The Prosperity of UAE

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Introduction:

Competition between nations is essential in achieving prosperity and economic development. Nations cannot have competitive advantage in all aspects. Some nations enjoy competitive advantage in specialized areas, for example, Switzerland has a competitive advantage in the watches industry, while Italy has competitive advantage in the shoes industry. Competition advantage relates to nation's productivity, which is explained by nation's output value per a unit of capital or labor, in a cost effective and efficient manner. Initially economists believed that country's national resources, labor force, interest rates, as well as currency value are the key determinant of nation's competitive advantage. This paper presents different aspects of prosperity in the United Arab Emirates (UAE) and compare it with that in Saudi Arabia.

In this context, Michael Porters has identified four other aspects which he believes are the actual determinants of nation's competitive advantage according to a study he made on 10 leading trading nations over a period of four years. Aspects include **Factors Condition** which is related to elements of production such as labor and capital, etc. **Factors Demand** which is related to the nature of nation's demand for its market make products, and how this demand exerts pressure on its industries to innovate and gain competitive advantage in the global market. **Related and supported industries** which is

related to availability of strong and internationally competitive industries supporting each other in the downstream and upstream industries by providing inputs in the most cost effective and efficient manner. Last but not least, *Firm's Strategy, Structure, and Rivalry* which is related to national context in terms of managerial system, nations' education which may promote innovation and rivalry [1], As diagram shown below:

Our paper firstly will talk about the economic performance of UAE, secondly will make comparison between Saudi Arabia and United Arab Emirates according to development

in economic side in three main pillars which are Infrastructures, Macroeconomic and Education. Finally, will highlight some recommendations which government should stick with to enhance their economy and end up with the conclusion.

The performance of UAE:

UAE economy was ranked 31st worldwide in 2017 as per statistics presented by the world bank [2] with GDP of AED 1280.8 billion. The economy has grown by 3% from 2016 to 2017 despite reductions in oil prices in the global market as well as OPEC decision to reduce oil production in 2017 to support oil prices. This might be due to country's successful strategy in diversifying sources of income. Oil & Gas sector is still contributing most to the country's economy by 17% as shown in the below chart [12-15]. However, there are other major contributors to the economy's income like Wholesale and Retail Trade Sector by 13%, Financial Sector by 10%, Construction and Building Sector by 10%, in addition to other sectors details in below graph [10-11]

Global Competitive Index:

Global Competitive Index is a measure of national competitiveness issued annually by the world economic forum. It takes into consideration 12 various aspects/pillars that would affect nation's productivity. These aspects are Institutions, country's Infrastructure, Macroeconomic environment, Health and primary education, Higher education and training, Goods market efficiency, Labor market efficiency, Financial market development, Technological readiness, Market size, Business sophistication, and Innovation. Our paper will focus on three pillars which are infrastructure, Macroeconomic environment, and higher education and training [2].

According to the global competitive index 2017-2018, UAE's economy was ranked the 17th in terms of its competitiveness worldwide from 137 countries in 2016. It also got a score of 5.3 from 7 which puts it in a leading position comparing to Arab World countries.

Thanks to the country's diversification strategy which enabled it to absorb the adverse effect of oil and gas prices reduction as well as slowdown in world's trade.

Infrastructure:

The country's infrastructure is represented by its setup of fundamental systems and services necessary to support its nation's daily activities i.e. transport, power and water supplies, sewage, etc. Advancement of infrastructure will facilitate business transactions and operations as well. The UAE has succeeded in building an advanced infrastructure with international standards. According to GCI competitive Index, UAE has occupied the 5th rank amongst 137 countries in 2018 in terms of its competitive and advanced infrastructure, with a score of 6.3 from 7 [2]. This measure takes into consideration the quality of roads, railroads, ports, airlines as well as power supply and telecommunication services. The below graphs looks into the different elements contributing to the overall country's infrastructure over the period 2016-2018. Though UAE's rank in infrastructure has dropped by one point from its 4th rank in 2016 and 2017, it continues to be number one worldwide in quality of roads (WAM, 2018). It was able to improve in the airlines and telecommunication service sector (fixed and cellular phones). However, its rank in terms of quality of power supply has dropped significantly from the 10th place in 2016 & 2017 to the 16th place in 2018 which might have contributed to the drop in the overall infrastructure rank as shown in table below, [2-4]

Table 1- Global competitiveness index between 2016-2018 Pillarnd pillar

Sub Pillars	Rank			Score		
	2018/137	2017/138	2016/140	2018	2017	2016
2nd pillar: Infrastructure	5	4	4	6.3	6.3	6.3
Quality of overall infrastructure	4	4	2	6.2	6.3	6.4
Quality of roads	1	1	1	6.4	6.5	6.6
Quality of railroad infrastructure	-	-	-	-	-	-
Quality of port infrastructure	4	3	3	6.2	6.4	6.5
Quality of air transport infrastructure	3	2	2	6.6	6.7	6.7
Available airline seat kilometers millions/week	4	5	5	6,054.10	5966.3	5,458.70
Quality of electricity supply	16	10	10	6.5	6.7	6.6
Mobile-cellular telephone subscriptions /100 pop.	3	3	5	204	187.3	178.1
Fixed-telephone lines /100 pop.	41	45	48	23.4	23.1	22.3

Yet, it is believed this measure is positioned to be enhanced further with Dubai government's focus on infrastructure in preparation for EXPO 2020. Dubai Government

has announced its highest ever budget of AED 56.6 Billion for Year 2018, and allocated the highest portion of 21% to infrastructure investments [18].

Macroeconomic Environment:

This pillar measures country's competitiveness in respect to its ability to establish an economic environment promoting stability, sustainability, and productivity in its nation. It takes into consideration the government budget balance in deficit or surplus, Gross national savings, government debt as percentage of GDP, annual inflation change, and country's credit rating [1-3].

UAE has received the 28th rank in terms of its macroeconomic environment competitiveness in 2018 from 38th rank in 2017. This measure has witnessed significant drop in 2017 generally in all aspects and most specifically in its budget balance as percentage of GDP where it departed its 4th rank in 2016 to receive a rank of 101 in 2017, which has then recovered to 87 in 2018. This must have been due to the reduction in oil prices and country's heavy investment in infrastructure projects. Additionally, the country's rank with regards to the inflation rate change has dipped into a low rank of 83 in 2017 from the 1st rank in 2016. However, the country's competitive index has picked up in all macroeconomic aspects in 2018 and it is again ranked 1st worldwide in 2018 with regards to the favorability of inflation rates as shown in table 2 [1-11].

UAE MACROECONOMIC ENVIRONMENT RANK

Table 2-Global competitiveness index between 2016-2018 Pillar 3rd pillar

Sub Pillars	Rank			Score		
	2018/137	2017/138	2016/140	2018	2017	2016
Macroeconomic environment	28	38	7	5.6	5.3	6.5
Government budget balance by GDP	87	101	4	-3.9	-4.9	6
Gross national savings by GDP	22	29	13	30.5	27.8	35.1
Annual Inflation	1	83	1	1.8	4.1	2.3
Government debt by GDP	9	13	8	19.3	19.4	12.1
Country credit rating	29	29	25	73.8	na	77.1

High Education and Trainings:

In a global world, having a strong indicator such as high education and training at an international level is very important for raising the competitiveness power especially in a developed country such as UAE. According to the Global Competitive report most recently, UAE has a rank of 17th globally in the global competitiveness ranking as a result of its tertiary education new indicator. UAE has a high competitive market in higher education, considering itself the largest host of international branch campuses globally for having over 40 providers by the end of 2009 (Wikins, 2010). According to Hussain Ebrahim Al Hammadi, Minister of Education (2017), “Education is a national priority for the leadership in the UAE, and has evolved through many stages over the last several years”. Moreover, the government of UAE has launched the National Strategy for Higher Education 2030 put by ministry of education to achieve the highest education standards in future. Education is very important for UAE leaders and Emarati economy in terms of innovation and raising productivity, thus in the formation of qualified labor because qualified labors carries the competitiveness firstly for the country into higher ranks by increasing the performance of the companies. The ranking of UAE as shown in the global competitive index (2016-2018) is described in the index below:

UAE HIGH EDUCATION TRAININGS RANK

Table 3-Global competitiveness index between 2016-2018 Pillar 5th pillar

Sub Pillars	Rank			Score		
	2018/137	2017/138	2016/140	2018	2017	2016
5th pillar: Higher education and training	36	34	37	5	5.1	5
Secondary education enrollment rate gross %	n/a	71	67	n/a	92.3	92.3
Tertiary education enrollment rate	94	96	99	22	22	16.8
Quality of the education system	12	10	12	5.3	5.3	5.3
Quality of math and science education	13	10	11	5.3	5.4	5.3
Quality of management schools	15	16	20	5.5	5.4	5.3
Internet access in schools	13	4	9	5.8	6.1	6
Local availability of specialized training services	24	22	20	5.4	5.3	5.4
Extent of staff training	15	16	12	5.2	5.1	5.1

Global Competitive Index: UAE Vs. Saudi Arabia

Looking into below graphs, Saudi Arabia's GDP overpasses UAE's GDP significantly throughout the past years 2012-2016. However, UAE's GDP per capita overpasses Saudi Arabia's GDP per capita significantly over the same period which indicates higher productivity in UAE.

The overall competitiveness of UAE overcomes competitiveness of Saudi Arabia over the years 2015-2018 in terms GCI rank as well as score. Lower scores attained by Saudi Arabia in 2017 and 2018 which puts UAE in a better competitive place as shown in below graph.

One of the main pillars contributing to UAE's competitiveness of UAE is infrastructure and it exceeded the infrastructure of Saudi Arabia through year 2015-2018, where UAE's competitive rank at an average of 4 compared to average rank of 30 for Saudi Arabia, as shown in below graph.

Though UAE's competitiveness in terms of macroeconomic environment has dropped significantly in the period from 2015-2018, it is still higher than Saudi Arabia's rank, and

the gap between both countries rank widened significantly during the given period, as shown in below graphs.

Again, UAE is standing in a better position in terms of its competitiveness in higher education and training compared to Saudi Arabia, however the gap between both countries ranking has been narrowing throughout the period 2016-2018. If we look closely into the below graph, we can see that UAE's competitive score in terms of higher education has lowered in 2018 when Saudi Arabia's score has improved, however UAE remains in better competitive place and stressful [11-30].

Stages of Development:

According to Porter there are three main stages for economies development which are resource driven, investment driven and innovation driven. However, there are differences between these stages where the first stage depends on world's economies, second concentrate on manufacturing and the third one and the best is Innovation driven which is depend on itself and not taken from others economies. UAE according to GCI UAE is positioned in the stage number three while Sudia Arabia is in the transition between stage two and three [3].

Stages of Development

Recommendation:

Being one of the top 20 most competitive economies worldwide, UAE's competitive position in higher education and training where it achieved a rank of 36 in 2018, which is the lowest rank it achieved amongst the 12 pillars. It has to increase its budget allocation for education and fund research and development. The country can encourage education by sponsoring international contest in research and development locally. Additionally, it will be a great initiative to set rules on companies to mandates for annual training for its employees to be up to date with recent developments in their fields [3-13].

UAE is urged to continue with its strategy in diversifying its sources of income in areas other than oil and gas. It can work on hosting international events like World Cup and Olympics. This will attract more foreign direct investments into the country and will help the country diversify in sports tourism sector.

As highlighted in the global competitiveness index, business participants in the market perceive access to finance as a major problematic factor for doing business, which is apparent post the financial crisis that hit the country badly in 2008. However, it is recommended that UAE central bank tackles this issue and set up necessary regulations and systems to facilitate financing for small businesses.

Conclusion

Competitive advantage of a nation is essential for its prosperity. As per Porter, nation's competitive advantage is determined by labor, capital, strength of market demand, as well as strength of local and global market competitiveness. As per the global competitiveness index, UAE stands as a highly competitive country worldwide, supported by its advanced and high end infrastructure in the first place, as it is ranked first worldwide in the quality of roads. It has gained competitive advantage in the macroeconomic environment and higher education and training aspect, however there is still a good room for improvement in these two areas. Focusing on diversifying its source of income is the first step to walk away from its high dependency on the oil and gas sector, which will help the country bridge the gap between its revenues and expenditures i.e. reducing its deficit. Aside from that, country needs to take sufficient actions to encounter its lag in the higher education and training in its work force, which could possibly improve country's overall competitiveness to bring it one of the 10 most competitive nations worldwide.

Looking into the competitiveness indicators between UAE and Saudi Arabia, UAE appeared to be way more competitive than Saudi Arabia in all aspects/pillars, more specifically in the infrastructure pillar where it has overbeat Saudi Arabia by 25 places, Macroeconomic environment pillar by 30 places, and higher education and training pillar by 7 places. In terms of development stages, UAE has made its way through to the third stage of development i.e. innovation-driven stage amongst 35 advanced economies, while Saudi Arabia stands in a transition stage from 2 to 3 i.e. from Efficiency-driven to innovation-driven stages (Iqbal, 2011). Overall UAE stands to be the most competitive country in the region as well.

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