**УДК 661.65**

**UAE: FEATURES OF THE NATIONAL ECONOMY DIVERSIFICATION PROGRAMMES**

**Alrashdi A.,**

post-graduate student

Institute of International Relations of Taras Shevchenko National University of Kyiv, Kyiv, Ukraine

In recent years, the UAE has undergone a ‘macroeconomic revolution’ driven by the desire to move from a mono-resource economy to a ‘vibrant, sustainable and safe business environment’ based on strategic programmes of the national five-year economic planning, main priorities for industrial development and effective forms of investment policy in each emirate. Currently, the *UAE Concept 2021* and the *National* *Innovation Strategy* (launched back in 2010) are being implemented in the country, and in the leading emirates, respectively, the Abu Dhabi Concept 2030 and Dubai Industrial Strategy 2030. These strategies are based on the desire to move towards an economy based on the following six priority sectors [1]:

1. World class health care;
2. First-class education system;
3. Sustainable environment and infrastructure;
4. Close-knit society and preserved identity;
5. Safe public and fair judicial system;
6. A competitive knowledge-based economy.

The basic principles for their implementation are, *firstly*, full government control over extraction, processing and export of all minerals, under which the government of the emirate owns at least 60% of the shares in any company engaged in the extraction of minerals in the UAE, and the income from leading industries either fully go to the government or are taxed. The *UAE Energy Strategy 2050* aims to provide the country with electricity and achieve its environmental goals through a combination of clean gas energy, nuclear power plants, and clean coal projects. For these purposes, the UAE government plans to invest 600 billion dirhams by 2050 to "meet the growing demand for energy and ensure the sustainable growth of the country's economy." Nuclear energy is a particular priority in the UAE. Four nuclear reactors designed in South Korea, due to be operational by 2020, will have to generate about 25% of the required electricity in the UAE [2].

The *second* basic principle involves purposeful investment in infrastructure, industry and services in order to turn the UAE not only into a regional leader, but also into a significant global player in many respects. Currently, according to official data, projects with a total aggregate value of over €770 billion are being implemented in the UAE, more than 100 billion of which are the cost of top-priority national projects (for example, the first nuclear power plant, an aluminum plant, metro in Abu Dhabi and Sharjah, railways and airports). About a third of projects are housing construction, another third are industrial, and the other third are cultural, healthcare and education facilities (for example, the cost of projects related to Expo 2020 in Dubai exceeds $8 billion). The main incentives are low rates: a) taxation for business and the population (except for foreign banks and companies in the oil-extracting sector) when expanding programmes for financing the activities of most companies through government funds and b) bank loans (on average 3-6% per annum with official consumer inflation of about 3.5%, while a third of the rate is subsidized by the state). According to a report prepared by *BMI Research*, the UAE is expected to spend $89.93 billion on infrastructure by 2026 [3].

*Third,* transformation of the UAE into a logistics hub for the region thanks to 16 commercial ports and a commercial fleet of more than 300 ships (including the world's largest flotilla of oil tankers). *DP World*, controlled by the Dubai government, is the world's largest holding company, managing ports and operating more than 70 terminals in 31 countries. The Jebel Ali Port (Dubai) is the largest port with an artificially constructed water area in Western Asia (according to various estimates, the 4th or 5th port in the world). *Emirates Airlines* is now the fourth in the world in terms of passenger traffic and second in terms of freight traffic, while Dubai International Airport is the first in the world in terms of foreign passenger traffic, sixth in terms of total passenger traffic and third in terms of cargo traffic. Today it brings about 27% of GDP to the Emirate of Dubai, and according to forecasts, by 2030 this figure will amount to more than 44% of GDP of the emirate, creating almost 90 billion dollars of added value per year. In general, today, transport and logistics creates almost 6.5% of the country's GDP and uses almost 8% of the labour force in the UAE.

*Fourth*, the transformation of the UAE into a major financial and exchange centre for both the region (such as Melbourne for Australia or Miami for Latin America) and Western Asia and Africa. There are three stock exchanges (ADX, DFM, Nasdaq Dubai), one commodity and one derivatives exchange, with a turnover of about $30 billion per year. Currently, the stock market and banking sector of the UAE accounts for 8% of GDP (an indicator similar to the United States), 49 banks (26 of them are foreign) operate, and the volume of assets of the banking system as a whole is more than $650 billion. Since 2000, a system called *Dubai Financial Market (DFM)* has also been actively operating: a kind of exchange where secondary trading of various financial instruments takes place, including shares and equities of both local and foreign funds (foreign investors create about 40% of the turnover in the local stock market). Direct and indirect government subsidies to public and private companies are used. Bank financing of business (through loans) is approximately 95% of GDP, the refinancing rate is 1.5%. In addition, significant funds are marked in the assets of UAE sovereign wealth funds – more than $1 trillion. For example, the *Mubadala* International Investment Fund is one of the world's largest investment funds, founded and controlled by the government of Abu Dhabi, it owns more than $850 billion in assets. The fund's strategy is based on long-term partnerships and large-scale investments that bring more than just profit but also a social benefit for the residents of the Emirate of Abu Dhabi, and also contribute to the growth and diversification of the region's economy. The fund's investments span a wide range, including aerospace, semiconductor production, mining, oil and gas, renewable energy, IT, healthcare, real estate and infrastructure, and services. The UAE is also today the largest gold trading centre in the region (25% of world gold turnover) [4].

*Fifth*, strict control of prices for energy and medicines, fixed tariffs for electricity, water and most consumer goods (a special committee approves and revises prices for goods, and a person can lose not only business, but also freedom for deliberate overpricing). This is in line with the *de facto* social consensus, according to which sheikhs look at their compatriots as members of their family, worthy of full support. Indeed, in the UAE, the share of labour costs in GDP is only 27% (in Mexico - 35%, in the USA - 55%) and is one of the lowest in the world. Although widely used in the economy, foreign workers are not part of the "social contract" in the UAE (in case of loss of work or at the end of 2-3-year work visas, a foreigner is obliged to leave the country within a few days without any possibility of extending a visa – he can apply for a new visa not earlier than in a year).

The UAE is prioritizing its technology infrastructure. In 2019, spending on innovation amounted to 17.3% of GDP, which is significantly higher than in 2018 (5.5%), with more than 40% of the budget allocated to “community development” (sectors such as infrastructure, education and health). To stimulate the development of these sectors, the UAE government encourages banks to increase lending activity in the non-oil sectors, while at the same time strengthening the regulatory framework of each key industry [5]. In particular, the government of Dubai is currently implementing the *Smart Dubai 2021* Project, the leading component of which is an ambitious strategy "to become the first government in the world to provide all its services using blockchain technology", which, if the system is successful, should increase the efficiency of real estate and banking management, and trade.

The economic policy of the UAE in the context of diversification has proved that cost control in a state-owned company in a resource-based economy is quite possible –of course, if the state can ensure not only the correct motivation of employees and effective strategic management, but also the country's openness to the inflow of both cheap labour and highly qualified specialists and managers from abroad.

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