RESTRICTURING AND ECONOMIC DIVERSIFICATION IN THE UNITED ARAB EMIRATES

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ABSTRACT

The starting point of the United Arab Emirates is the agricultural economy, mainly sheep breeding and fishing;...; until now after nearly 50 years, the UAE has risen to become the economic bright destination of Asia. By using the methods of calendar analysis, comparison, forecasting..., based on reliable secondary data sources from international organizations and the UAE government, the study will focus on clarifying the causes, methods, roadmap... for the UAE to transform itself from a simple agricultural economy and dependent on oil extraction, becoming one of the world's modern financial and service centers. The UAE government has adopted many flexible economic policies, thus achieving many successes in economic transformation and diversification. The results of the study showed that the UAE’s outstanding success is to gradually reduce the proportion of oil in GDP, focusing on modern service sectors, fast and sustainable growth. The UAE also faces some development limitations but will be considered for remediation. The UAE's prospects are to build two models of economic development: Dubai - Knowledge Economy and Abu Dhabi State - Green Economy.

Keyword: UAE, economic restructuring, economic diversification, Dubai, Abu Dhabi

1. INTRODUCTION

After independence in 1971, the United Arab Emirates (UAE) was formed with seven states: Abu Dhabi, Ajman, Al Fujairah, Dubai, Ras al Khaimah, Sharjah, and um al Qaiwain. The UAE is located in the Arab desert with sandy desert terrain, hot arid climate, generally harsh natural conditions. However, the UAE enjoys abundant oil resources, which is a major advantage for the country. The UAE ranks 7th out of 10 countries with the world’s largest oil reserves, having the seventh-largest natural gas reserves in the world. The total population of the UAE as of July 2018 is about 9.7 million, of which 88% are migrant workers. About 85% of the UAE's total population is concentrated in the three largest emirates, Abu Dhabi, Dubai, and Sharjah (CIA, 2019). If Abu Dhabi is the largest city in the UAE and the economic-political center of the country, Dubai is the most powerful and modern state.

With the ability to leverage oil and finance to develop other economic sectors, the UAE is now the second-largest Arab economy (after Saudi Arabia); is the 9th strongest economy in Asia (after China, Japan, India, Korea, Indonesia, Saudi Arabia, Taiwan, Thailand), 29th in the world (2018 data) (Statistic Times, 2018); is one of the highest average income countries in the world. In 2017, the UAE's total GDP by PPP was 696 billion USD, GDP per capita in PPP was 68,600 USD.

2. THEORETICAL OVERVIEW

Any country also needs a reasonable economic structure in each stage of development, economic restructuring is to achieve that goal. Economic restructuring is considered to be a persistent and long-term shift in the structure of the economic sector (Chenery, H. & Syrquin, M., 1986). Economic restructuring associated with changes in the importance of economic sectors, suitable to each development condition. This is the result of the process of changing the number of sectors and sub-sectors, emerging some new industries or losing several existing ones, the interaction between sectors changes, the speed and scale of growth of industry change.

According to some evaluation models of economic restructuring, to move from backward to prosperous, countries have to go through stages, each with a specific form of industry structure. The Take-off Theory points out five sequential stages, from the traditional social stage (pure agricultural structure), the preparatory stage to take off (agricultural-industrial structure), and the takeoff stage (structure industry-agriculture-
services), maturity (industry-service-agriculture structure), high consumption (service-industry structure) (Rostow, W., 1960). Each country needs to choose a form of industry structure that is commensurate with a certain stage of national development. The economic restructuring process in the modern period has three phases: the primary stage (dominated by agriculture); industrialization (shifting the economy away from primary production towards the processing sector); the economy develops (service becomes the most important sector) (Syrquin, M., 1988).

After moving to the stage of modern economic development, countries need to move towards a knowledge economy, led by science-technology and innovation. The concept of the knowledge economy (or knowledge-based economy, or knowledge-driven economy) states that: “an economy in which knowledge plays a key role in the development of human society and economy” (OECD, 1996). Or knowledge economy should be based on four pillars: 1) Economic environment and social institutions conducive to the creation and use of knowledge; 2) Education and training; 3) Innovative system; 4) Information Infrastructure (Science and Technology) (World Bank, 1999). Modern growth economics has focused on technological innovation, high-tech research and development (R&D), as factors that promote economic growth. Specifically, endogenous growth theory has emphasized the importance of technological advancement and productivity factors (Helpman, E., 2004). Another study emphasizes the role of institutions as the underlying cause of long-term growth (Acemoglu, D., et al, 2005).

This article uses a number of methods of social science research such as calendar research, comparisons, forecasting ... Secondary data sources are collected from reliable sources such as OECD, World Bank, and the UAE national agency. From there, it will show the UAE development perspective, how to implement the transition, the success and limitations, future prospects.

3. KEY FINDINGS

3.1. The need for a restructuring of the UAE

After the establishment of a joint government, in the 1970s, the Federal Government of the UAE governs the emirates according to the Intervention-Distribution Model, with a foundation that is a huge source of oil revenue (UAE found oil field in 1966). The primary policy of the UAE is to use oil revenues to invest in economic infrastructure, social security systems, and high-quality public services for the citizens of the states.

In the 1980s, the oil-related industry (the hydrocarbon industry) in the UAE developed, attracting a large number of workers. This was also the period when the UAE established many small and medium-sized private companies operating in the non-oil sector.

In the 1990s, the UAE faced the problem of fluctuating oil prices. However, this is the period when the UAE achieved a very high GDP growth, up to about 7%. The reason is that the UAE government focuses on diversifying the non-oil economic sectors including: i) industries with a part related to oil such as chemicals, fertilizers; ii) cement and aluminum production industries; iii) trade, service, and tourism industries. The Government focuses on outward-orientated growth policy to make the UAE become a regional financial center, international trading hub.

From 2000 to 2011, the UAE economy grew by about 4.7%, a positive figure in the context of the world economic decline due to the global economic crisis in 2009. Particularly in 2004, the war between Iraq and Afghanistan pushed oil prices soaring, making the huge financial flow to pour into the Gulf. In 2005 the UAE achieved a record growth rate of 9.8%. However, by the period of the global financial crisis in 2009, the UAE economic growth was -4.8%, the growth of the non-oil sector was -2.9% due to the recession in the manufacturing and real estate sector, especially the growth of the manufacturing industry was -14.1%. In this period, the goal of diversifying the oil economy is an urgent need, focusing on making the UAE a “diversified knowledge economy”. With a national background lacking in high-tech factors, the UAE advocates to access the most advanced technologies from the developed OECD industrial countries, instead of researching and developing its technology.

2011 was the time when the UAE economy recovered from the crisis. The favorable factor is the rebound of oil prices, the optimum oil production of the UAE (oil price increased at 112 USD/barrel, highest output 2.6 million barrels/day)... boosted the UAE’s economic growth was impressive in 2013. This was also the
period when the UAE implemented many political reforms and increased investment in less richer states. This time marked the increasing position of the non-oil economic sectors, not only manufacturing but also commerce, real estate, construction, tourism, logistics...

The UAE has referred to some economic models in the world such as Norway, Canada..., although it has a very large output and income from oil, but has effectively used that financial resource to develop other industries. The UAE's goal is to restructure and diversify the economy towards non-oil economic sectors for the following reasons:

i. The period of growth after the global financial crisis and the national internal crisis in 2009, the UAE is faced with the fact that the world demand for oil is weak, fierce competition from other countries, the global financial market decline... The lesson for emerging market economies in general and the UAE in particular is to have a sustainable growth strategy, able to cope with the next crises, more the need to diversify the structure of the economic sector.

ii. Important economic restructuring and diversification not only promote economic development and create jobs for the rapidly growing workforce; but it also reduces the risk of centralization making the UAE economy very sensitive to external changes, such as fluctuations in essential goods (for example oil). Besides, economic restructuring and diversification are also the best way towards sustainable development.

iii. Historically, the UAE has not been highly appreciated by the world in encouraging and supporting investment. Therefore, the government’s goal in economic diversification is to implement a new growth model, towards an economy based on innovation and knowledge, combining between hard and soft institutions, creating the most favorable business environment for companies.

iv. The need to restructure and diversify the economy is more pronounced when the UAE federal government enacts the UAE Vision 2021, aiming to become a skill-intensive and diversified knowledge economy.

v. The UAE has the advantage of not having to go through the same growth steps as other developed countries, but shorten the roadmap, because of the huge profits from oil for ambitious government economic development projects (Schilirò, D., 2013).

Therefore, economic restructuring is not only an urgent need but also a pressure to choose an economic model suitable for each period. The Emirates Competitiveness Council of the UAE ECC (Emirates Competitiveness Council) determines that the UAE moves towards an innovation and knowledge-based economies. In which, the model will have a strict and transparent legal system, perfect health care, high-performance education, for the kingdom to prosper at its most (ECC, 2011)

3.2. Policy of restructuring and diversifying the economy of the UAE

The Federal Government has issued 39 Development Strategies, of which the highest rating is the UAE Vision 2021. This strategy was issued in 2010, with a growth model based on Innovation and Knowledge, considering it as the driving factor for the economy. The goal of the UAE Vision 2021 is to “make the UAE one of the greatest countries in the world” by 2021. In the UAE Vision 2021, economic diversification strategies are concentrated in two major states Dubai and Abu Dhabi; the rest of the states only played a minor role. Therefore, a growth model that emphasizes economic diversification, innovation and knowledge-based growth has been emphasized and achieved the most obvious results in these two states (UAE, 2018). The originator of the UAE Vision 2021 is the emperor of Dubai Mohammed bin Rashid Al Maktoum, who is also the prime minister and vice president of the UAE. He is the third child of the late King Rashid bin Saeed Al Maktoum, who has had an important role in the modernization of Dubai. State governments also issued about 26 socio-economic development strategies, but only focused on a few strong states such as Dubai, Abu Dhabi.

Policies aimed at restructuring and diversifying the economy of the UAE focus primarily on the following:

- Economic restructuring from traditional agriculture to modern industries and services.

The main agricultural sector is husbandry, date planting, and fishing. Cultivation activities develop in oases on the east coast such as Liwa, Al Ain, Falaj Al Mualla... UAE agricultural products include
dates, vegetables, poultry, eggs, dairy products, fish.

The UAE’s primary industry is oil exploitation and processing. Oil production is about 3.046 million barrels/day, exports 2 million barrels/day. Some other important industries include petrochemical, aluminum production, cement, fertilizer, ship repair, construction materials, shipbuilding, textiles ...

Overall, out of the seven states only Dubai focuses on service industries, the rest still heavily depend on oil exploration and exports, including Abu Dhabi.

Dubai pioneers the development of modern service industries. To encourage the logistics service industry, in 1960, Dubai dredged the natural saltwater stream Dubai Creek to enough depth for large ships to pass through, in 1979 built Jebel Ali port, in 1985 built Jebel Ali Free Zone (JAFZA) around ports and allow foreign companies to freely import labor and capital. Also in 1985, Dubai established the Emirates Airlines. The UAE’s aviation industry is ranked 8th in the world. To develop tourism, Dubai enriches beaches, transforms desert seas into luxurious and unique hotels and buildings unique in the world. These are the Palm Islands (formed from three artificial islands of Palm Jumeirah, Palm Jebel Ali, Palm Deira), Burj Al Arab Hotel, the tallest Burj Khalifa tower in the world. Dubai also focuses on high-end travel services, only for the rich tourists. In 2018, the total number of tourists to Dubai was 16.6 million, ranking 7th among the cities attracting the most tourists in the world. It is expected that by 2020, the UAE will welcome more than 20 million visitors, reaching the 6th position of the world.

- **Strong investment in modernizing infrastructure for financial services and tourism**

UAE strongly invests in infrastructure development, education, job creation, and private economic development. Dubai and Abu Dhabi have spent billions of dollar on building infrastructure, real estate projects, tourism and entertainment.

The Dubai government invests heavily in infrastructure to support investors. Specifically, shipping and seaport services, transportation, tourism, aviation, real estate development, exports and telecommunications... Dubai’s goal is to both meet the needs of travel and business of individuals and businesses both generate revenue for the government. With a large source of foreign currency earned from oil exports in 1969, Dubai has spent huge amounts of money to modernize the city landscape, build real estate complexes, buildings... Construction was accelerated in the late 1990s and early 2000s. According to Morgan Stanley 2007 estimates, Dubai has about 20% of the world's total cranes, indicating the strong construction speed of Dubai during this period. According to calculations, the number of super-tall buildings in Dubai is about 190, just behind New York and Hong Kong. The buildings both serve service activities, finance and shopping, sightseeing, entertainment areas for tourists. There are currently about 70 malls in Dubai, of which Dubai Mall is the largest one in the world, a complex with shops, parks, aquariums, ice rinks and restaurants to meet multi-demand of visitors. Dubai also marked with a series of unique works in the world, not only because of its modernity but also luxury, difference, flashy, but still retaining Arab culture.

Abu Dhabi initiated the construction of Masdar City in 2006. It is a leading eco city in the fields of renewable energy, waste management and green transport. The Abu Dhabi government also has ambitions to make Masdar City a zero-emission, zero-waste city. However, due to high construction costs from 18.7 to 19.8 billion USD, the time of completion will be moved from 2016 to 2030. In June 2019, Abu Dhabi officially operated the Noor Abu Dhabi solar power project in the town of Sweihan. The project contributes to helping the UAE energy industry develop sustainably, reducing oil dependence, developing the renewable energy industry, reducing CO2 emissions and protecting the environment. Abu Dhabi also built Happiness Island (Saadiyat Island), including golf courses, museums... for tourism.

The UAE government plans to invest about US$ 6 billion to develop infrastructure throughout the kingdom, including roads and housing projects. The Khalifa initiative develops works in the north of the country to attract residents, ensuring living conditions are no different from modern states like Dubai or Abu Dhabi.

- **Construction and development of Free Economic Zones**
Free economic zones FEZs (or free zones) is also a prominent UAE success story, playing an important role in the strategy of economic diversification.

In 1985 the UAE established its first FEZ called Jebel Ali JAFZA Free Zone in Dubai. Currently, the UAE has nearly 50 FEZs, including 27 in Dubai, 07 in Abu Dhabi and 11 in the remaining states. In 2014 about 33% of non-oil transactions in the UAE came from FEZs. Dubai government advocates that each FEZ only focuses on a certain number of industries. Examples: Dubai Financial Center for banking, finance, insurance, property management services; Jebel Ali Free Area serves transportation and logistics; Dubai Internet City is the tech business community that is known as the Silicon Valley of Dubai; Dubai Healthcare City specializes in healthcare and healthcare... The UAE applies many outstanding incentives in the FEZs such as a quick establishment procedure, allowing 100% foreign ownership, no barriers and trade quotas, exemption from import and re-export taxes, exemption from personal and corporate income tax for the first 15-50 years of operation and the government consider extending that period, being transferred 100% capital and profits government without any fees. To increase FDI attraction, the UAE enacted the Law on Foreign Direct Investment (FDI law), the goal is to remove the law that applies to business owners in the territory of the UAE. These preferential policies have encouraged foreign investment in FEZs, especially in the investment and construction of many monumental commercial centers in the UAE.

The FEZs play an essential role in the economy of the emirates of Dubai. In 2015, FEZs accounted for about 32% of Dubai's total direct trade. By the end of 2015, Dubai has more than 20,000 businesses operating in FEZs, creating nearly 100,000 jobs. For Abu Dhabi, FEZs play a significant role in attracting foreign investment and economic development. In 2004, Abu Dhabi established the ZonesCorp Group to manage and develop FEZs in the state. By 2014, ZonesCorp created six world-class industrial parks with an area of more than 140 square kilometers, contributing half of GDP from the Abu Dhabi's manufacturing industries.

- **Open tax policy for international trade**

Since January 1, 2003, the UAE applies a common import tariff of the Gulf Cooperation Council (GCC Common External Tariff). Accordingly, the UAE complies with 4 tariff rates according to value (ad valorem tariff), including: 0%; 5% (mostly imported goods); 50% (alcoholic beverages) and 100% (cigarettes). About 97% of the tariff lines are value taxes. Import duties are calculated based on the CIF import value.

The UAE applies no taxes other than import duties. Even the average import tax of the UAE fell to 4.9% in 2011. From 10/4/1996, the UAE is a member of the WTO. Accordingly, the UAE supports the multilateral trading system and grants MFN status to most of the member countries of the WTO.

- **Policy to ensure social order and security**

The UAE has a strict legal system, typically the strict Islamic Law established by Sheikh Mohammed bin Rashid Al Maktoum. Accordingly, immigrants can be imprisoned or deported for the most minor crimes. Therefore, very few people dare to violate.

The World Economic Forum's 2017 Tourism Competitiveness Assessment has just released a list of the countries with the best security. Accordingly, the UAE is considered the safest country in the world, Dubai is a city "clean" with a crime rate 0%. Criteria to evaluate include indicators of terrorism, crime situation, violence, murder rate.

4. ASSESSMENT AND DISCUSSION

4.1. **Success**

Oil's contribution to the UAE's GDP declines over the years

Since the discovery of oil in the UAE more than 30 years ago, the UAE has undergone a profound transition from a poor country with scattered small states, becoming a modern federal state with the world's top quality of life. In the 1970s, the entire territory of the states were harsh sandy deserts, without tall buildings, people live mainly on agriculture with sheep husbandry, fishing, and pearl catching... After 50 years, the country has become one of the modern economic, financial and service centers of the world.

The economic diversification policy has helped the UAE gradually reduce its dependence on the oil and gas industry. In 1980, the contribution of oil to the UAE's GDP was 79%, in 2014 it was 30%
(UAE, 2018), in 2016 about 20%, in 2017 to 18.6% (Ministry of Economy UAE, 2018).

The reduction in the proportion of the oil economy in GDP is still mainly in Dubai, with the total annual GDP of about 100 billion USD, of which the revenue from oil only accounts for 6-7%. Other sources of revenue of Dubai include tourism, real estate, financial services, logistics... The rest of the other states that revenue contribution to GDP is still mainly from oil.

**Great economic growth makes the UAE one of the most attractive and modern economies in Asia**

The UAE maintains its position as the leading Arab country in the foreign trade sector, accounting for 24% of the total value foreign trade of the region. According to the International Monetary Fund and The Khaleej Times, the UAE’s official reserves are considered solid, rising from 76.8 billion USD in 2015 to 118.4 billion USD in 2020. Current account surplus in increasing from 17.6 billion USD in 2015 to 33.4 billion USD in 2020. According to the assessment of the Global Credit Rating Agency Standard & Poor, Abu Dhabi’s credit rating index is AA points, showing the solvency and the level of financial stability in the long term. The State of Sharjah and Ras Al Khaimah are rated at A/A-1, indicating good long-term financial security, but there are some issues in short-term. Abu Dhabi’s government investment fund is considered to be the strongest in the Middle East and ranked 5th in the world, as of 2016, about 792 billion USD. According to the World Investment Report 2014 of UNCTAD, the UAE ranked 11th among the favorable destinations for foreign investors. The socio-political crisis in some Middle Eastern and North African countries since 2010 did not affect the UAE much because the economy maintains its internal strength, has a stable and safe political and social environment, open business conditions, is an attractive destination for tourism and foreign investment. Doing Business 2019 Report of World Bank rated the UAE ranked 11th out of 190 countries, in terms of the best business environment (outperformed the Middle East-North Africa countries: Bahrain was 62, Saudi Arabia 92, Kuwait 97, Jordan 104) (World Bank, 2019).

In 2017, the UAE’s trade surplus was 95.3 billion USD. The large trade surplus shows that, apart from being a re-export hub, the UAE is also a market with large purchasing power and high solvency.

Attracting foreign investment into the UAE has increased rapidly and steadily. In 2012, the total FDI attraction to the UAE was 80.5 billion USD, then in 2017, this figure was 129.9 billion USD (Ministry of Economy UAE, 2018). Particularly in 2017, total FDI attraction reached 10.4 billion USD, FDI growth in the period 2012-2017 reached 1.6%. The UAE is ranked among the countries with the best investment attraction capabilities in the Middle East and Africa.

**The Emirate of Dubai that creates a typical economic model - Dubai Model**

Dubai located on the banks of the Persian Gulf, considered as a trade bridge between the East and the West, and is the gateway for the Arab nations to exchange with the world. Dubai focuses on Objective “Using money from foreign investors to develop Dubai’s economy”. To realize that goal, Dubai applies a unique and effective set of policies that aim at low costs and increase business convenience and drive growth. Dubai has a transparent legal system built on the model of England. Business registration process, business establishment is done in a very short time, less than an hour. The state administrative agencies accept the application for licensing in English, without translation into Arabic. By 2002, Dubai enacted the Land Law (reform), making Dubai the first country in The Gulf to allow foreigners to own real estate. As a result, the real estate market for rent or sale in Dubai is very vibrant and plentiful.

Dubai emphasizes Model: Government leads - Build national brand - Attract investment. The small state guarantees the ruling tradition of the royal family, but has a foresight when determining the form of economic development, quickly adapting to constantly changing economic conditions on regional and national scales. Therefore, the country has successfully built its brand, thereby increasing the attraction of foreign investment, bringing workers from all over the world to converge on and contribute to the development of the country.

Dubai adheres to the Model: Economic development prioritizes pro-business, emphasizes market liberalization and open economy, and favors globalization. This mode of Dubai’s economic growth becomes the Dubai Model,
which is truly different from the Gulf Cooperation Council (GCC) economic models, and becomes a model for the rest of the UEA states and GCC. Over the past decade, Dubai has become the international service economy, the region’s financial hub, real estate development, shopping, tourism, exports and re-exports. Dubai is the world’s third largest re-export market, after Hong Kong and Singapore.

Dubai prides itself on FEZs for its efficiency and ability to attract investment. With regulations being clear and creating maximum business conditions, in 2017 it is expected that about 33% of Dubai’s total non-oil trade will come from FEZs.

Many GCC countries have recently supported and learned the Dubai Model, spending huge resources from oil investing in areas such as finance, office services, free zones, airports, and harbors, especially tourism services... to attract foreign investors (Schilirò, D., 2013)

4.2. Limitations and reasons

+ The big state’s rapid economic development policy creates shock not only for the small state itself but also for the kingdom

Dubai World Real Estate Group caused economic crisis in Dubai in 2009, because of huge debts and inability to pay. The super projects that the corporation built during this period were funded with external loans. Therefore, when the world fell into financial crisis in 2008, foreign investment poured into the small nation plunged. Dubai continued to call for investment but was unsuccessful. Dubai's total debt at this time amounted to 80 billion USD, the tourism industry lost serious revenue, real estate prices plunged 47%. The Dubai World shock brought a chain reaction, greatly affecting European and Gulf banks involved in many Dubai World projects, to Asian and European stock exchanges. However, after being bailed out by Abu Dhabi with 20 billion USD, Dubai economy has revived and developed.

+ Unstable and inequitable labor market, too dependent on immigrants

Dubai society is strongly divided into three classes: wealthy Dubai, foreign office workers and migrant workers. High-quality workers such as engineers, foreign employees... are easy to leave the UAE when there are economic instability in the country or security in the Middle East... Same job but workers from North America and Europe is paid twice as much as people from the developing world.

The UAE economy is heavily dependent on foreign workforce. Currently about 90% of Dubai’s population (3.1 million people) are workers working on construction projects. Labor sources from countries such as Nepal, India, Pakistan, Bangladesh, Philippines... Unskilled workers face strict regulations on Kafala Visa, which is forcing workers to have a sponsor called Kafeel. A sponsor is required to legally enter the workforce in the UAE. The Kafala visa problem causes many consequences, the employer will subtract the visa sponsor fee from the salary, the employee owes the owner for the visa cost and contract fee, so they have to work hard to pay the debt, can not even return home if the owner keeps their passport and salary. Even if accused of quitting without permission, indebted to failure to pay..., the worker can be fined, imprisoned or deported. Therefore, many people do not dare to quit their jobs despite being mistreated and exploited for their labor.

+ Environment affected by negative impacts from economic development

Waste and wastewater from construction complexes, commercial centers, housing areas of construction workers... are not treated thoroughly poured into the sea, making the quality of seawater worse and worse. Freshwater resources are exhausted, unprotected and economically exploited. Too much fresh water is used to irrigate golf courses while many other areas do not have enough clean water for living. There are also a variety of problems such as population growth, dense construction and too many cars in operation pouring large amounts of smoke into the air, temperature (up to 48°C) and humidity, especially in the spring and summer... making the air environment in Dubai in particular and the UAE in general greatly affected.

5. CONCLUSION

The goal of the UAE is to become the "Capital of the Islamic Economy", a gateway to Asia, Africa and Europe. To do this, the federal and state governments are continuing to expand on new industrial and service strategies, strengthening their long-term competitive advantage to attract foreign investment...
The UAE aims to be a knowledge economy, with a core of indigenous residents. Therefore, the kingdom attaches special importance to the development of the education and health care system. It is estimated that about 50% of the total federal budget is devoted to education and social development. The Education Strategy to 2020 that the UAE has implemented in the past 10 years aims to improve learning, develop the quality of students to be eligible to study in universities around the world, to be competitive in the global market. Accordingly, the small states have also quickly adopted their strategies, such as Abu Dhabi having the strategy of Tomorrow 2021, implementing up to 50 programs and initiatives promoting innovation and investment in education. In 2019, the UAE spends about 10 billion Dirhams on education, investing in skills upgrading and job opportunities for students. The spillover effect from these policies has attracted strong investment in other economic areas, developing a social environment, making the UAE truly a worthy country to live in.

The UAE builds a UAE Vision 2021, a National Innovation Strategy. Healthcare is one of the six pillars for the UAE Vision 2021 in the context of an aging population. In 2018, the total expenditure of the UAE spent on health care and social protection was about 4.5 billion Dirham. According to the Global Healthcare Report conducted by Bloomberg, the health care effectiveness of UAE ranks 10th globally.

Energy Strategy 2050 aims to achieve environmental protection through a combination of clean energy sources such as gas, nuclear power, clean coal... The UAE government plans to invest about 600 billion Dirhams to meet the demand of energy, ensure sustainable growth of the economy. The UAE also focuses on nuclear development, which will be the main source of non-carbon hydrogen energy to generate electricity for the future. Fourth-generation nuclear reactors purchased from South Korea are under construction and scheduled to operate by 2020, meeting about 25% of the kingdom’s electricity needs (Patel, N., 2019).

In the general strategy of the whole kingdom, the two leading states, Dubai and Abu Dhabi, have their own set of decisions:

**Dubai - Diversification of economic structure, towards knowledge-based economy**

Dubai developed Dubai's Silk Road strategy, which led Dubai to develop a boom in trade and logistics, relying on strong cooperation between states, free economic zones and local governments. Dubai knowledge economy in particular and UAE in general focus on six main areas: 1) World-class healthcare; 2) First-class education system; 3) Sustainable infrastructure and environment; 4) Society engages and preserves identity; 5) Fair justice and public security; 6) Competitive knowledge economy. In particular, the UAE expects to spend about 89.93 billion USD to build infrastructure by 2026 (Patel, N., 2019).

The Smart Dubai 2021 Initiative is also of interest to both the state and the federal government. This initiative aims to build a special government agency, combining public and private sectors to "empower, provide and promote an effective, seamless and safe city for residents and visitors". Smart Dubai aims at an ambitious strategy, becoming the first government in the world to implement the entire service through blockchain technology. This technology, if successful, will be able to effectively transform the operation of all banking, commercial and real estate activities. Smart Dubai also emphasizes on the field of Artificial Intelligence (AI). According to Accenture’s research in 2018, AI could help the UAE economy grow by 1.6% equivalent to about 182 billion USD by 2035. Technology is the focus and also the advantage of the UAE desert country, helping to attract foreign businesses, not only investing money but also technology.

**Abu Dhabi State - Green Economy for Sustainable Development**

Under the UAE Vision 2021, the kingdom will make efforts to diversify its economy to generate more income, reduce oil dependence. Under the Green Economy Initiative enacted by King Mohammed in 2012, the UAE's slogan of action is Green Economy for Sustainable Development. Specifically, the UAE will become a successful model of the world in terms of green economy, increasing national competitiveness, protecting the environment for future generations. The UAE expects to lead the world in the field of clean energy, export and re-export of green products and technologies, environmental protection for long-term economic development. In particular, Abu Dhabi ambitions to become a pioneer in the application of renewable energy.
Green economy initiative covers many fields such as energy, agriculture, transportation, construction... associated with environmental protection. Green economic initiatives include many policies, regulations, programs, projects... consists of the following six areas:

1. Green energy to promote the production and use of renewable energy;

2. Policies to encourage investment in green economy, facilitation for production, import, export and re-production of green products and technologies;

3. Policies related to the development of urban projects associated with environmental protection, increasing the efficiency of environmental protection for commercial and civil buildings;

4. Measures aimed at adapting to climate change, encouraging organic agriculture, protecting biodiversity, balancing ecosystems;

5. Efficient use of water, electricity, natural energy and waste treatment;


Strategically located in Asia, Europe and Africa, the UAE is important to both major countries and continents. Chinese enterprises using Dubai to enter African trade. India considers the UAE as a world-facing route. Latin American countries consider the UAE to be the cornerstone of South Asia. The West uses Dubai to enter the Middle East... With that special geographical location, resonating with the efforts of the whole kingdom, the future of the UAE will be a global center of innovation, application of advanced technology, ideal market for small and medium enterprises. The UAE continues to aim for a modern knowledge economy, diversifying its economic structure and "exiting oil".

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