

**Excellent Model of economic diversification from UAE**  
**نموذج ممتاز في للتنوع الاقتصادي من دولة الإمارات العربية المتحدة**

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**Abstract:**

This working paper aims to examine the main factors and strategies of **economic diversification** that have enabled the **UAE's economy** to achieve an excellent leap towards enhancing **local development** and the diverse contribution of many economic sectors to GDP, such as agriculture, industry, tourism, trade, finance. Where it was able to provide a favorable environment and attract many foreign investors to these sectors, **oil revenues** played a leading role in shaping the success of this strategy, which was explained by the ranks it occupied in many international indices, and very advanced ranks in the Arab world.

*Economic Diversification- UAE's economy – Local development – Oil revenues. Key words:*

**ملخص:**

تهدف هذه الورقة إلى البحث في أهم عوامل و استراتيجيات التنوع الاقتصادي التي مكّنت اقتصاد الإمارات من تحقيق قفزة ممتازة نحو تعزيز التنمية المحلية والمساهمة المتنوعة للعديد من القطاعات الاقتصادية في الناتج المحلي الاجمالي، على غرار قطاع الزراعة ، الصناعة، السياحة، التجارة ، وقطاع المال. حيث استطاعت العمل على توفير مناخ ملائم وجلب العديد من المستثمرين الاجانب لهذه القطاعات، وكان لمداحيل النفط دور رائد في رسم معالم نجاح هذه الاستراتيجية هذا ما فسرتة المراتب التي احتلتها في العديد من المؤشرات العالمية و مراتب متقدمهتجددً عربيًا .

**الكلمات المفتاحية:** التنوع الاقتصادي - اقتصاد الامارات - التنمية المحلية - مداخيل النفط.

***Introduction:***

The United Arab Emirates (UAE) is a federation of seven independent emirates<sup>1</sup>, it was formed in 1971 after they got independence from Britain in 1971. Before discovering oil in UAE, it was one of the most underdeveloped countries in the world. Its economy was dependent on fishing, pearl fishing, herding camels, trading, and date farming; but since when oil was discovered in 1950, its economy has been become depends largely on the production and exports of petroleum. In 1980 the fell down of oil prices what was made it face many difficult; but unlike most countries are suffering from the resource curse, this event was a fundamental shift in the UAE economy, they have been used the oil revenues to develop other sectors such as agriculture, industry, tourism and finance; as a part of a long term diversification strategy, while many countries that have the same characteristics failed to realize this development programs.

***Problematic:*** What are the most important features of the economic diversification strategy in United Arab Emirates?

In order to answer this problem we will discuss the following main points in this paper:

- I. Conception framework of economic diversification and local development;
- II. Diversification and UAE's economy performance.
- III. UAE Ranking in global regional business .

***I. Conception framework of economic diversification and local development;***

Recently, the term “economic diversification” has been become represent a large part in the agenda of many countries, especially who are mainly depended on oil exporting, they are seeking to research a diverse sources of income, in this context, local development is an essential element in promoting economic diversification. At the same time, economic diversification aims to increase income and redistribute it to different sectors, which have a positive impact on local development. What will be reflected at the long term in a strong economy built on real basics.

***1. Economic diversification definition:***

Economic diversification is “Key to Sustainable Economic Growth and a Vibrant Globally Competitive Private Sector.” It means diversifying a country's sources of economic growth and income in such a way that the country becomes more or less equally dependent on all sectors of the economy.<sup>2</sup> It is a process of broadening the range of economic activities both in the production and distribution of goods and services. It does not necessarily entail increase in output but it enhances stabilization of economies by diversifying their economic base. The issue of economic diversification should be viewed from the perspective of sustainable development to ensure long-term stability of the economy. Viewed from this angle, it has the capacity to fundamentally strengthen an economy's adaptive capacity and safeguards its long-term prospects in the face of depletion of the basic natural resources and the vagaries of economic fluctuations under the pressure of competition in globalization<sup>3</sup>.

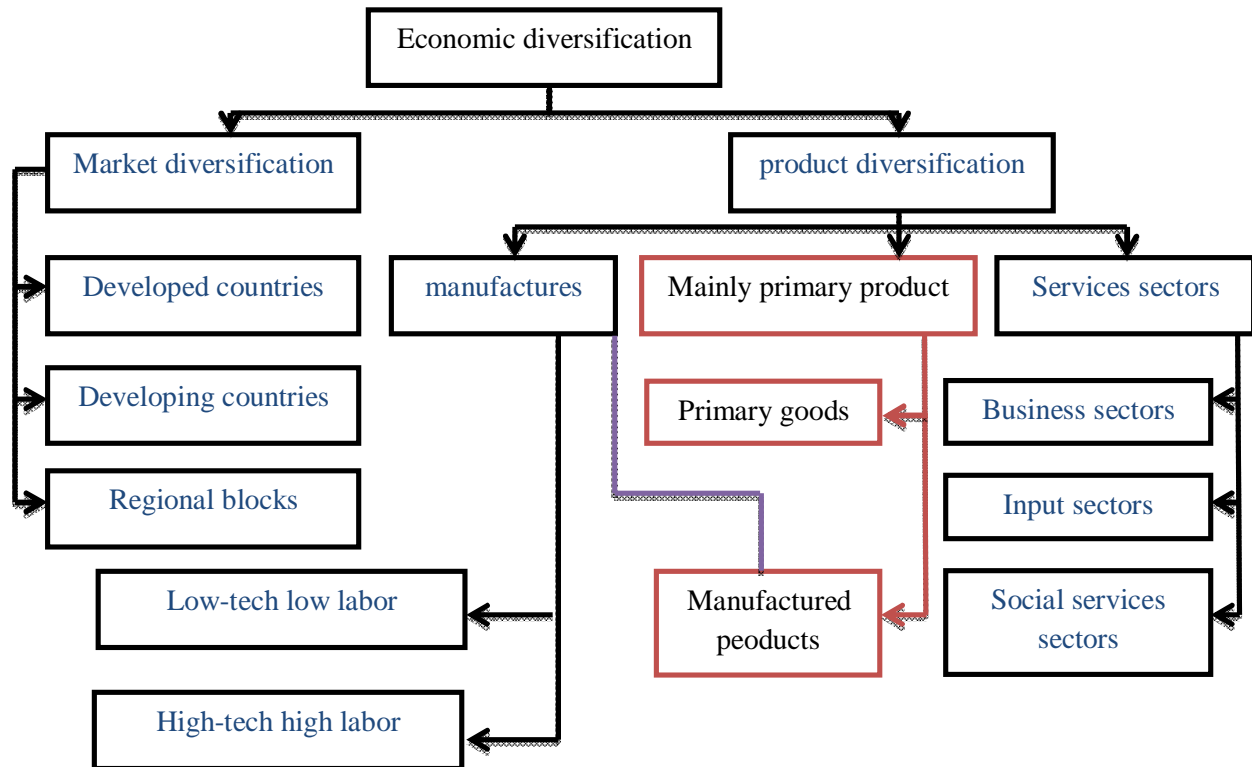
According to the Routledge Encyclopedia, diversification ‘normally refers to exports, and specifically to policies aiming to reduce the dependence on a limited number of export commodities that may be subject to price and volume fluctuations or secular declines’<sup>4</sup>

In order to achieve economic diversification, there must be radical transformations in economic structures by establishing a large base of productive facilities for a series of value added industries and global competitiveness, through:

- **Horizontal diversification;** new opportunities are sought for new products within the same sector, e.g. mining, energy or agriculture.
- **Vertical diversification;** which entails adding more stages of processing of domestic or imported inputs. Thus, vertical diversification encourages forward and backward linkages in the economy, as the output of one activity becomes the input of another, thus upgrading the value-added produced locally.

The figure below shows the important sources of economic diversification:

**Figure (1): Sources of economic diversification:**



**Source:** *Economic diversification drive medium to long-term strategy 2011 – 2016, republic of Botswana, report ministry of trade and industry, july 2011, P11.*

**Objective of economic diversification<sup>5</sup>:**

- It is used as a strategy to shift from a unilateral economy to a diversified economy that depends on different and real activities.
- Economic diversification is a tool to achieving economic growth and development.
- protecting environment as another dimension of economic diversification.

- Creating a broad based economy that has the ability to secure equity both within and between generations.
- Providing a stable economic environment.
- Structuring the national economy to make it more diversified and productive and less vulnerable to reliance on the revenues of the single sector.
- Achieving diversity in national income sources and relying on more than one source.
- Raising The contribution of the various economic sectors to the national income and improving their efficiency, effectiveness and interdependence, especially manufacturing industries.
- Reducing the risk of fluctuations in the prices of exported goods and increasing the rate of trade exchange through export diversification.
- reducing the economic impact of shocks.
- Creating jobs in the private sector in various economic sectors.
- Raising human capital productivity and then economic growth rates.
- Establishing the rules of the non-oil economy.

## 2. How to measure diversification?<sup>6</sup>

- the percentage contribution of oil versus non-oil sectors to GDP (or GDI), which provides an indication of the structural change in society;
- the percentage contribution of oil revenues as a proportion of total government revenues, which indicates whether or not dependence on oil revenues is being reduced;
- the percentage contribution of non-oil export to total export earnings, since rising non-oil exports are an indication of diversification;
- the relative contribution of the public and private sector to GDP, which is an important measurement of the success of diversification in so far as development of the private sector implies or presupposes growth in the public sector;
- the volatility or instability of GDP and its relation to oil price instability.

## 3. Local development:

Is defined as a process in which partnerships between local governments, community-based groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined territory. It emphasizes local control, using the potentials of human, institutional and physical resources. Local economic development initiatives mobilize actors, organizations and resources; develop new institutions and local systems<sup>7</sup>.

## 4. The principles of local development:

Local Economic Development that is successful focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive. From its definition we conclude that it is based on the following pillars:

- **Encourage popular participation:** supporting the efforts of individuals to promote development.
- **Administrative and financial decentralization:** To give a sufficient flexibility in the distribution of their investments allocated to each region on the activities and

investment projects necessary for the plan of economic and social development in accordance with their priorities and actual needs. And consistent with the conditions and possibilities of each region.

- **Activating urban and rural development policies:** through a concentrated deployment strategy to maximize the available development resources.
- **Raising the efficiency of community management:** through the management and simplification of government procedures (e-government locally).
- **The role of government agencies,** especially in various services and projects related to local development, giving adequate support, encouraging individual initiatives, activating participation and encouraging investment.

#### **5. Diversification vs Local development;**

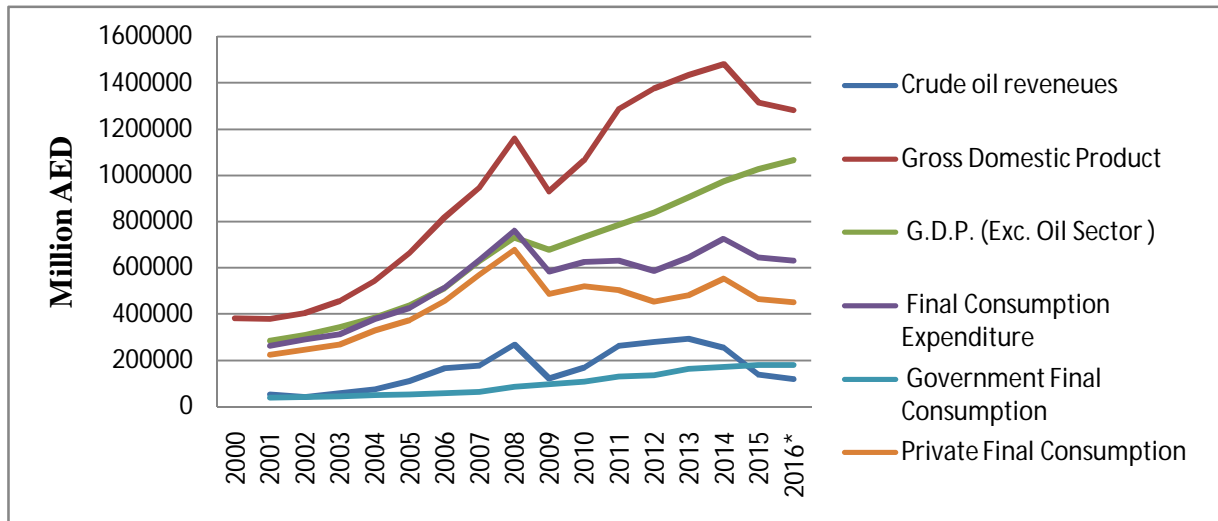
Local development is the first step towards sustainable development. The promotion of economic diversification in it ensures the correct course of development plans on the one hand, also creation of a community awareness that bears the responsibility of contributing to development and reduces the people's wrong habits in their right to wealth without work and effort in the other hand. Also creation of a community awareness that bears the responsibility of contributing to development and reduces the people's wrong habits in their right to wealth without work and effort in the other hand. Thus, the two variables are working to realize a radical and structural reform in the economy and transform it into a productive economy. Through the integration of common objectives and their single pursuit to economic growth.

## **II. Diversification and UAE's economy performance**

UAE was the most competitive economy in the Middle East, more than many of the developed countries, according to World Competitiveness Centre Index (2013). The index ranked the emirate as the 8th most competitive economy in the world. It has an open economy with a high per capita income and a great annual trade surplus. Successful efforts at economic diversification transformed it from a poor region of small desert principalities to a modern state with a high standard of living with fast growth<sup>8</sup>.

1. **Principal economic indicators :** The following figures shows the most important indicators in the United Arab Emirates;

**Figure (2): principal economic indicators of UAE;**



**Source:** Prepared by the students using data of federal competitiveness and statistics authority of UAE.

- **Oil revenues:** As the above figure shows, crude oil revenues rose along the period, it shift from 51648 million AED at 2001 to 117520 million AED at the first half of 2016. This rise was accompanied by declines, where oil revenues recorded a decline in 2009 estimated by 1469427 million AED compared to the highest value reached in 2008, this refer to the impact of the global financial economic crisis to UAE's economy that caused in decline of oil prices, and the volume of exports, stock market declines, reduced remittances and foreign direct investment. These revenues have been dramatically reduced by the end of 2013 from AED 293244 million to AED 117520 million in the first half of 2016 due to the decline in global demand for oil – the oil crisis-
- **Gross Domestic Product (GDP):**The UAE GDP jumped from about 383179 million AED in 2000 to 1158581 million AED in 2008, it recorded an decrease to 931 153 million AED in 2009 Due to the effects of the financial crisis causing an decline in oil revenues. Then it rose again to 1480521 million AED in 2014. But it decreased again after that to 1280761 million AED in the first half of 2016 due to the oil prices collapse. And it was supported by the GDP except oil sector.
- **Gross Domestic Product except oil sector:**

GDP except oil sector achieved a very good results along all the period (2001 to the first half of 2016), it shift from AED 284709 million in 2001 to AED 1065819 million in the first half of 2016 what refer to the success of the state's strategy in economic diversification.
- **Final consumption expending:** By comparing the two curves, there is a strong relationship between total consumer spending and oil revenues:
  - **Government consumption:** Despite the decline in oil revenues, which fell down by about 49% between 2014 and 2015, the final government consumption spending curve continued to rise, with a steady increase from 67615 million AED in 2001 to 179700 million AED in the first half of 2016. Where the state headed towards focusing on

regulating and rationalizing the levels of current governmental spending while continuing to spend on executing the investment projects that would motivate the growth, promote the development movement, increase the levels of economic diversification and support the human development benefitting from the available accumulated financial surpluses<sup>9</sup>.

- **Private consumption:** Approximately private spending curve was follow the movement of the oil revenues, it decline from 676412 million AED in 2008 to 486877 million AED in 2009, then it increase after that to 552635 million AED in 2014 but it decreased again to 451586 million AED in the first half of 2016. due to individuals' and families' trending towards rationalizing the use of incomes and limiting the consumer spending through buying cars and consumer commodities and raising the awareness of the importance of saving through investing part of the income in banks or other projects during crises.

Despite the decline of oil revenues, government spending continued to increase, while the non-oil sector has improved considerably.

The

Where we observe the growing output of all activities during the period, except the contribution of mining and quarrying started to decline with 2013, it recorded an decrease about 313338 million AED.

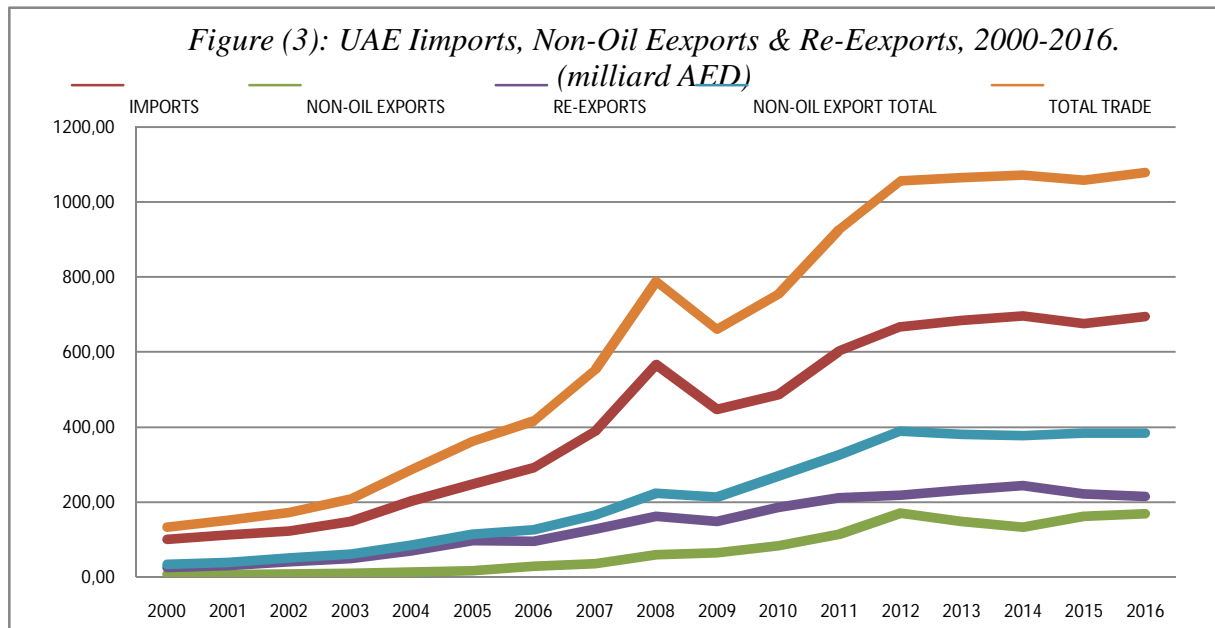
**Table (1): GDP by activities – 2010 to the first half of 2016\* .**

Economic Activity	2010	2011	2012	2013	2014	2015	2016*
Non-Financial Corporations	935 739	1 152 044	1 226 010	1 257 324	1 284 246	1 105 990	1 064 818
Agriculture, forestry and fishing	8 125	8 653	8 789	9 223	9 468	9 746	10 265
Mining and quarrying (includes crude oil and natural gas)	331 042	501 453	537 337	528 820	505 157	286 970	214 942
Manufacturing	84 803	99 402	105 690	108 085	115 141	116 380	118 364
Electricity, gas, and water supply; waste management activities	26 472	30 934	34 763	35 705	38 825	46 471	50 101
Construction	116 939	115 806	112 72	115 646	122 268	127 693	130 933
Wholesale and retail trade; repair of motor vehicles and motorcycles	126 794	130 089	137 178	150 680	155 774	160 969	162 543
Transportation and storage	61 790	72 094	75 824	79 598	84 260	89 983	97 402
Accommodation and food service activities	18 902	22 027	24 375	28 564	31 968	32 402	32 675
Information and communication	30 988	31 199	31 937	32 875	36 182	37 929	39 601
Financial and insurance activities	73 237	77 536	83 747	100 537	115 541	125 221	129 302
Real estate activities	52 660	56 711	65 148	66 070	74 400	81 184	86 263
Professional, scientific and technical activities	32 486	33 031	34 033	36 686	39 118	40 783	42 113
Administrative and support service activities	18 385	19 788	21 242	23 643	25 871	27 377	28 382
Public administration and defence; compulsory social security	55 268	58 242	65 926	74 809	80 735	84 040	86 641
Education	9 147	11 388	13 193	14 000	15 648	16 237	17 062
Human health and social work	6 546	8 923	12 014	14 866	16 012	16 629	17 861

activities							
Arts, recreation and other service activities	6 010	5 442	6 307	6 075	6 545	7 012	7 581
Activities of households as employers	4 651	5 104	5 451	6 788	7 608	8 225	8 730

**Source:** Prepared by the students using data of federal competitiveness and statistics authority of UAE. 2016\*: the first half of 2016

## 2. Foreign trade: Foreign trade in general was slow in the period between 1981 to 2000,

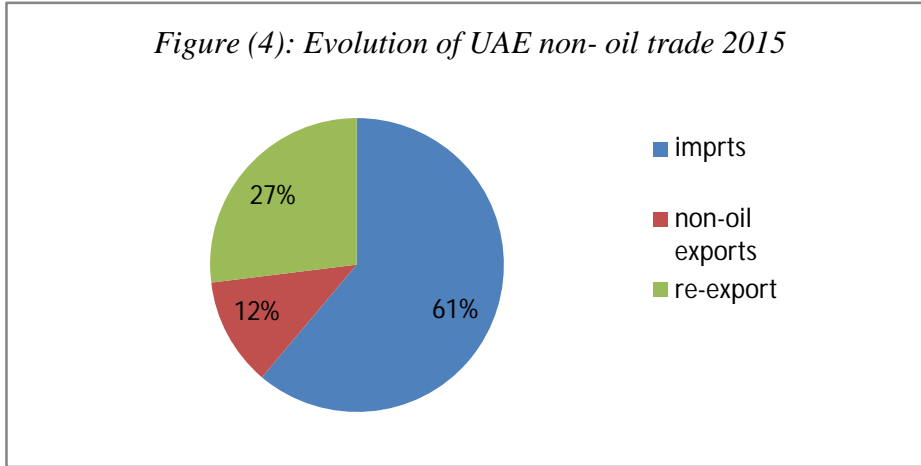


**Source:** Prepared by the students using data of federal competitiveness and statistics authority of UAE.

- **Total trade:** total trade increased over the period except an decline by about 16.22 % in 2008 compared by 2008 (788.92 milliard AED) refer to the effect of financial crisis. It amounted 1078.85 milliard AED.
- **Non\_oil export total:** The volume of UAE's non-oil foreign trade amounted to 383.97 milliard AED in 2016 comparing by 33.24 milliard AED in 2000. This is a good indicator of economic diversification, which has nearly doubled 11 times.
- **Non\_Oil exports:** non-oil export continued its growth, it achieved an increased by about 161.48 milliard AED.
- **Re\_exports:** also the volume of re-exports has increased from 26.10 milliard AED in 2000 to 215.33 milliard AED in 2016.
- **Imports:** Imports have doubled from 99.86 milliard AED in 2000 to 694.89 milliard AED in 2016, to meet the growing demand for consumer goods and investment requirements in the public and private sectors. Except an decline by 20.91% in 2009 compared by the year before due to the international financial crisis and the market constriction.



Figure (4): Evolution of UAE non- oil trade 2015



**Source:** Annual Statistical Report, Ministry of Economy, United Arab Emirates

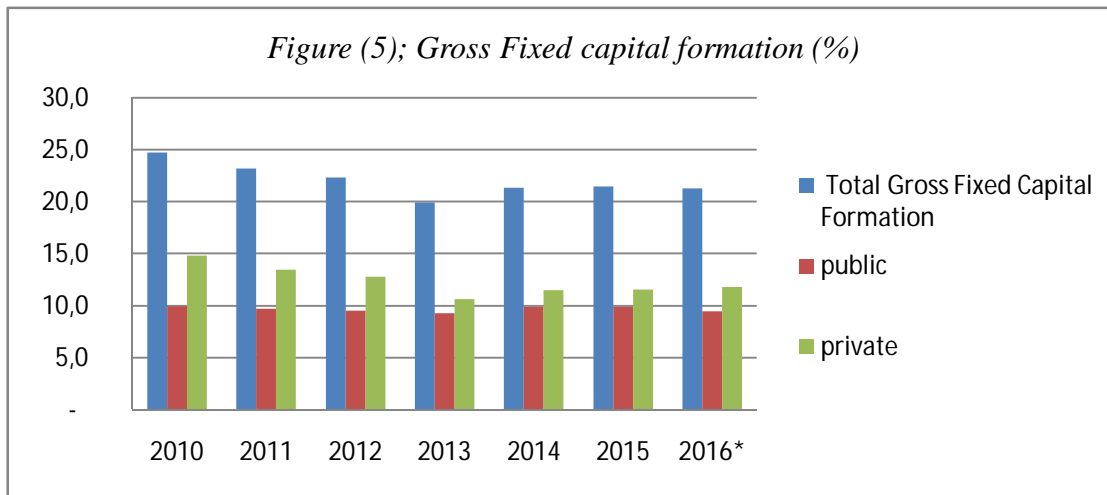
### 3. Investment:

#### ➤ Local investment:

The UAE government continued to spend on executing investment projects. These projects would motivate the growth, increase the levels of economic diversification and support the human development benefitting from the available accumulated financial surpluses and reserves. The private and public sectors increased the investments to fund the strategic projects in the fields of energy; tourism; material, electronic and logistic infrastructure and financial services.

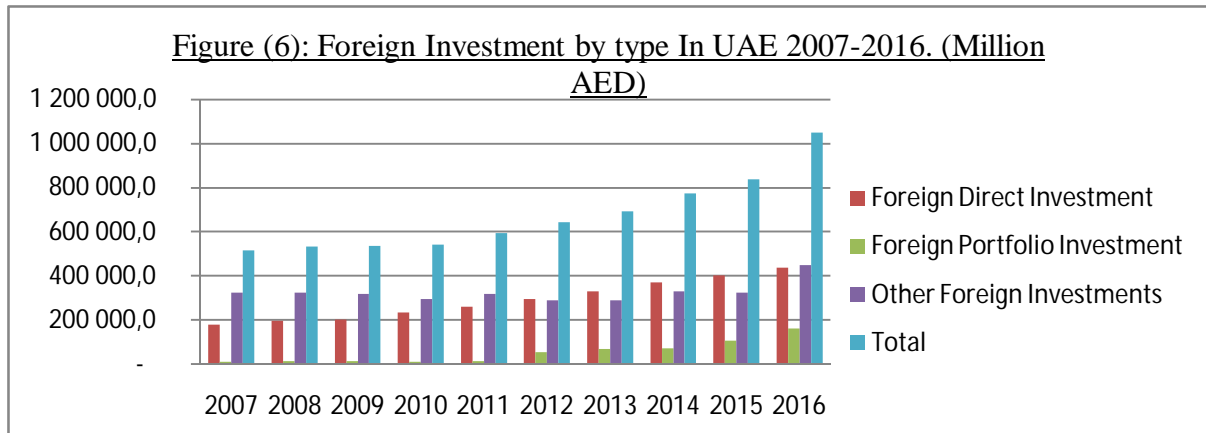
The Fixed Capital Formation is deemed to be the main ingredient to invest in any economic entity, such investment's element also represents the flow to the capital stock in the community, and hence the importance of the adoption of fixed capital formation arises as one of the indicators on the success of any economy to attract capitals for investment. The figure (4) shown that the total capital formation recorded a decline about 4.8% in 2013 comparing by 2010 due to the contraction in the market as a result of international oil collapse . then it had recorded an increase by about 1.4% in the first half of 2016. Private sector decrease by 3%, and small increase in the public sector estimated by 0.4%.

Figure (5); Gross Fixed capital formation (%)



**Source:** data of federal competitiveness and statistics authority of UAE . 2016\* : first half of 2016.

➤ **Foreign Investment:**



**Source:** Prepared by the students using data of federal competitiveness and statistics authority of UAE.

From the above figure we note the increase of foreign investment and its component, it recorded an increase by 532482 million AED. Foreign direct investment was dominated the rest of the investment, and the portfolio investment came last rank.

According to the World Investment Index 2015, the United Arab Emirates ranked the first in the region and 22nd in the world, this is due to the attractions enjoyed by the state as political and security stability, strategic location outstanding, availability of infrastructure, legislation and logistics provided. Advanced government services such as the activation of smart governance and customs and tax exemptions. The structure of foreign direct investment is diversified, the real estate sector dominating it, business services, wholesale and retail trade, financial institutions, insurance, manufacturing industries and oil refining products. The UAE ranked second after Turkey in the list of countries attracting the most direct foreign investment in the West Asia region in 2016, with a share of 32,2 % in the region's total investment inflows of \$ 28 billion. And coming first in the GCC, the below table shows these follows.

**Table (2) :** Foreign Direct Investment by Economic Activity, 2007-2016 (Million AED)

Economic Activity	2010	2011	2012	2013	2014	2015	2016
Accommodation and food services	4 368,50	1 557,50	1 604,80	1 948,30	1 956,10	1 983,70	740,70
Administrative and support services	1 330,20	2 132,40	2 115,30	2 237,70	3 723,10	3 882,40	3 598,40
Agriculture, forestry and fishing	325,80	292,80	114,20	122,60	125,20	128,40	166,00
Construction	11 973,10	11 343,70	11 540,70	13 473,70	16 408,30	16 431,40	17 062,40
Education	555,40	570,70	666,00	1 139,50	1 164,60	1 110,90	1 208,70
Electricity, gas, steam and air conditioning	6 286,80	6 565,00	6 713,70	6 887,10	8 263,20	10 165,20	9 950,70

supply							
Financial and insurance	55 504,70	55 964,10	58 777,00	67 488,70	74 371,40	76 540,80	84 594,90
Human health and social work	381,70	933,80	1 067,60	1 057,60	1 081,30	1 079,00	1 066,80
Information and communication	3 447,50	4 821,30	5 234,00	5 476,10	5 662,20	5 727,80	6 526,90
Manufacturing	23 902,50	27 275,70	30 822,90	33 464,80	36 502,30	39 241,00	40 208,20
Mining and quarrying	10580,8	9553,9	18663,1	21229,3	24242,7	27166,3	38519,6
Professional, scientific and technical activities	5930,8	7626,1	9027,4	10143,5	11510,7	11739,3	14072,7
Real estate activities	55267,8	59795,6	69585,3	81092,6	90448,7	94596,9	104284
Transportation and storage	4819,6	7040,5	4973,9	6857,4	6671,9	8709,6	7279,8
Wholesale and retail trade; repair of motor vehicles and motorcycles	49649,7	65121	74705,8	78797,2	89874,3	104875,8	109489,6
Other service activities	74	52,4	144,4	177,3	219,9	229,5	88
TOTAL	234398,7	260646,6	295756,2	331593,4	372226	403607,8	438857,3

**Source:** Federal Competitiveness and Statistics Authority of UAE.

#### 4. Industry:

The table below shows the development of the industrial sector in the United Arab Emirates between 2010 and 2015. The sector have improved during the period. The number of industrial facilities have achieved an growth rate estimated by 18.03%. The investment has reached to 127.6 milliard AED in 2015 with a growth rate about 16.3% , while employment was increased in this sector by 9.95% .

*Table (3): Development of the Industry Sector 2010-2015*

Statement	2010	2011	2015	2013	2014	2015
Number of Industrial facilities	4987	5212	5399	5635	5881	6084
Investments-milliard AED	106.8	110.1	120.4	121.3	125.2	127.6
Employees -million	392.5	401.4	408.9	417.7	427.6	435.9

**Source:** Ministry of Economy, Industry Sector

#### 5. Tourism<sup>10</sup>:

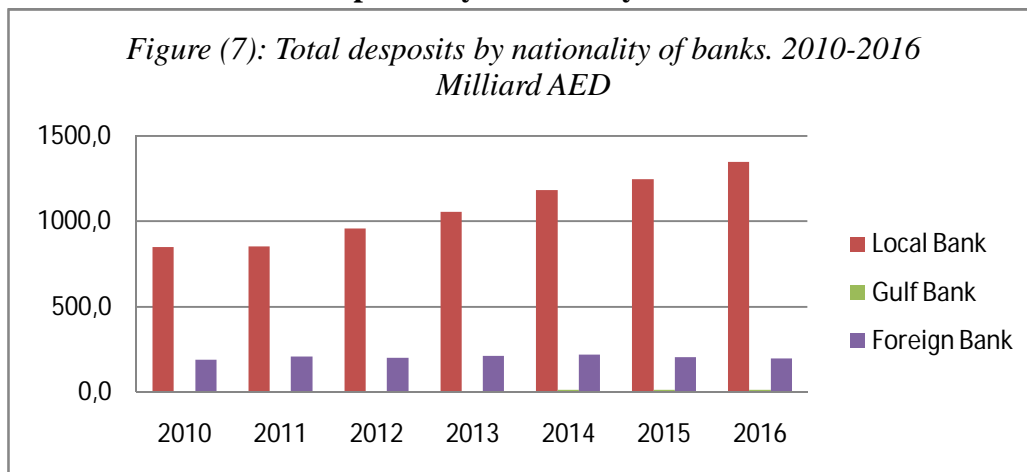
The UAE one of the most important tourist destination in the Middle East. It has succeeded in imposing itself as an important tourist front on the global map thanks to the efforts to develop this sector by providing infrastructure and tourism products with international standards as part of its diversification strategy. Dubai is the fourth largest tourist destination in the world with foreign tourists. The table below summarizes the sector's contribution to the UAE economy.

*Table (4) : the contribution of UAE's tourism sector, 2016.*

contribution	%
Direct contribution to GDP	5.2
Direct contribution to employment	5.4
Contribution to total capital investment	7
Total contribution to GDP	12.1
Total contribution to employment	10.4
Visitor exports contribution to export	8.1

**Sources:** *Travel & tourism economic impact 2017 united Arab emirates, the authority world travel and tourism council, 2017.*

6. **Banks:** the Figure (7) shows that the volume of deposits in local banks improved by 498.9 milliard AED , and it was stable at an average of 206.5 milliard AED in the foreign banks, while it didn't exceeded the 14.2 milliard AED in the Gulf banks

**Table 10: Total deposits By Nationality of the Bank From 2010 - 2016**

**Source:** *Central Bank Of The UAE*

From the table (5) bellow ; we note the most credit had given to professionals at first, construction at second , trade at third then after sectors, what explained by the good improvement in consulting services, and in strong the infrastructure what led to achieving in development in the trade sector then other sectors.

Table (5): Total Structure Of Commercial Banks Credit From 2010 - 2016

Item	2010	2011	2012	2013	2014	2015	2016
Construction	122 683	116 066	129 188	180 941	212 550	235 011	264 681
Trade	97 087	105 420	106 213	130 025	155 762	161 689	155 508
Professionals	247 121	252 091	260 853	319 300	392 877	416 513	433 634
Manufacturing & Mining	52 614	73 224	68 126	65 243	74 320	81 034	83 002
Public Institutions	99 982	102 390	121 334	139 873	135 982	157 491	162 582
Transportation, Tourism & Hotels	26 450	25 362	32 568	32 250	56 494	59 157	63 450
Agriculture	712	1 221	2 055	2 738	2 699	1 561	1 374
Financial Institutions	81 879	72 905	73 534	100 620	131 824	135 600	144 329

**Source:** Central Bank Of The UAE

### III. UAE Ranking in global and regional business ranking<sup>11</sup>:

#### ➤ UAE Ranking in Enabling Trade Index (WEF) 2016:

- 1<sup>st</sup> in Quality of roads.
- 2<sup>nd</sup> in:
  - Customs service's index.
  - Availability and quality of transport infrastructure.
  - Quality of air transport infrastructure.
  - Efficiency and accountability of public institutions.
  - Physical security.
- 3<sup>rd</sup> in :
  - Available airline seat kilometers millions.
  - Quality of port infrastructure.
  - Mobile-cellular telephone subscriptions /100 pop.
- 4<sup>th</sup> in efficiency of transport mode change.
- 6<sup>th</sup> in :
  - Irregular payments and bribes: imports/exports.
  - Time predictability of import procedures.
- 7<sup>th</sup> in:
  - Ease and affordability of shipment.
  - ICT use for biz-to-biz transactions.
- 9<sup>th</sup> in Operating environment.
- 11<sup>th</sup> In Registering Property.

#### ➤ UAE Ranking in Global Competitiveness Index (WEF) 2016/2017:

- 1<sup>st</sup> in:
  - in Quality of roads
  - in Business costs of crime and violence
  - in effect of taxation on incentives to invest
  - in Gov't procurement of advanced tech. product
- 2<sup>nd</sup> in :

- in Public trust in politicians
- in Wastefulness of government spending
- in Quality of air transport infrastructure
- in effect of taxation on incentives to work
- in Country capacity to attract talent
- in State of cluster development
- 3<sup>rd</sup> In:
  - in Goods market efficiency.
    - in Quality of port Infrastructure.
    - in Burden of government regulation.
    - in Prevalence of non-tariff barriers.
    - in FDI and technology transfer.
    - in Mobile-cellular telephone subscriptions /100 pop.
    - in Flexibility of wage determination.
    - in Country capacity to retain talent.
- **UAE Ranking in Doing Business (World Bank) 2017:**
  - 1<sup>st</sup> in paying Taxes.
  - 4<sup>th</sup> in :
    - in Dealing with construction permits.
    - in Getting Electricity.
  - 9<sup>th</sup> in Protecting Minority Investors.
- **UAE Rank in Global Entrepreneurship Index (GEDI; 2017)**
  - 1<sup>st</sup> sustaining its position as last year to be the leader of MENA region.
  - 100 % has world-leading scores (full score) in Human Capital, Risk Capital, and High Growth.
  - The GEI score divides countries in quintiles and the UAE is in the top quintile.

## Conclusion:

Diversification is a challenging task for countries which are resource dependence; challenges are compounded by the fact that the dominant resource sector is poorly linked with the rest of economy, where structural changes are usually slow implement.

One of fundamental objectives of diversification is the utilization of the comparative advantages to enable an economy to make use of its resources by generated the GDP from various sectors. UAE experience has shown that rapid economic and social progress cannot be attributed solely to the discovery of oil. There are numerous examples of oil exporting countries that have not achieved a similar level of modernization and social progress, the successful diversification plan requires firm political commitment consistent public policies and sustainable financial resources and realizing that economic diversification contributes positively to economic performance in each sector and every Emirati Citizen. Oil revenues are insufficient to achieving the development.

- The United Arab Emirates using oil revenues to spending on development programs.

- The UAE is characterized by a large local investments in infrastructure and development projects. And increased FDI flows due to climate, environment and legislation.
- The UAE has achieved a great improvement in all the economic indicators in the country with a successes in diversification strategy.
- The UAE is heavily dependent in its economic diversification strategy on industry trade, tourism, knowledge, innovation and e-governance. All that by providing a strong infrastructure within a high measures.

**Recommendation:**

In order to establish an economy outside the oil must:

- Adopting a legislative system that encourages innovation, investment and knowledge management.
- Supporting all sectors especially those have comparative advantages, as tourism , agriculture , renewable energy, entrepreneurial...( depending on the characteristics of each country).
- Developing the financial sector.
- Activating the knowledge economy.
- Activating the role of the private sector and the sector of small and medium enterprises.
- Activation of supervision in all sectors and projects.

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