



UAE 35th National Day Report

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 exports, and imports to rise by around 3 percent to 306 billion dirhams (US\$ 83.7 billion). The majority of GDP is provided by Abu Dhabi, which is the country's largest oil and gas producer, with installed sustainable production capacity of around 2.8 million barrels of oil a day, although actual production levels are determined in accordance with the level set by the Organisation of Petroleum Exporting Countries, of which the UAE is a member.

The UAE is, of course, fortunate in having substantial oil and gas reserves, and the revenues from production and exports has long underpinned the national economy. During 2006, high world oil

prices have helped to boost government revenues, and, in turn, have made it possible to fund development in other sectors. With current oil prices being around US\$ 60 a barrel, the United Arab Emirates is a major player in the industry.

At the same time, though, a long-term policy of diversifying the country's sources of income away from oil and gas has meant that the non-oil sector now accounts for around two thirds of gross national product. Tourism is one of the fastest-growing sectors, with several million foreign visitors a year now coming to the UAE on holiday, this leading, in turn, to increased usage of the country's hotels, airports and airlines.

The success of the diversifica-

tion policy has been particularly evident in Dubai, whose nominal GDP now represents about 29 percent of the country total. Dubai is the second largest producer of oil and gas among the seven emirates, but produces less than 10 percent of the country's total, the bulk coming from Abu Dhabi. Its drive for diversification dates back to the 1970s, and in 2000, the contribution of its oil and gas sector to its nominal GDP (not adjusted for inflation) was only 10.3 percent. By 2005, it has dropped to only 5.4 percent, while over the same period, the contribution made by trade and the repairing sector rose from 16.3 percent to 22.8 percent. Tourism, the hotels industry, property development and the con-



struction industry also play a major part in Dubai's economy, as the emirate continues its rapid growth. The world's tallest building, Burj Dubai, and the world's largest airport, Dubai World Central, in the Jebel Ali district, are among two of the projects currently under construction in the emirate.

Growth in Abu Dhabi's economy has also been remarkable, and GDP is projected to reach 341 billion dirhams (US\$ 92.7 billion) in 2006, an increase of 13 percent over the 2005 figure. Of this, around 139.4 billion dirhams (US\$ 37.9 billion) or forty percent is expected to be contributed by the non-oil sector, despite the rise in world oil and gas prices. GDP per capita in Abu Dhabi, estimated early in the year at around US\$ 46,200, is the highest in the world.

One major focus of investment in Abu Dhabi has been the upstream and downstream oil and gas industry, with plans being announced to increase sustainable oil production capacity to around 4 million barrels a day by 2010, as well as for US\$ 6 billion of investment in enhancing gas production and processing and for the construction of new refineries and petrochemical plants.

There have been developments, too, in the non-oil industrial sector. Already a major aluminium producer, with the DUBAL plant in Dubai, the UAE is now set to build two more plants in Abu Dhabi, both of which will be among the largest in the world, while the expansion of airports and the building of hotels, in Abu Dhabi, Dubai and, to a lesser scale, in the other emirates, is providing a boost to the tourists industry throughout the UAE. Other industries such as the manufacturing of cement and building materials continue to benefit from the major construction projects now underway throughout the country, particularly in Abu Dhabi and Dubai.

Overall, the UAE is now ranked by the Global Competitiveness Index of the World Economic

Forum as being 32nd overall, and the top ranking country from the Middle East region.

Much of the success of the UAE's economy can be ascribed to the fact that it has always been open and market-orientated, attracting substantial sums in foreign direct investment, FDI, not just in heavy industry and oil and gas, but in other sectors too. During 2006, Abu Dhabi alone is expected to attract around US\$ 4 billion in FDI, excluding the capital-intensive oil and gas sector. This has led, in turn, to the emergence of a thriving financial services sector, and the country is now the regional headquarters for many top international banking institutions. Many of these have also chosen to establish operations in the new Dubai International Finance Centre, a financial free zone that meets the need for a trading centre strategically located between the European and East Asian markets.

The DIFC is only one of many "offshore" areas of free zones in the country, with other dedicated zones having been established in Dubai dealing with commodities, healthcare, the media, Internet services and even humanitarian aid services, the latter building on the UAE's role as a major international provider of humanitarian assistance for zones of conflict and those affected by natural disasters.

The core of the free zone system, however, is the industrial free

zones, of which that at Jebel Ali is the most important -- a major international re-export centre. Here, as in other free zones, investors are able to maintain 100 percent ownership of their operations, with full freedom to repatriate capital and profits.

The increasing sophistication of the UAE's economy has been marked during 2006 by a dramatic increase in foreign investment and acquisitions by UAE-based companies. Dubai Ports World, for example, purchased the major international operator of container ports, P & O, while Abu Dhabi-based Abar Petroleum, the country's first private oil company, bought Singapore based Pearl Energy, which has extensive oil and gas operations in Indonesia and Vietnam. Property developers Emaar and Al Qudra have announced major projects in countries ranging from Morocco to Lebanon, Syria and Saudi Arabia while the privately-owned Abu Dhabi Group has invested in banking and telecommunications in Pakistan. This process of UAE outward investment is set to continue in the year ahead, in a wide range of industries as the country expands its inter-relationship with the global economy.

While the United Arab Emirates can be well-satisfied with its internal progress during the last year, at a political, economic and social level, government and people

have, of course, been deeply concerned by two major conflicts at a regional level.

The government has responded to the internal conflict in Iraq by continuing to offer support to the elected government in Baghdad and has urged the various communities in the country to cease their internecine strife and to work together for the benefit of the country as a whole. In response to the savage Israeli attacks against the Gaza Strip throughout the year and, in July and August, against Lebanon, it has also provided support to the Palestine National Authority and to the Lebanese Government, including several hundred million dollars of financial and humanitarian support. Residents of the country, both UAE citizens and expatriates, also contributed substantially to relief programmes for Lebanon and the Palestinians, while humanitarian organisations like the UAE Red Crescent, besides being active in the Middle East, have also provided assistance much further afield, to help those affected by natural disasters and conflicts.

The UAE continues to believe, as it has always done, that an effective peace settlement in the Middle East can be achieved only through

the winning by the Palestinian people of their legitimate right to establish their own fully sovereign state within recognised and secure borders and with Jerusalem as its capital and by the acceptance by Israel of the need to adhere to and abide by international law and the relevant resolutions adopted by the United Nations Security Council.

More broadly, the UAE has continued over the past year to work actively, along with other nations, to fight the scourge of terrorism carried out in the name of a perverted interpretation of religion, or for other reasons.

Looking ahead, it is the hope of the government and people of the United Arab Emirates that the forthcoming year will see a greater emphasis being placed by the international community, both through multilateral and bilateral actions, on the need to address the fundamental causes of conflicts and disputes. Only thus, they believe, will it be possible for these to be resolved and for governments in the Middle East as a whole, as well as in other parts of the world, to focus more effectively on tackling the tasks of economic and social development that are the most urgent needs of the global community.

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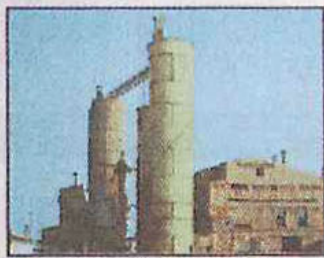
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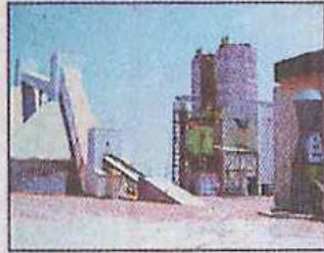
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