

United Arab Emirates

Background: The Trucial States of the Persian Gulf coast granted the UK control of their defense and foreign affairs in 19th century treaties. In 1971, six of these states - Abu Dhabi, 'Ajman, Al Fujayrah, Ash Shariqah, Dubayy, and Umm al Qaywayn - merged to form the United Arab Emirates (UAE). They were joined in 1972 by Ra's al Khaymah. The UAE's per capita GDP is on par with those of leading West European nations. Its high oil revenues and its moderate foreign policy stance have allowed the UAE to play a vital role in the affairs of the region. For more than three decades, oil and global finance drove the UAE's economy.

However, in 2008-09, the confluence of falling oil prices, collapsing real estate prices, and the international banking crisis hit the UAE especially hard. The UAE has essentially avoided the "Arab Spring" unrest seen elsewhere in the Middle East, though in March 2011, political activists and intellectuals signed a petition calling for greater public participation in governance that was widely circulated on the Internet. In an effort to stem potential further unrest, the government announced a multi-year, \$1.6-billion infrastructure investment plan for the poorer northern emirates and aggressively pursued advocates of political reform.



Basic Facts

Population	5,779,760
Area	83,600 ^d km ² (116th)
currency	UAE dirham (AED)
GDP (Nominal)	\$345.483 billion
Export Volume	159,075,547
Import Volume	227,222,377 (2015)
Export to OIC Member States	93,779,253 (2014)
Import from OIC Member States	37,759,055 (2014)

Economy - overview: The UAE has an open economy with a high per capita income and a sizable annual trade surplus. Successful efforts at economic diversification have reduced the portion of GDP based on oil and gas output to 25%.

Since the discovery of oil in the UAE more than 30 years ago, the country has undergone a profound transformation from an impoverished region of small desert principalities to a modern state with a high standard of living. The government has increased spending on job creation and infrastructure expansion and is opening up utilities to greater private sector involvement. The country's free trade zones - offering 100% foreign ownership and zero taxes - are helping to attract foreign investors.

The global financial crisis of 2008-09, tight international credit, and deflated asset prices constricted the economy in 2009. UAE authorities tried to blunt the crisis by increasing spending and boosting liquidity in the banking sector. The crisis hit Dubai hardest, as it was heavily exposed to depressed real estate prices. Dubai lacked sufficient cash to meet its debt obligations, prompting global concern about its solvency and ultimately a \$20 billion bailout from the UAE Central Bank and Abu Dhabi Government that was refinanced in March 2014.

Dependence on oil, a large expatriate workforce, and growing inflation pressures are significant long-term challenges. Low oil prices have prompted the UAE to take steps to reduce its social spending, including eliminating fuel subsidies in August 2015, but the UAE has sufficient assets to cover its deficits with money from its sovereign investment funds. The UAE's strategic plan for the next few years focuses on economic diversification and creating more job opportunities for nationals through improved education and increased private sector employment.