account surplus. Nevertheless, the total balance of the balance of payments recorded a continuous surplus which varied from one year to another, reaching its highest value of 10.4 billion dirhems in 2000 and its lowest value of only 0.2 billion dirhems in 1990. This was due to the rise in the value of unrequited transfers and capital outflows (Table 3).

It is worth mentioning in this context that the continuous surplus in the current account and, therefore, in the total balance of the balance of payments, allows for the maintenance of a reasonable foreign exchange reserve which, in turn, enables the preservation of the value and strength of the dirhem against foreign currencies, and hence the achievement of the goal of monetary policy in this area.

#### **4. LABOUR FORCE AND POPULATION**

After the study of the development of the overall economic structure and the foreign trade sector, the following important question arises: what are the sources of the economic development so far achieved in the State?

It is well known that the main factors of production are land, capital, labour force and management and technology. Given the richness of the land with natural resources, and capital from oil revenues, these two factors are available in the Emirates. However, there is a clear shortage in labour force, skilled and unskilled, and technology.

This is due to the small national population and, therefore, to the small number of the national labour force which necessitated the bringing over of the required labour force from abroad to drive the economic development process forward, to work at the various development, production and services projects, and to import the technology necessary to complement the factors of production.

Consequently, with the start of the development process at the beginning of the seventies, foreign labour, of various specializations and skills, started to be admitted to work in investment projects and public and private institutions. Thus, the number of foreign labour in the State grew from 294 thousand workers in 1975 to 1,623,000 in 2000. Available studies and estimations indicate that the national labour force represents only 10% of the total labour force in the State (2).

Considering the vital importance of labour in production and, therefore, in the national economy, the State has focused on investment in education, training and qualification programmes to increase the number of citizens qualified to enter the labour market in the various required specializations to replace foreign labour and on encouraging women labour. Thus, women's contribution to the labour force of the Federal Government grew from 11% in 1990 to 46% in 1999 (3). Yet, in spite of all these efforts and programmes that accompanied development plans since the seventies, the objectives could not be fully reached and further and more intense efforts are needed.

As for the sectoral distribution of the labour force in 2000, the highest share belongs to the sector of wholesale and retail trades and repair services with 19.7% of the total. It is followed in relative importance by the construction sector (16.4%), manufacturing (13.1%), government services (10.5%), and household services (9.8%) (4). This distribution reflects the developments taking place in the national economy in accordance with supply and demand in the labour market which corresponds to the growth in domestic demand on the output of trade, construction, public services and manufacturing sectors.

As an inevitable outcome of the increase in incoming labour, the State's total population increased from 558 thousand in 1975 to 1,382,000 in 1985 and 3,108,000 in 2000 (5).

Doubtless, this population growth was primarily due to the admittance of incoming workers and their families besides the natural growth of the local population. There is an obvious discrepancy between the number of nationals and that of the incomers which needs to be corrected in line with the requirements of the prevailing socio-economic conditions. Indeed, in spite of the efforts made at various levels in this

field, there is still a need for more action and more efforts to achieve the envisaged objectives.

It is worth mentioning in this context that the increase in the number of the labour force and, therefore, of the population affected directly the development of public federal and local spending, both current and developmental. Total public spending grew from 18.5 billion dirhems in 1978 to 37.6 billion in 1990 and 83.6 billion in 2000 (6). This is due to the presence of a positive relationship between the population and public spending. The increase in population leads to a growth in domestic demand on the various services such as transport, communications, health, education, etc., which requires expansion of investment in those services through increasing the number of workers and expanding purchases of goods and services which, in turn, lead to the development of overall public spending. This, no doubt, constitutes another evidence of the need to correct the imbalance in population composition.

## 5. MACROECONOMIC POLICIES

Based on the above, the following question arises: What were the economic policies followed to accomplish these achievements?

The State's general economic policies are based on the principle of achieving the citizen's welfare through the optimum use of available economic and financial resources. Thus, an overall socio-economic development strategy is implemented, and is constantly revised and updated in accordance with the domestic, regional and international developments and the State's overall economic interests.

The macroeconomic policy, which aims primarily to attain high macro and micro growth rates, includes a set of sectoral policies, foremost among which, as was mentioned earlier, is the adoption of the policies of free market economy and diversification of income sources.

In addition, a number of general policies are being applied, most important among which are: **fiscal, monetary, trade, investment and privatization policies.**

**Fiscal Policy -A**

The importance of fiscal policy emanates from its direct impact on the economic activity and the overall socio-economic development process in a way that facilitates achieving the general strategic objectives of the economic policy through public spending, both current and developmental, and the State's general revenues.

Fiscal policy normally seeks to balance public income and spending so that the government budget would not experience a deficit that would go against its other economic policies. It attempts, on the one hand, to increase the State's public income to enable it to meet its increasing financial requirements, and on the other, to reduce public spending so that it would not hamper the general development process.

A review of the government budgets indicates that the period of high oil prices (1975-1984) witnessed an annual surplus where public income exceeded public spending, whereas the period of low oil prices (from 1985 to the present) witnessed an increasing annual deficit due to an increase in public spending and fluctuations in public income. As is well known, oil revenues still constitute the bulk of the State's public revenues in spite of the efforts made to increase non-oil revenues from customs duties and various other taxes.

Moreover, in spite of the diligent efforts to rationalize public spending, both current and developmental, it is still growing steadily due to the increasing financial burdens entailed by expenditure on various projects, salaries and wages, purchases of goods and services, and aids and subsidies to the various economic sectors and activities.

It is worth mentioning that in the year 2000, a new fiscal system was adopted for the management of public spending based on efficiency in the use of resources instead of the method of comprehensive development, with a view to rationalizing spending and increasing its effectiveness.

Available data indicate that the fiscal deficit declined from 30.0 billion dirhems in 1999 to 6.8 billion in 2000 in spite of the growth of public spending as previously mentioned. This was due to the growth

of public income from 47.6 billion dirhems to 76.7 billion as a result of the notable acceleration of oil and gas revenues from 28.0 billion dirhems to 56.2 billion during the same period (7) due to the increase in oil prices and demand in world markets in 2000 as mentioned earlier.

This indicates that the main reason for the deficit is the growth of public spending and the reliance on oil revenues that are affected by fluctuations in the world markets.

Consequently, it is necessary to continue to rationalize public spending and, at the same time, to increase non-oil public revenue by diversifying the sources of income through diversification of the production base.

#### **B- Monetary and Credit Policy**

The State adopts an open monetary and credit policy that suits the open economic system and the objectives of the overall economic policy being followed. The monetary policy aims to preserve the strength of the dirhem and its exchange rate against foreign currencies by applying a credit policy that seeks to meet local demand on credits and hard currencies with a view to stimulating economic activity and encouraging private investments in the various sectors.

The monetary policy also aims to organize the banking sector and raise its efficiency through the rules and regulations that determine the reserve ratio, and the interest and credit rates. Thus, it was possible to set up a highly developed and efficient banking system capable of maintaining economic balance in the national markets through the regulation of domestic liquidity and of keeping pace with the advanced international banking system.

#### **C- Trade Policy**

The Emirates adopts an open trade policy that constitutes one of the pillars of the open economic system followed ever since the foundation of the State. This policy aims to liberalize the State's foreign trade by imposing no quantitative or technical barriers, and by levying extremely low customs duties, not exceeding 4% in all. Likewise, no technical,

quantitative or tariff barriers are imposed on national non-oil exports. In fact, the intention is to develop those exports through the policy of diversification of income sources and reduction of reliance on oil exports.

In the light of the global tendency to open up international markets and eliminate quantitative, technical and tariff barriers on commercial exchanges between nations with a view to liberalizing world trade, the State joined the World Trade Organization (formerly GATT) in March 1996 to become an active player in the new world system. In accordance with WTO membership requirements, the State submitted tables including customs obligations and rights to be granted to the various economic sectors on goods and services. In this context, it is worth mentioning that the studies and reports prepared on the economic effects of accession to the WTO indicate that the positive effects exceed the negative ones in the various economic sectors.

#### **D- Investment Policy**

In keeping with the overall economic policy aimed at diversifying the sources of income and the production base, the State adopts an investment policy that encourages private sector investments and strengthens its developmental initiatives. It also encourages foreign investment through the provision of various facilities, incentives and exemptions to investors (e. g. the establishment of industrial and free zones in the various Emirates and the provision of benefits to investors therein). It is worth mentioning, however, that a well-defined investment strategy is lacking with respect to attracting foreign investments.

Moreover, under the investment policy, the State implemented the economic exchange (offset) programme, which is a pioneering project that aims to facilitate the transfer of advanced technology and specialized know-how to be utilized in developing the industrial and services production base and in training and qualifying citizens.

Furthermore, pursuant to Law no. 4 for the year 2000 on Stock and Commodity Exchange, a stock exchange was set up at the State level with a view to developing domestic investments and creating

diversified investment opportunities through securing the necessary monetary liquidity. Thus, the Dubai Stock Exchange was inaugurated in March 2000 and was followed by the Abu Dhabi Stock Exchange in November 2000. The two exchanges were electronically linked in August 2001.

In keeping with the world electronic and technological developments, the investment policy in the Emirates focuses presently on developing information technology in the various economic activities (e. g. launching the electronic government project in 2000, establishing the Internet city, and seeking to develop e-commerce and attract a number of major information technology companies such as Microsoft, Oracle, and Apple Macintosh to make Dubai the centre of their operations in the Middle East).

#### **E- Privatization**

Given the importance of the private sector's participation in the overall socio-economic development process and of enhancing its economic role in general, the State undertook to privatize some of the development projects it owns by selling them to citizens in the private sector.

There is no doubt that privatization facilitates the investment of private sector savings in the national economy and prevents their outflow by providing the opportunity to small national investors to invest in industrial and services projects in the State and enhance thereby their participation in the development process.

Projects are privatized by stages that vary in length from one project to the other according to their economic characteristics. So far, a number of successful industrial projects belonging to the General Institution for Industry have been privatized. The water and electricity sector in the Emirate of Abu Dhabi has also been privatized and there are plans to privatize that sector in the northern Emirates in the near future. On the other hand, to attain the general objectives of the privatization policy, the State seeks to minimize its contribution to major development projects to encourage private sector firms, such as the Abu Dhabi Shipbuilding Company, the Khazna Insurance Company and the Amar Real Estate Company, to invest in them.

## 6. ECONOMIC PROSPECTS

In the light of the above, the following important question arises: What are the State's future economic objectives? And what are the economic policy requirements to achieve these objectives?

The State's future economic objectives can be summarized as follows:

- Realizing sustained and higher growth rates in all production .1  
and services sectors,
- Enhancing and deepening the process of diversification of .2  
the production base of the national economy by focusing on  
developing promising capital-intensive, advanced-  
technology-based industries,
- Adopting the new economy system based on modern know- .3  
how by focusing on developing information technology,  
communications, e-commerce and modern technical  
education,
- Assigning a larger economic role to the private sector, .4
- Developing the skills of the national labour force through .5  
education, training and qualification to raise its productivity  
and utilize it in the optimum manner,
- Creating a rich environment in information and scientific .6  
research to encourage scientific knowledge and technical  
skills,
- Encouraging distinction in administrative and industrial .7  
performance and the entrepreneurial spirit in taking  
investment decisions, and limiting the *rentier* mentality  
based on rapid profit and narrow individual approaches,
- Encouraging the establishment of economic partnerships .8  
between the Emirates and their businessmen.



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To achieve these objectives, the following measures need to be taken (8):

- Setting a long-term economic strategy based on the State's future economic vision that clearly determines the macro and sectoral targets and relies on developing the scientific and technical capacities of citizens through increasing investment in education, training and qualification, .1
- Developing information technology and its uses in all economic sectors, especially education, communications, trade and the government sector in general, .2
- Developing national economic management to eliminate duplication in the duties of the various institutions, raising productivity and adopting flexible and modern administrative systems that adapt to regional and international changes, .3
- Raising industrial awareness to increase private sector investments in productive and services industries, reducing production costs and enhancing competitiveness in domestic and international markets, .4
- Adopting a new immigration policy based on the principle of "**selection of incoming labour**" that would give priority to incoming labour with high technical skills to contribute to raising the technical standards of the national labour and facilitate the process of long-term replacement of incoming labour with qualified national labour, thus contributing to correcting the imbalance in population composition, .5
- Adopting programmes that develop the spirit of organisation and entrepreneurship in business through focusing on the establishment of joint ventures and the provision of incentives to support creative activities in private businesses, .6

Setting a new, clear-cut strategy to attract foreign investments based on the principle of transferring advanced technology and creating job opportunities to employ and train citizens in world technical skills in production techniques, management and decision-making,

Supporting and encouraging scientific research activities in all production and services sectors to develop production techniques and grasp and adapt imported technology according to the prevailing economic conditions in the State, .8

Expanding the capacities of the private sector by supporting it and enabling it to play a more active role in the development process, .9

Encouraging the implementation of joint ventures between the various Emirates and their businessmen through putting conducive policies as part of the State's future economic vision. .10

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**Table 1**  
**GDP at Factor Cost and its Composition in the U.A.E. (1975, 1985, 1990, 1993, 2000)**

(Million Dirhems at Current Prices)

Sector	1975		1985		1990		1993		2000		Annual Growth Rate	
	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	Value	Share (%)	75-85	85-00
Agriculture and Fishing	329	0.8	1440	1.4	2056	1.6	3156	2.4	7017	2.9	33.7	25.7
Oil	26364	66.5	44707	43.8	57632	46.1	47341	35.8	81973	33.9	6.9	5.5
Mining and Quarries	98	0.2	309	0.3	307	0.2	389	0.3	682	0.3	21.5	8.0
Manufacturing	369	0.9	9255	9.1	9701	7.7	11140	8.4	28846	11.9	240.0	14.1
Electricity, Gas and Water	209	0.5	2143	2.1	2461	2.0	2769	2.1	4627	1.9	92.5	7.7
Construction	4308	10.9	8882	8.9	9687	7.8	12200	9.2	17247	7.1	10.6	6.3
Trade, Restaurants and Hotels	3248	8.2	8715	8.5	11237	9.0	15733	11.9	27294	11.3	16.8	14.2
Transport, Storage and Communications	1255	3.6	4224	4.1	6211	5.0	7923	6.0	16153	6.7	23.6	18.8
Banking, Finance and Insurance	627	1.6	5154	5.1	5126	4.1	6627	5.0	14363	5.9	72.2	11.9
Real Estate	1592	4.0	5176	5.1	6864	5.5	9740	7.4	18618	7.7	22.5	17.3
Government Services	1364	3.4	11001	10.8	12968	10.3	15588	11.8	24637	10.2	70.6	8.3
Other Personal and Household Services	422	1.1	2009	2.0	2966	2.4	2157	1.6	5441	2.3	37.6	11.3
Minus: Calculated Banking Services	-550	-1.3	-1025	-1.0	-1950	-1.6	-2412	-1.8	-5010	-2.1	8.6	25.8
GDP	39635	100.0	101990	100	125266	100.0	132351	100.0	241888	100.0	15.7	9.1
Non-oil GDP	13271	33.5	57283	56.2	67634	53.9	85010	64.2	159915	66.1	33.1	11.9

Source: Ministry of Planning: National Accounts 1975-1984, Socio-economic Developments for the years 1985-1990, National Accounts 1988-1993, Annual Economic Report 2001 (Abu Dhabi, U.A.E.).

**Table 2**  
**GDP at Factor Cost by Main Spending Sections**  
**(1975, 1985, 2000)**

(Million Dirhems at Current Prices)

Spending Section	1975	1985	2000	Annual Growth Rate (%)	
				75-85	85-00
End Consumption Spending	9476	47871	144136	40.1	13.2
-Government Consumption Spending	3261	19554	38720	49.9	6.5
-Private Consumption Spending	6215	28317	105416	35.5	18.1
Total Fixed Capital Formation	12059	24458	57370	10.2	9.0
Increase in Commodity Stock	-	475	2680	-	30.9
Exports of Goods and Services	29183	57672	174185	9.7	13.5
Minus: Imports of Goods and Services	11258	31060	165556	17.5	22.4
Net Taxes on Products	175	2574	-927	137.0	-4.3
GDP	39635	101990	241888	15.7	9.1

Source: Ministry of Planning: National Accounts 1975-1984, Socio-economic Developments for the years 1985-1990, National Accounts 1988-1993, Annual Economic Report 2001 (Abu Dhabi, U.A.E.).

**Table 3**  
**Main Chapters of the U.A.E.'s Balance of Payments**  
**for the Years 1975, 1986, 1990, 1994, 2000**

(Billion dirhems)

<b>Chapter</b>	<b>1975</b>	<b>1986</b>	<b>1990</b>	<b>1994</b>	<b>2000</b>
A- Current Account (1+2+3)	11.3	8.7	20.0	11.1	33.7
1- Trade Balance	18.0	12.9	37.0	17.2	41.7
1-1. Commodity Exports	28.6	36.5	79.5	100.5	159.0
- Oil	26.8	23.0	54.5	41.8	70.1
- Gas	-	4.5	4.5	5.1	9.1
- Other Exports	-	1.6	7.7	18.5	32.9
- Re-exports	1.8	7.4	12.8	35.1	46.9
1-2. Imports	-10.6	-23.6	-42.5	-83.3	-117.3
2- Services Balance	-6.7	2.0	1.9	6.2	8.3
3- Net Unrequited Transfers	-	-6.2	-18.9	-12.3	-16.3
B- Capital Account	-5.5	-1.1	-19.8	-8.8	-23.3
<b>Total Balance (A+B)</b>	<b>5.8</b>	<b>7.6</b>	<b>0.2</b>	<b>2.3</b>	<b>10.4</b>

Source: Central Bank: Various editions of the Economic Bulletins and Annual Reports (Abu Dhabi, U.A.E.).



