

Comments on UAE Roadmap in The National, 1 Feb 2016

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Leaders chart new strategic roadmap for the UAE after oil

The country's leaders on Sunday signalled a raft of initiatives to chart the UAE's economic direction in a world of \$30 oil.

As ministers concluded a two-day retreat in Dubai, Sheikh Mohammed bin Rashid, Vice President and Ruler of Dubai, directed the launch of the new strategy "in the coming weeks", with moves in four main areas: human capital, building a knowledge-based economy, government policies and community.

"The development of human capital is the global currency of the 21st century economies, and the only way to achieve sustainable development and promote the UAE's journey towards further progress and prosperity," Sheikh Mohammed said.

"We in the UAE have the expertise and the resources, the will, the determination and, most importantly, the vision and the wise leadership to ensure that our economy is sustainable."

Sheikh Mohammed bin Zayed, Crown Prince of Abu Dhabi and Deputy Supreme Commander of the Armed Forces, said the UAE would "continue to look ahead and plan for the future".

"Shifting towards the post-oil era is a major transformation in our history as Emiratis: success is the only option," he said.

"We want the UAE to be a success story in shifting our economy from relying on natural resources to relying on Emiratis' skills and knowledge."

The UAE must further liberalise its economy if it is to weather the post-oil era, analysts said on Sunday.

Nasser Saidi, former chief economist of the Dubai International Financial Centre, called for relaxation of foreign ownership restrictions, the end of monopolies in telecommunications and other sectors, a wave of privatisations and a value-added tax.

"Now is the time to announce greater private sector engagement," said Dr Saidi, who was also Lebanon's minister of economy and trade from 1998 to 2000. "If they did that, you would have the beginning of an economic boom."

To move away from oil dependence, the UAE must open up ownership to foreign investors, open up certain sectors that have been restricted to government-related entities, facilitate business processes, encourage greater transparency and streamline taxation and regulation, said Razan Nasser, senior economist at HSBC.

"If oil prices remain at current levels, the current economic model ... comes into question," Ms Nasser said. "Reforms are no longer a long-term ambition, but an immediate need."

The meeting comes at an important time, said Dr Theodore Karasik, a security analyst with Gulf State Analytics.

"A global economic flu is spreading throughout the region, hitting the UAE and the emirates themselves, so there is a need to coordinate moves forward in terms of keeping the economy healthy."

The UAE has made progress towards ending its economic dependence on hydrocarbons. Oil industries accounted for around 30 per cent of GDP in 2014, down from 79 per cent in 1980.

Dubai has developed an "entrepot and services" economy that is less dependent on fluctuations in the oil price than other regions in the Gulf, Jeffrey Sachs, an economist at Columbia University in the US, said last week.

Developing a knowledge-based economy "has been a high priority at the policy level" for many years, said Sabahat Khan, senior analyst at the Institute for Near East and Gulf Military Analysis, a think tank in Dubai.

But the country continues to earn about 80 per cent of

government revenues from oil sales, meaning that the collapse of the oil price from above \$110 a barrel in June 2014 to \$35 a barrel yesterday has badly hit the fiscal positions of the Gulf states.

“Are we ready for the post-oil economy after 35 to 40 years of investments, infrastructure development and diversification?” said Abdulkhaleq Abdulla, political science professor at UAE University.

“If this is the question [discussed at the summit], then this whole exercise was worth it.”

The ministerial retreat began on Saturday. Ministers led four working groups that presented initiatives that will be further discussed for inclusion in the national post-oil strategy.

They were chaired by Sheikh Saif bin Zayed, Deputy Prime Minister and Minister of Interior; Sheikh Mansour bin Zayed, Deputy Prime Minister and Minister of Presidential Affairs; Sheikh Hamdan bin Rashid, Minister of Finance, and Sheikh Abdullah bin Zayed, Minister of Foreign Affairs.