

# The economy of uae

Economics



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On what will the economy of the United Arab Emirates be based after the termination of oil resources? Among the independent states in the region of Persian Gulf, there are many countries which have achieved essential economics success, using the resource factor in their development. The Federation of the United Arab Emirates is considerably the best one. Owing to the richest oil deposits and the competent policy of using the given natural resources, it took them only 30 years to become one of the richest states in the world and reach the income level comparable with the highly developed countries.

However, what will be the base of the UAE's economy, when the world runs out of oil supplies? Before the discovery of oil and gas sources the Trucial States (which today form the UAE) had limited resources and its economy depended mainly on agriculture and the trade in pears, that is why that period reflected the state of a simple subsistence economy. Since 1970 the situation began to change. December 2, 1971 six of the seven emirates (the emirate Ras-al-Khaimah joined in 1972) announced the creation of the federation called the United Arab Emirates.

This event coincided with a massive increase in oil production, followed by a further sharp rising of oil prices. This course of events allowed the UAE to achieve the economic prosperity. At the same time, the ruling Sheikh Zayed Bin Sultan Al Nahyan, realizing that oil is a finite resource, commissioned to work out a plan which could reduce the dependence of the state on oil. The state budget revenue in 1980 was fully formed with the profits from oil and gas. However, it was decided to develop a plan of the diversification of economy.

Trade and tourism were chosen as the general directions. From year to year, the dependence on petrol production in the state is increasing: in 1980 oil took about 80% of GDP, but today, according to a number of sources oil takes about 30 % of GDP. The reduction of oil industry is happening due to the intensive development of the following sectors: trade, tourism and construction activity. Transport infrastructure is fairly well-developed and the foreign investments are actively being involved to the economy. What is the future of the UAE?

How is the economy of the state going to develop without oil, which supplies, according to Jack Gerard's researches (2005) will be absolutely depleted in 50 years? What kind of challenges will the United Arab Emirates be forced to face? Every state is a part of the world community and problems which the world faces, sooner or later will be actual in a separate state. One of the world biggest threats is the food crisis. For some countries it is relevant today, for others it is something, which they will have to face in the nearest future.

Every state that wants to get rid of this terrible problem should actively create alternative sources of energy and develop the agriculture, right now. The UAE is not an exception. The main problem the UAE faced on the way of developing this sector is climate. There is no doubt that the investment funds, emitted on the construction of desalination water factories, make the agriculture industry more independent. Unfortunately, that is not enough. While the state has the time and possibilities it is necessary to concentrate seriously on this problem.

They have to coordinate the directions of the Science Researches and achieve the high level of different types of technologies that will help to improve the

necessary sectors quickly. In the future UAE must become the leader in producing the food stuff and also dematerializing water. Time is flying but no one accepts the fact that soon people around the world will depend on the quality and quantity of water and food. Implementation of these plans will enable the UAE to become the highly industrial state in 21st century, regardless the oil. The production of food and water will definitely fix the state up with economical stability.