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United Arab Emirates is a confederation of seven emirates on the south-eastern Arabian Peninsula. UAE is one of the richest states in the world and controls the fourth largest oil reservoir of the world. UAE has utilized its natural resources prudently and invested huge money in developing the nation. Today, UAE is known as one of the advanced and flourishing nations of the world. The UAE economy has transformed from an agricultural to a modern economy, and there are still some issues that are required to be addressed (The Economist). This paper intends to discuss the UAE economy, various challenges and proposes how to solve these challenges.   
The economy of UAE has passed through different phases. People of UAE were engaged in agriculture, fishing, trade and pearling until 1950’s when oil was discovered and produced for commercial purpose. They were also involved in piracy in the Indian Ocean till the beginning of the nineteenth century. Discovery of enormous petroleum and non-petroleum fuels changed the fate of UAE. UAE has invested a major part of its oil revenue in infrastructure, corporate and manufacturing sector. Today UAE has become a highly advanced nation with a thriving economy (BBC News).   
UAE has some basic problems in its economy. The UAE economy is mainly dependent upon the oil sector, and it requires a highly skilled workforce. UAE still lacks on this front and is dependent upon expatriate workforce. Ninety percent of laborers and a huge number of managers employed in the oil sector of UAE, are foreigners. UAE has a small population, and only some of them are skilled enough to work. Students do not show their interest in learning technical skills that are highly required for continuous growth of the oil sector (Forstenlechner).   
Expatriate workers do not associate themselves with the UAE and their stay in the UAE is absolutely materialistic. Expatriate workers get good wages, but they send this money into their countries instead of expanding it in the UAE market. Such trend is not good for the economy of the UAE in a longer term. Expatriate workers are the main workforce in the UAE oil industry and they may create various social, economic and crime-related problems in the UAE (Muysken & Nour).   
UAE is heavily dependent on the imports from other nations for its food, water, electricity and various other needs. The hot and arid climate of UAE is not very suitable for agriculture and UAE has not paid any attention to this sector. UAE has invested enormously in the infrastructure and other sectors but not enough in agriculture. UAE is not able to produce enough even for its basic needs (Unicef). The same problem is in terms of water. Salinization is growing, and it substantially affects drinkable water that is already available in low quantity in the UAE. The demand of electricity is continuously growing, and UAE lacks on this front.   
UAE should encourage the technical education and train its indigenous workforce rather than depending upon expatriates. UAE should invest in agriculture and other sectors in order to strengthen its position and dependency in terms of food and water. UAE should focus on other areas than the petroleum and strengthen other sectors like agriculture, water, manufacturing, business, power generation. United Arab Emirates can procure its economic interests in the longer term by focusing on all the above-mentioned sectors.

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