

An aerial night view of a city skyline, featuring a prominent skyscraper with a unique, twisted design. The building is illuminated from within, and its top is under construction with visible scaffolding. The surrounding city lights and a body of water are visible in the background.

UNITED ARAB EMIRATES

COUNTRY REPORT

2018

About the report

In this report we addressed the research with the aim of providing an unbiased analysis of The United Arab Emirates to enable potential investors to have an objective view about the country as well as to be able to make fact-based business decisions.

Methodology

The research was based on primary and secondary data gathered from different sources that were judged reliable by Victoria's research team.

The report encompasses two parts, first the macro-environmental analysis part which addresses the country's macro-environment and provides insights about the country's Political, Economic, Social, Technological, Environmental as well as Legal aspects. The second part contains a sectoral analysis that sheds light on the country's potential and risks associated with the sectors analysed.

Victoria Consulting Country Reports Committee

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Faisal Hasan
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Special Report Committee of the Present Edition

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About Victoria Consulting

Victoria Consulting is a fast-growing boutique consultancy firm based in Dubai International Financial Centre (Dubai, UAE) with strong network in Europe, Africa, Asia. Founded recently by former Deloitte and Euronext senior executives with over 60+ years of combined work experience in strategy, finance and management consulting.

We hold ourselves accountable to our value delivered standards by engaging strongly with our clients to reach high value created by our joint efforts.

In today's complex and ever-changing business environment the stakes and the risks are incredibly high. Getting the right advice matters. You need the right partner to help you identify the right strategy for your organization, and execute it with certainty, speed, and impact...

We help our clients make sustainable improvements to their performance and realize their most important goals.

Helping organizations make the changes needed to succeed is Victoria Consulting's main objective. We serve a broad mix of public, private and social sector institutions. We help our clients make noteworthy improvements to their performance and realize their most important goals.

Our guiding principles of working together are based on fundamental standards that are extremely high.

At Victoria Consulting, high value creation requires that our advice deliver insight and change in the mindset of our clients. Hence, our work leads directly to clients taking action and executing their strategy in better ways. We enhance client capabilities and deliver both competitive advantage and bottom-line impact.

As committed management consultants, we want to create sustainable impact for our clients.

We leverage our strategic knowhow, industry expertise and relevant strategic networks with emerging and mature markets to help your organization have valuable advice.

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Executive Summary

The advanced infrastructure in UAE helps support business performance in the country, thereby making the UAE a desirable destination for international companies to expand their presence in the region. The UAE's strategic location that connects east to west as well as its advanced sea ports and airports help the country to be a crossroads for trade and economy globally.¹

The Federal Government and local governments sought to meet all needs of the investors and international companies in a way that guarantees sustainable economic growth, through legislative framework that guarantees easy completion of transactions and procedures and through modern technologies that save much time, effort and cost for companies wishing to start their business in the UAE and invest in the numerous investment sectors.

The United Arab Emirates' GDP growth rate is expected to reach 3.08% by 2022, with non-oil economy already making more than 80% of the total GDP.

The UAE has successfully implemented a diversification of its economy away from oil to become a regional trade and transportation hub and a major tourism destination. This economic growth model, even though successful, resulted in higher vulnerability to regional and international economic fluctuations.

¹ <http://uaepedia.ae/index.php/Economy?setlang=en>

Foreign Direct Investment (FDI) in to the UAE recorded 7.29% growth to reach \$10.3 billion in 2017, up from \$9.6 billion in 2016 and 21.17% up from \$8.5 billion FDI flow to UAE recorded in 2015, according to UAE Central Bank and the UAE Federal Competitiveness Council.

However, this is at the backdrop of a 16% decline in global FDI flow of \$1.52 trillion in 2016, according to the United Nations Council on Trade and Development (UNCTAD).

The UAE continued to attract sizable levels of FDI and is set to maintain its lead as number one FDI recipient in the Arab world. This is due to the Federal and Local Government authorities' efforts to facilitate the investment Environment.

According to the World Economic Forum, the UAE ranked 27 in its latest World Competitiveness Report 2018, which uses a brand new methodology to fully capture the dynamics of economies in the Fourth Industrial Revolution.

The UAE achieved top position in a number of other sub-indices such as electrification rate, mobile broadband subscription, future orientation of government, ease of hiring foreign labour and ICT adoption.

"Over this year (2018), UAE has improved its skills base [53rd, up 1.4 points], the depth of its financial system [35th, up 4.5 points] and its business dynamism [33rd, up 3.8 points]. For example, the availability of credit and venture capital has slightly increased and the procedures to resolve companies' liquidation have been made smoother. The UAE is certainly on the right track. Competitiveness, however, is about long-term growth and structural reforms.³

The World Competitiveness Report 2018 showed that the UAE is pulling ahead quite well and outperforms most of the OECD countries on many dimensions. Similarly, the UAE, along with four other Gulf countries, is also among the top 10 nations in terms of agility and future-readiness.

The UAE's main strength lies in the quality of its enabling environment, as companies can operate under stable macroeconomic conditions, make use of good infrastructure and one of the highest levels of ICT adoption in the world. In all of these areas, the UAE is either at the global frontier or less than 20 points away from it. Sizeable investments in technological readiness have yet to fully turn into increased innovation capability, where the country lags further behind, ranking 35th globally and at only half the theoretical global frontier.⁴

The UAE is one of the more stable Gulf states over the long term, with a small, wealthy population; no history of terrorism; and no sectarian tensions to speak of. That said, it is not without its challenges, namely regional tensions and a not very high level of democracy placated by heavy spending on security and social benefits.

³ Roberto Crotti, economist, World Economic Forum, 2018. <https://www.khaleejtimes.com/business/economy/uae-best-in-stability-1>

⁴ <https://www.khaleejtimes.com/business/economy/uae-best-in-stability-1>