UNITED ARAB EMIRATES (UAE)

What’s happening in this economy

The UAE is capitalising on its geographic location, wealth and stable security to establish itself as a trade and logistics hub for the Middle East and North Africa region, and as a preferred investment destination.

UAE real GDP was estimated at 1.5 per cent in 2017: non-oil GDP grew 3.4 per cent while oil GDP dipped by -2.8 per cent. Real GDP growth is projected to rebound to 2.4 per cent in 2018: non-oil GDP to 3.7 per cent and oil GDP will remain at -0.5 per cent (UAE Central Bank).

The sluggish 2017 GDP figures reflect slow growth following OPEC-mandated oil production cuts and the lingering effects of deep cuts to government spending in response to the 2014 plunge in oil prices. The government is seeking to reverse this slow-down (see below).

The Emirate of Abu Dhabi accounts for six per cent of global oil reserves at 98 billion barrels. It pumps around 2.9 million barrels of crude a day and wants to increase this to 3.5 million. Production and exports are forecast to increase with the re-introduction of US sanctions on Iran and the expiry of OPEC-mandated production cuts. Oil accounts for almost 50 per cent of the UAE’s consolidated revenue.

The UAE’s goal is to increase the non-oil sector from 70 to 80 per cent of GDP by 2021. Government policy and spending is focused on economic diversification. Abu Dhabi has invested in aerospace, nuclear power, petrochemicals, the defence industry and renewable energy, as well as cultural and sporting attractions and universities. Dubai has positioned itself as a vibrant financial and trading hub and tourist centre—Dubai is the busiest international airport in the world with around 90 million passengers in 2017. Dubai will also host World Expo 2020 which is being held for the first time in the Middle East.

Higher oil prices have boosted fiscal finances and spurred Abu Dhabi and Dubai to announce economic stimulus plans. In June 2018 Abu Dhabi announced a USD 13.6 billion economic stimulus package and in May 2018 announced a USD 45 billion investment to create the world’s largest petrochemical complex. Dubai approved its biggest ever budget for 2018 with expenditure surging 19.5 per cent to around USD 15.4 billion. Infrastructure spending increased by 46.5 per cent with a focus on World Expo 2020 construction.

Increased government spending is being partially offset by the introduction of and increase in a number of taxes. Excise duties were applied to tobacco and soft drinks in October 2017. A five per cent VAT on a range of goods and services was introduced in January 2018. Abu Dhabi increased the municipality tax on rental properties by up to 4.5 per cent in May 2018, and introduced a 30 per cent tax on alcohol in June 2018, largely felt the most by expatriates.

Inflation is expected to spike in 2018 but average at 3.6 per cent a year over the period 2018–2022.
The UAE attracted USD 11 billion of FDI in 2017, accounting for 22 per cent of total FDI in the MENA region. It is planning to amend laws in 2018 to allow 100 per cent foreign ownership of companies.

In the first quarter of 2018 employment was growing at an average of 5.8 per cent year-on-year in Dubai, while declining by an average of 1.2 per cent year-on-year in Abu Dhabi. Dubai accounts for more than half of all employment, while Abu Dhabi represents 28 per cent of the labour force.

The UAE’s population is estimated to reach 10.43 million in 2018, with around 15 per cent under 15 years of age.

Trade, investment, and commercial opportunities and activities

- Aviation links between Australia and the UAE (over 125 flights a week each way) sit at the centre of the bilateral relationship and are a key driver of trade and investment, people-to-people links, and tourism.
- About 300 Australian companies are present in the UAE, largely focused on services (construction, engineering, architecture and education), and agriculture imports:
  - there is scope to grow our market share of food and beverage exports for consumption in the UAE, and re-export to the broader region, particularly in high-end products.

**Priority sectors and opportunities**

- The UAE is our largest agricultural trading partner in MENA, valued at more than AUD 900 million in 2016–17:
  - there is scope to grow our market share of food and beverage exports for consumption in the UAE, and to re-export these to the broader region. This includes high-end products
  - there are also opportunities to transfer our expertise and innovation to support the UAE’s food security strategy and goal of sustainable domestic food production
  - Australian expertise can also be deployed in areas including automated closed-system farming in arid climates, reducing food wastage, education and community awareness programs, crisis management, and centres for research, and
  - Australia signed a bilateral memorandum of understanding in August 2018 on food safety, which will make agricultural trade more efficient and reduce costs for Australian exporters.
- The UAE regards Australian education highly. There are three Australian universities and two Australian-curriculum schools based in the region, with another coming to Dubai:
  - Australian education exports to the UAE could be increased through curriculum licensing, in-market corporate training courses, e-learning platforms and online content solutions
  - we are seeking greater engagement with the Department of Education and Training to bring more UAE students to Australia to study, and
  - we are working with Emirati scholarship bodies to encourage more of their recipients to select Australian institutions.
• The Dubai Expo offers significant procurement opportunities across several sectors:
  – the Dubai Government has committed 20 per cent of its direct and indirect contracts to be awarded to SMEs, and Australian companies are encouraged to register to take advantage of this opportunity, and
  – the expo also offers an ideal platform to promote Australia as a trade and investment partner across the region.
• Like Australia, the UAE has a strong focus on innovation. There are opportunities to connect UAE and Australian organisations in areas such as robotics and artificial intelligence, fintech, agtech, medtech, edtech and cross-border e-commerce:
  – there are multi-sector trade opportunities in the seven sectors in the UAE Innovation Strategy: renewables and clean energy, transportation, education, health, technology, water and space
  – there are other initiatives linked to the country’s ambitions to become a knowledge-based economy. These include the UAE Strategy for the Fourth Industrial Revolution, and the UAE Artificial Intelligence Strategy 2031
  – Smart Dubai, the government office leading Dubai’s smart city transformation—including the Dubai Blockchain Strategy—is an important stakeholder, and
  – Dubai Future Accelerators, DIFC Fintech Hive and other programs like Expo Live help facilitate access to market opportunities for Australian start-ups and scale-ups.
• Access to quality health care is a priority in the UAE, and as the health care burden around the region increases the UAE aims to establish itself as the hub for medical tourism:
  – the UAE has a high incidence of chronic lifestyle diseases such as cardio vascular disease, hypertension, cancer and diabetes. There is an increasing shift away from curative to preventative medicine, creating opportunities for Australian companies to provide specialist training in fields such as digital health care, health care technologies that support chronic lifestyle disease management, and preventative medicine, and
  – funding for projects is often constrained and government bodies have gone through multiple restructures in the past 12 months across all Emirates.
• The UAE’s top four sovereign wealth funds collectively hold around USD 1.3 trillion of assets under management. The government estimates its stock of investment in Australia to be valued at AUD 26 billion (ABS estimate is AUD 11 billion):
  – the UAE is a significant and reliable source of investment funds for Australia. UAE investors hold Australia in high regard as an investment destination, and
  – there is scope to further capitalise on latent UAE investor interest in Australia from sovereign wealth funds and high net worth individuals.
• The UAE hosts a number of globally significant trade events which offer organisations an opportunity to engage with local and regional players:
  – Gulfood (the world’s largest annual food trade show), includes more than 150 Australian companies every year
Arab Health is the largest medical conference in the region
IDEX is the only international defence exhibition in the MENA region, and
Dubai Airport Show is the world’s largest airport exhibition.

Trade policy and negotiations

The UAE is a member of the Gulf Cooperation Council – a political and economic union that includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE. The council launched a common market on 1 January 2008 and has been operating under a customs union since 1 January 2015.

Australia–UAE FTA negotiations stalled in 2009 following the council’s decision that all FTAs would need to be council-wide. Since 2009 there have been various efforts to revive negotiations and Australia was a priority country, but there has been no progress.

The Gulf Cooperation Council has signed two FTAs – with Singapore in 2008 and the European Free Trade Association (Iceland, Liechtenstein, Norway, Switzerland) in 2009.

The UAE has been a member of the WTO since April 1996 and a member of GATT since March 1994.

Australia hosted the inaugural meeting of the bilateral Joint Economic Committee in November 2017. The committee is a key platform to advance trade, investment and commercial priorities, and to resolve obstacles to trade at the ministerial level.

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