

Preface

Rarely is a country so unusual that it defies most modern geopolitical classifications. It's as if this nation was the youngest child in the family. Growing up, it had high expectations. Due to a mix of learning from its siblings' mistakes, and being so flexible, the child somehow turned out alright. This metaphorical child, however, should not have turned out alright. The odds were stacked against it. It is located in one of the most tumultuous regions in the planet and had the possibility of being a very corrupt nation. Yet, throughout its brief history of statehood, the nation has defied all odds and has become "the city upon a hill," a modern example of success for many of its neighbors. This young model of a child is the United Arab Emirates, a beacon of hope for an area ravaged by war, corruption, and poverty.

How is it, that such a young nation can fend off such a powerful triad of doom?

How is the nation still thriving in the modern world?

What led to this peculiar nation becoming a regional power?

It's questions like these that sparked my interest in the United Arab Emirates. I was fortunate enough to visit the U.A.E. in the winter of 2016. On first glance, it seemed like a modern metropolis. An expansive megalopolis stretching across the Persian Gulf. Within days, one starts to peel back the layers of the Emirates. One finds that there is much more than meets the eye. In the heart of such a modern nation, is a traditional community. My interests piqued when I began talking to local guides. Some described the U.A.E. as developed; others said it was underdeveloped. Some said it was religious. Others said secular. It seemed to me that the U.A.E. was, in fact, two nations in one. It seemed like the U.A.E. didn't want to associate itself with any labels other than simply being number one.

Another source of intrigue was the rapid development of industry in the Emirates. For being such a small nation, its airline industry is booming. With three major airports and two heavily subsidized national airlines, the United Arab Emirates was making a name for itself in the aviation industry. I saw skyscrapers that dotted the sky, and artificial islands being created in the gulf. Every day a new attraction was being built, a new building lined the sky, and a new Emirati struck gold. All patterns of traditional economic development seemed to fly out the window. The U.A.E. appeared to make the impossible, possible.

Walking along the beaches of the U.A.E., or through Dubai City of Gold, and even across the arid desert, one couldn't help but marvel at the existence of such a fascinating country. It's almost as if the nation was perfect... too perfect. Yet, every nation has its faults. It just so happens that the U.A.E. hides theirs quite well. Under the glamor of the big city and the serenity

of the desert, the U.A.E. is a breeding ground for workers' rights violations. However, the U.A.E. hasn't let itself be held back. It continues to push the boundaries of what is possible.

Overall, the nation is a mystery. Every layer I peeled back seemed to unveil another history, another culture, another nation. Every question I answered led to two new ones being posed. The U.A.E. is more than just a country... it's an enigma. One that requires one to immerse themselves in the culture and lifestyle. The U.A.E. isn't a country one can just talk about; it's one that needs to be experienced.

United Arab Emirates: A Jewel in the Middle East

Being one of the smallest nations in the world, the United Arab Emirates is uniquely positioned to be an economic superpower in the next few decades. With their forward-thinking policies and far-reaching impact, one of the few things holding them back from success is their leadership. Although the United Arab Emirates has an involved authoritarian regime, diversification of the market economy, innovative trade policies, and forward-thinking government projects have created an arena for economic growth.

300 years ago, the United Arab Emirates was an isolated wasteland. Periodically, nomadic hunter-gatherers would traverse the desert, but other than a few scattered trading posts, few people lived in the region. Settlers attempted to colonize the area since antiquity, but due to the lack of visible resources, all settlements were restricted to the coast (Peterson, 1). With the onset of European Imperialism in the late 18th Century, the area became an Omani Protectorate, called the Trucial Sheikdoms. Throughout the 18th and early 19th Century, Arab traders passed through the area bringing riches. The United Kingdom took note of this, and by 1900, the area was under British Colonial control. In the 1960s, the United Arab Emirates began its rise with the discovery of oil. The oil economy largely contributed to independence movements in the Emirates, and by 1971 the Emiratis had won their independence. Yet, there were inherent problems with winning independence. The colonial government controlled oil production, protected the people, and governed the area, but without the leadership, there were significant power vacuums to be filled.

The Sheiks of the Emirates immediately took charge of the nation. They constructed a government focused on promoting growth and trade. Over the next 40 years, the United Arab Emirates became one of the fastest growing economies in the world (United Arab Emirates, 1). The region is now a haven for trade. Due to its seclusion from the warfare around it, the United Arab Emirates has promoted foreign investment in local businesses and has become a world

center as it connects the east with the west. It is the modern day Istanbul, the new New York, and a Parisian cultural hub all in one.

Like many of its Arab neighbors, the United Arab Emirates is an absolute monarchy. Prior to ascending to the throne, the current monarch, Khalifa bin Zayed Al Nahyan, was the crown prince of the Abu Dhabi Emirate. Each of the seven Emirates has its own ruler. The seven rulers of the Emirates make up the Federal Supreme Council, which is the national judiciary of the United Arab Emirates. The legislature is comprised of 40 members, all elected by high-level officials in the U.A.E. government (Metz, 199). This governmental structure leaves room for corruption and greed to pervade the U.A.E. However, quite the opposite occurs. The U.A.E. government can be considered a benevolent regime since the government has instituted numerous policies aimed at promoting domestic growth and offering economic benefits for citizens of the United Arab Emirates.

The government of the U.A.E. is heavily integrated into all aspects of life. Trade, land ownership, tourism, transportation, and everything in between is heavily regulated. The government is involved to the extent that it does not allow foreign nationals and foreigners to own land in the United Arab Emirates; they are merely allowed to lease “designated areas” for 99-year terms (Bainbridge, 2). This sort of domestic protectionism is another reason why corruption is uncommon. Emiratis appreciate the efforts of the government to subsidize industry. The two national airlines of the United Arab Emirates, Etihad, and Emirates, are subsidized to the point where they have a major competitive advantage in air transportation to and from the United Arab Emirates. The extent of the transparency of the government is another reason why it can be considered benevolent. After the global debt crisis in 2008, the government took active steps to increase its transparency and is now considered one of the most transparent in the world. Through directives from Sheikh Mohammed bin Zayed, leadership in the U.A.E. “is increasingly embracing social media as a way of reaching the population and the world as these channels are a faster, more accurate and popular way of getting messages across” (United Arab Emirates, 10). By opening direct lines of communication with the government, citizens of the U.A.E. have a

renewed faith in the government's ability to rule and has kept opposition to the government to a minimum.

The laws in the United Arab Emirates are a blend of European Civil Law and Sharia Law, meaning that criminal law in the U.A.E. is governed by Islamic courts, while trade, welfare, and civil law are governed by secular courts. The penalty heavy criminal courts act as a natural deterrent for crime, while the secular civil courts are much more lenient. The government sought to make the civil courts much more tolerant as they most often deal with expatriates in business and the economy. The rigid legal code is one of the reasons why violent crime and corruption are lower in the U.A.E. than in many other developing nations (United Arab Emirates 2017 Crime & Safety Report: Dubai, 1). The legal code also offers protection from radicalism that is prevalent in the region. With the U.A.E.'s zero-tolerance policy, any radical clerics or terrorists are immediately imprisoned, allowing for a safe and peaceful environment. However, personal liberties are often sacrificed as a result of the safeties that Emiratis enjoy. Freedoms of expression, assembly and property are heavily censored and restricted by the United Arab Emirates government (United Arab Emirates, 2). Although it may seem like the United Arab Emirates lacks many democratic principles, the population has been more than willing to sacrifice a few liberties in exchange for protection from many of the dangers plaguing the region.

The economy of the United Arab Emirates is the most sustainable in terms of complexity in the Middle East (OEC, 1). Historically speaking, the economy of the United Arab Emirates should not be in the position it is today. Resource-rich nations with monarchical rule rarely ever develop sustainable economies as they often rely on the natural resources to promote growth. In the 1960s, oil was discovered in the Persian Gulf. Drilling companies flocked to the coast of the Emirates to harvest the valuable resource. Until the early 1990s, the Emirates relied solely on the oil economy. Government leaders began to realize that Emirati oil reserves were doomed to run dry and that they needed to diversify the economy. They saw that not only did the Emirates have relatively small oil reserves, but also that their neighbors, Iran and Saudi Arabia, could easily outpace oil production from the Emirates.

The modern Emirati economy has benefitted from aggressive diversification policies beginning in the 2000s, and now has a robust service sector that constitutes over half the nation's GDP (Hasbroeck, 31). In order to stop the Emirates from becoming oil dependent, government leaders utilized oil revenues to strategically invest in education and infrastructure. Often, a government may misuse revenues when it is heavily involved in economic development, but the United Arab Emirates capitalized on their control to directly invest oil profits into the economy (Hasbroeck, 32). With these policies, the G.D.P. quadrupled between 1990 and 2006 (The World Bank, 1). During this period, the two largest Emirates, Abu Dhabi, and Dubai, began massive infrastructure projects aimed at promoting tourism. These projects were meant to draw attention by acting as global superlatives: the tallest building in the world, the largest shopping complex in the world, and the greatest massive man-made islands ever created. With the onset of the 2008-2009 Global Recession, the tourism sector of the economy slowed dramatically. The Emirate of Dubai began to default on loans and Dubai World, the state-controlled investment company, failed to repay its debts. Seeing that it was in the nation's best interest, the Emirate of Abu Dhabi intervened with a bailout worth \$10 Billion (Martin, 22). That cash injection stimulated lending in Dubai, which began to promote steady economic development across the Emirates. Since then, the United Arab Emirates has continued diversifying its economy with special focuses on construction, trade, and services.

Although the economy of the United Arab Emirates is healthy, the Emirates face a number of social issues that are common throughout the region. Emiratis comprise between 10%-12% of the population in the United Arab Emirates. The majority of the population is made up of expatriates, including large communities of Indians, Pakistanis, and other East Asian nationalities. The expatriates travel to the United Arab Emirates since it is an attractive place for foreign businesses and the large job market. However, permits to reside in the U.A.E. are based upon occupation. If a worker were to lose his or her work permit, that individual would immediately be dismissed from the nation. This translates into a substantial workforce that is highly compliant and willing to work for wages far inferior to those offered in developed nations (Gobi, 416). Due to the large expatriate labor force, Emirati unemployment remained high at

around 20% (Salem, 1). In response to this, the government implemented an affirmative action plan, called Emiratization. The policy has received blowback from companies on the grounds that locals have more work-related rights than expatriates, thus expect higher salaries, and are more difficult to dismiss than expatriates (England, 1). Maltreatment of non-citizens, demanding citizenship requirements, and overall negative attitudes towards expatriates have hurt the nation's credibility. Yet, through their economic policies, the United Arab Emirates has positioned itself to become one of the global economic superpowers.

The active steps undertaken by the Emirati governments to diversify the economy have allowed business and the economy to substantially grow. The 1990s brought upon a period of rapid growth in the United Arab Emirates. With the oil economy booming, the Emirati government expanded the scope of their powers by instituting massive urban development projects. Since the 2000s, the government has been fully committed to a program of economic liberalization and diversification aimed at reducing the dependence of the Emirates on oil income. As a result, the United Arab Emirates boasts a robust service sector, which has brought millions of expatriates to the Emirates. However, these policies have caused unforeseen problems with the price level. Between 2005 and 2008, the inflation rate skyrocketed from 5% annual growth to 13% (Trading Economies, 1). With the global financial crisis, the inflation rate dropped to an average rate of 2.7%. In the past five years, the inflation rate of the United Arab Emirates has fluctuated between 1% and 4% on a year by year basis. This has pushed the consumer price index by approximately 1% every year. While the price level has increased, wages have been slow to catch up. The high cost of living, coupled with the stagnant wages have made it difficult for Emirati citizens to remain in the Emirates.

Growth in the United Arab Emirates is heavily dependent upon foreign investment and trade. Following the economic recession in 2010, the United Arab Emirate government has taken steps to protect foreign investment with economic insurance policies. These policies, created and implemented by the deputy prime minister, Sheikh Mansour Bin Zayed Al Nahyan, have promoted economic growth within the borders of the Emirates. Starting with the establishment of

the Federal Credit Bureau, Al Nahyan began a tirade of economic policies aimed at creating a more reliable basis for lending and investment. He believed that due to the lack of adequate bankruptcy protection, foreign owners of firms often desert the country, leaving their creditors empty-handed (United Arab Emirates, 12). In 2016 Al Nahyan instituted the nation's first bankruptcy law (Schroeder, 1). Additionally, the government has taken steps to update its investment laws. Regulation of foreign investment is governed by the Federal Companies Law, which states that foreign ownership of a business in the United Arab Emirates is capped at 49% (United Arab Emirates, 2). The law is seen as the largest obstacle for firms investing in the Emirates since it increased competition for niche markets and restricted economic investment. The Emirati government has been cautious about allowing more foreign investment and therefore have not released specific details regarding the changes to the investment laws. However, by promising foreign investors the possibility of a more significant share in the Emirati market, the United Arab Emirates is creating an arena for economic growth.

The new policies will further improve what has been ranked the safest investment nation in the middle east. According to the World Economic Forum, the United Arab Emirates ranks 17th in the world for foreign investment due to their advanced infrastructure, large labor force, and innovative capacities (1). The evolution of foreign investment regulations will make the nation more conducive to investment. To further improve investment conditions, Sheikh Mohammed bin Rashid Al Maktoum, Vice President of the United Arab Emirates, has pledged to increase the nation's Free Zones. Firms located in these zones are exempt from both import and export tariffs, exempt from commercial levies, have easy access to seaports and airports, and receive subsidized energy connections (United Arab Emirates, 38). The Free Zones have been so popular that in 2016, the United Arab Emirates boasted more than \$21 billion in foreign direct investment from the 17,000 firms located in free zones. With Al Maktoum's pledge to increase the nation's Free Zones, foreign firms will continue to invest in the Emirates. In order to advance on its path of becoming an economic superpower, the United Arab Emirates must continue promoting investment policies, revising the legal code, and increasing the number of Free Zones.

When it comes to infrastructure in the United Arab Emirates, the government believes that bigger is better. In order to promote business and put the United Arab Emirates on the map, the government of the Emirates has dreamed up various elaborate infrastructure plans. Whether it's creating the world's largest man-made marina, building a city of 79+ skyscrapers, making artificial islands off the coast, or building the tallest building in the world, the government of the United Arab Emirates has strategically placed the nation on a path for economic prosperity. With the push to diversify from an oil economy, the government realized that the Emirates did not have the infrastructure needed to expand. In the 2000s, Sheikh Mohammed bin Rashid Al Maktoum began to implement large-scale construction plans under the Dubai Strategic Plan 2015. The plan called for economic development with a specialized focus on transportation infrastructure, urban planning, and forward-looking government policies. Al Maktoum's ideas were revolutionary. He oversaw each government-sponsored project to make sure Dubai would be a new world center. In 2014, Al Maktoum instituted another wave of projects under Dubai Strategic Plan 2021. The plan called for the creation of 12 new large-scale construction projects and the development of multiple smart cities capable of releasing zero emissions. The government plans to spend over \$300 billion in the next four years for Dubai Strategic Plan 2021. A forward-thinking government like that of the Emirates is necessary to promote economic growth. Al Maktoum's vision for a new world capital is sure to be realized if the Emirates continue building at their current pace.

The United Arab Emirates is uniquely positioned to become a global economic superpower in the coming decades. Due to their forward-thinking policies, and far-reaching impact, one of the few things holding them back from success is their leadership. Strong leadership provided by the Sheikhs of Abu Dhabi and Dubai have promoted the diversification of the market economy, innovative trade policies, and forward-thinking government projects, all of which have created an arena for economic growth.

Although certain scholars classify the United Arab Emirates as a developing nation, that is far from the truth. Developing nations suffer from low incomes, inequality, poor health and

inadequate education. They also have poor housing conditions, low GDPs, low life expectancies and often rampant disease. The United Arab Emirates suffers from none of these burdens. Median income in the U.A.E. is above that of the United States, Emirati health and education are one of the best in the world, and the economy as a whole is powerful. Critics may argue the point of uneven development within the Emirates; that Dubai and Abu Dhabi leave the other Emirates far behind. While that may be true, the other five Emirates are far from desolation. Each Emirate has its own charm: Sharjah is known for its family-friendly culture, Ajman has a strong maritime tradition, and Fujairah is the picturesque Emirate. The United Arab Emirates blends modern culture with Arab traditions. It's a secular state governed by religious laws. It's an intriguing model for global development that simply cannot be classified as a developing nation. If the United Arab Emirates is considered "developing," there must be a caveat added; it is developing into a global superpower.

The success of the United Arab Emirates can be seen by the resiliency of its economy. According to the International Monetary Fund, the "Emirati economy and its capability of bearing the consequences and effects of the world oil price decline, the deceleration of the world economy growth, and the financial and economic policies adopted by the state promote the economy's ability to bear the pressures, maintain financial stability, and drive sustainable growth" (Annual Economic Report, 54). The United Arab Emirates has done well transitioning from a desert to a modern metropolis. Yet, they are not satisfied with their position in the world. The Emiratis want to be number one, and if they continue on their current path, it is only a matter of time before their dreams are realized.

The Plan

The leaders in the United Arab Emirates have strategically positioned the country to benefit from other nations' mistakes during industrialization. By observing other developed nations and the processes they underwent during their respective industrial phases, the United Arab Emirates has instituted a roadmap for the country over the next 100 years. The country has created numerous "Strategic Visions" and "Plans" that it plans to implement in order to continue

sustainable development (Future, 1). In addition to these plans, each Emirate has its own innovative strategy aimed at boosting a specific sector of the Emirate. The Emirate of Sharjah plans to increase its tourism sector by enacting the Sharjah Tourism Vision 2021 in which the Emirate envisions attracting ten million tourists a year. The Emirate of Fujairah's 2040 Plan focuses on enhancing the housing and transportation infrastructure facilities by investing AED 1.5 billion over the next few decades (Future, 1). With all the simultaneous visionary plans, the United Arab Emirates is poised to substantially grow its health, education, infrastructure, tourism, science, environment, trade, and finance sectors over the next decade.

If the United Arab Emirates is so economically secure, it begs the question what can be done to improve the nation? Since the beginning of diversification policies, the government has successfully grown the service sector such that the nation does not rely wholly on oil revenues. The financial sector has grown to allow international and domestic banks to conduct business within the U.A.E. drawing billions of dirhams of investment. Infrastructure is not a barrier to development as the nation is well connected internally with the national highway system, and externally with large seaports and airports. With Strategic Plans in place to build the world's largest passenger and cargo airport, Emirates and Etihad airlines will have more than enough room to dominate the aviation sector. Forward-thinking Dubai 2020 plans and additional tourist-friendly markets have brought in millions of tourists annually. Due to the inclusion of western ideology and the relative protection the nation offers from regional disputes, tourism, and foreign direct investment is set to flourish. The nation has also created a niche market with the construction of healthcare cities. These cities are advanced areas of healthcare and research that draw hundreds of thousands of medical tourists annually. In addition to the tourism impact these centers have, the cities contribute over AED 1 billion to the nation's GDP. It seems then that internationally the economy has been successfully integrated into global markets. Yet, the United Arab Emirates experiences a few barriers to unlimited prosperity domestically.

The United Arab Emirates large expatriate workforce has allowed the Emirates to grow at a rapid rate for a relatively cheap cost. With the onset of Emiratization policies, many citizens have entered the labor market and are earning a modest salary. The primary barrier in the workforce occurs at the intersection of these two labor markets. Expatriates are employed in many of the menial and technical jobs, while Emiratis are employed in white-collar and research careers. The problem occurs once the expatriate workforce leaves the United Arab Emirates. As a growth mechanism, continually employing millions of expatriates is not sustainable due to the net outflow of salaries. In order to adequately prepare for the deficiencies in the labor market caused by the departure of the technical expatriate workforce, the United Arab Emirates must take action by investing in Technical and Vocational Education Training.

Trade schools play an essential role in the education sectors of developing economies. These schools offer an educational alternative for students unwilling or unable to attend higher education schools. Trade schools also combat youth unemployment and aid individuals who have become structurally unemployed. Most importantly though, these schools develop a skills-based labor force that can compete in world markets. According to the City & Guilds group, “where vocational education is strong, the gap between youth unemployment and total unemployment is often much smaller” (5). Trade schools promote economic growth since they are an investment in human capital. Essentially, vocational education programs put people to work and produce lasting economic benefits.

In the early 20th century, the United Kingdom grappled with the idea of vocational education. In the next few decades, they expanded their apprenticeship programs and created Technical and Vocational Training schools. Over time these schools grew and became a viable, and accessible alternative for higher education. With the onset of the 21st Century, technical jobs were in high demand as nations sought to create sustainable knowledge-based economies. Students were able to spend three years in a technical school and gain valuable skills to enter the workforce. When the students entered the labor market, many found jobs in their specialties as technical jobs were in high demand. The United Kingdom continues to invest in their vocational

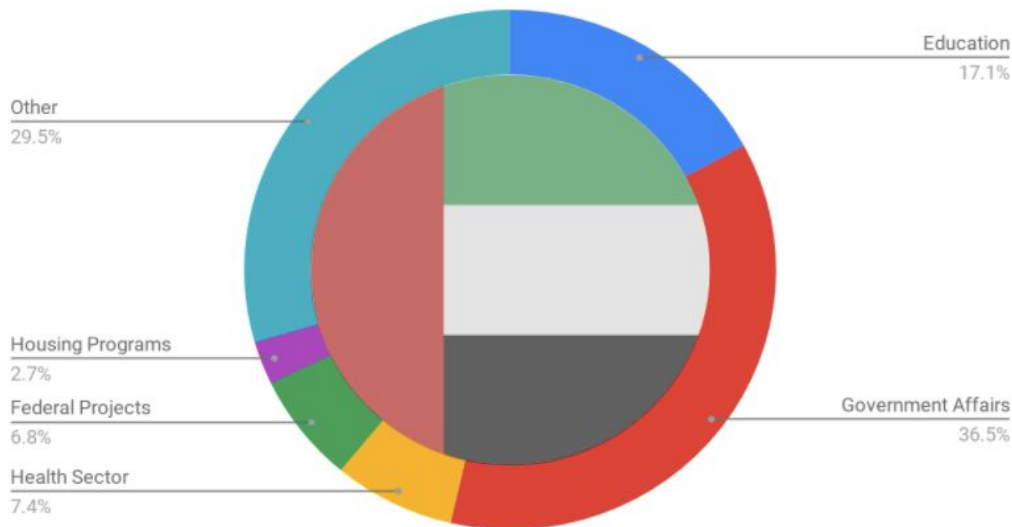
education programs, and a 2011 labor report found that the United Kingdom's £1.2 billion investment into vocational education yielded a net economic impact of £24.3 billion in 2010 (City & Guilds Group, 5). With such elevated returns on investment, vocational programs offer the United Kingdom a sustainable vehicle for economic growth. Further analysis into the United Kingdom's programs showed that "at the macroeconomic level, a 10% increase in vocational skills over the next ten years could increase GDP by £163 billion by 2025" (City & Guilds Group, 5). The success of vocational programs in the United Kingdom can be mirrored in the United Arab Emirates.

Vocational and Technical Training Programs already exist in the United Arab Emirates. These programs are run by Vocational Education and Training Awards Council (VETAC), a federal supervisory body that manages vocational, technical, and professional training in the U.A.E. (United Arab Emirates, 1). However, the scale of these programs is relatively minimal, and there is ample room to expand. The leadership of the United Arab Emirates has been hesitant to look towards vocational education as an instrument for economic growth since the government concentrates much of its efforts on the financial and tourism sectors. By investing in vocational training, numerous problems would be solved in the United Arab Emirates. Employers would be more likely to hire Emirati nationals as they would be able to fill positions that require particular technical skills further contributing to the Emiratization policy. A skills-based workforce attracts foreign direct investment and retains firms in the Emirates. Additionally, "individuals who complete vocational programs can expect higher wages over those that did not complete any form of higher education," thereby solving the problem of stagnant wages (City & Guilds Group 4).

The United Arab Emirates has already opened several specialized institutions aimed at promoting vocational education. With the proper management and additional funding, these institutions will produce a progressive workforce capable of answer 21st-century market needs while solving some of the nation's problems. The 2018 Federal Budget allocates AED 10.4 billion for General, Higher and University Education programs out of the total budget of AED

51.4 billion. Although there is funding for the programs, there is no continual guarantee of program maintenance since Technical and Vocational Education and Training (TVET) is allocated funding from the general education budget. Public schools and other higher learning institution receive priority spending from the budget, while vocational programs are not given such emphasis. Without an independent budget, TVET programs are unsustainable without proper management. In order to satisfy the need for trained technical workers, and to ensure economic prosperity, the government of the United Arab Emirates must institute a special fund designated only for TVET programs.

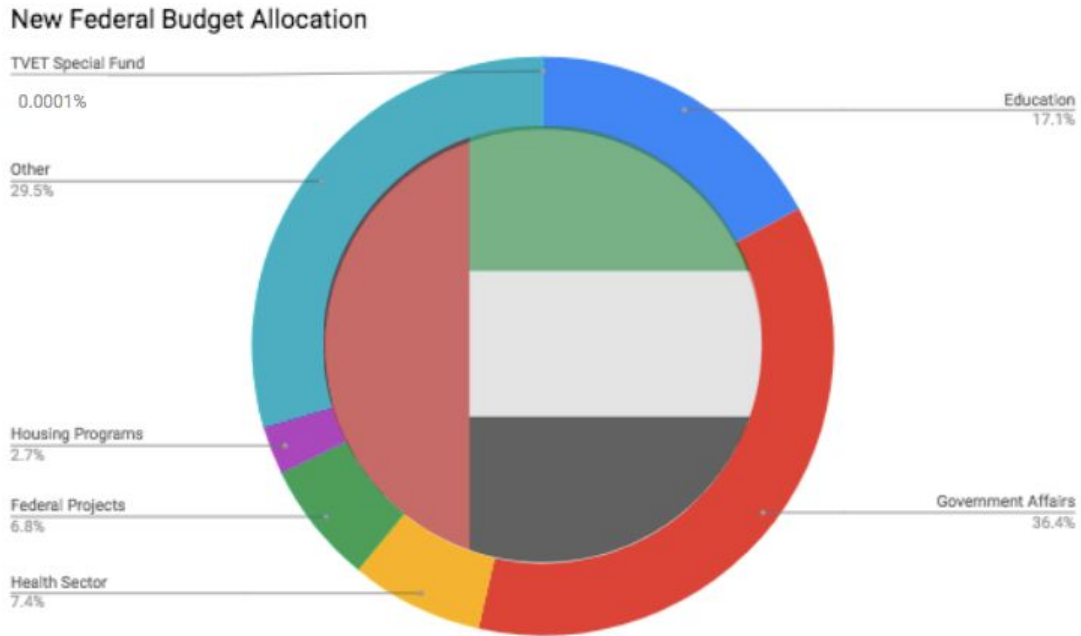
Federal Budget Allocation



2018 Federal Budget Allocation

With the economy growing firm at a rate of 2%-4% a year, any increase in spending will increase the inflation rate and disrupt other strategic plans. In order to maximize productivity, the United Arab Emirates should divert funds from other sectors to a special fund. Only TVET programs would have access to the special fund, and the distribution and employment of the funding would be up to the discretion of VETAC. With government affairs being the most significant piece of the federal budget at AED 22.4 billion, a minor diversion in funds will not disrupt administrative processes. Additionally, the government ran a budget surplus of AED 8 billion in 2017 due to Emirati cost optimization policies (Hatem, 1). These policies further

minimize the chance of a spending deficit occurring as a result of the special fund. If the United Arab Emirates government diverted AED 100 million over the course of five years, the investment in human capital would pay off dramatically.



New Federal Budget Allocation

U.A.E.	Current	Plan
General Education Budget (Billions of AED)	10.4	10.4
Government Affairs Budget (Billions of AED)	22.1	22
TVET Special Fund (Billions of AED)	0	0.1

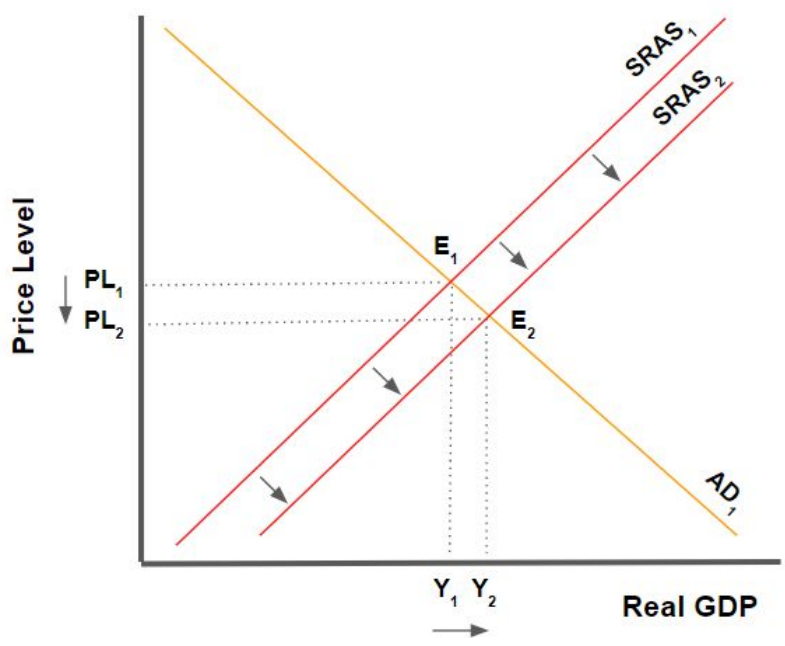
Transfer of AED 0.1 Billion into TVET Special Fund

According to the World Bank, Emirati consumers have a marginal propensity to consume at a rate of 10.29%. This means for every 100 dirhams of new disposable income, 10.29 dirhams will be spent on consumption or investment. By dividing one by the marginal propensity to save, the spending multiplier is calculated to be 1.115. An AED 100 million diversion yields AED 111.5 AED; a considerable contribution to the economy. With the TVET special fund, over the period of one year, the fund will add a net AED 11.5 million to the Emirati GDP. The GDP per capita for Emiratis is AED 147,515.03. With the net increase in GDP, the number of

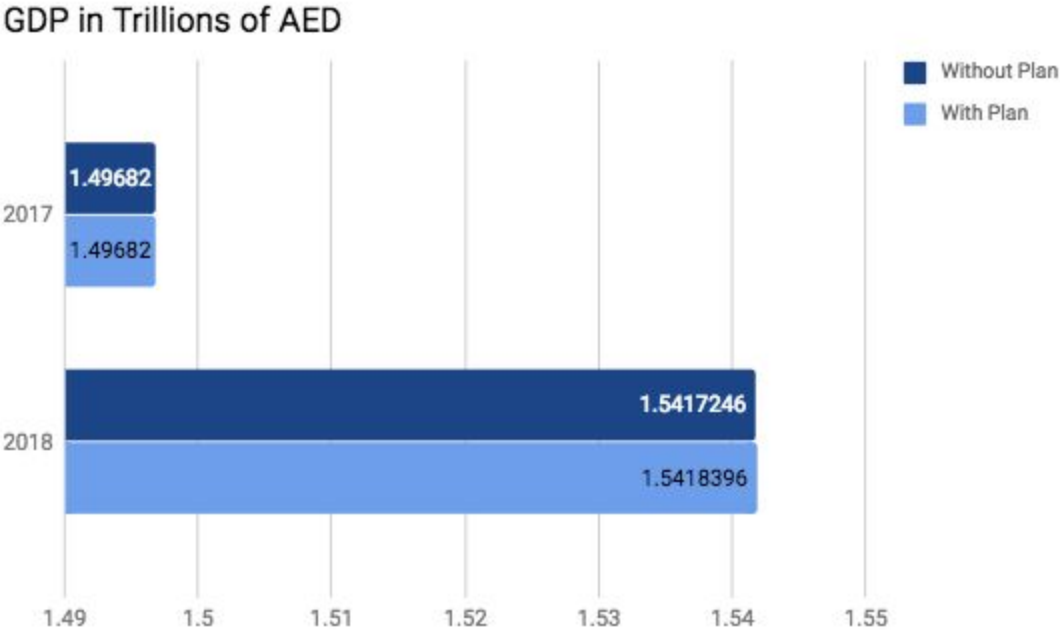
wage-paying jobs increases by approximately 78. These 78 new jobs can help further grow TVET programs and contribute to well-paying careers under the Emiratization policy.

U.A.E.	Plan
Change in Consumption Per Change in Per Capita GDP	10.29%
Marginal Propensity to Consume	0.1029
Marginal Propensity to Save	0.8971
Multiplier	1.115
Increase in GDP due to Special Fund (In AED)	11,500,000.00
GDP Per Capita (In AED)	147,515.03
Increase in Employment (Wage Jobs)	77.96

Investing in technical and vocational education would pay off for the United Arab Emirates in both the short-run and long-run. An educated, skills-based labor force is resistant to structural unemployment and is able to succeed in global markets. The investment in human capital is an increase in productivity which shifts the aggregate supply curve outwards. The outwards shift decreases the price level and increases output.



Although the investment in vocational education has a yield of 11.5%, coupled with the numerous other government programs, the economy of the United Arab Emirates is projected to continue to grow at a rate of 3%. Three percent is a sustainable rate, and the special fund provides a safety net in case of a recession. In terms of the total economy, the special fund does not provide a drastic increase in GDP, but the fund is an investment in the future health of the economy.



Projected Growth due to Plan

The forward-thinking policies of the United Arab Emirates have accounted for most failures that other nations have undergone during the industrialization process. Free Trade Zones are sure to bring in a steady stream of investment, and the new Value Added Tax (VAT) will allow the government to “provide high-quality public services” for all Emiratis (Ministry of Finance, 1). However, the 5% VAT is projected to marginally raise the cost of living primarily in the minor outlying Emirates. In order to offset the cost of living, the government of the United Arab Emirates should reduce taxation in purchasing new property in the minor outlying Emirates.

A reduction in taxation results in many benefits for the Emirates as a whole. A decrease in taxation stimulates new investment spending into the region. Lowered rates also attracts settlement in the outlying areas, reducing the burden on Dubai and Abu Dhabi, and supporting the deconcentration of wealth. With more investment occurring in Emirates like Sharjah and Fujairah, it is only a matter of time before they too become part of the Emirati megalopolis. Regarding actual cost, taxation in the outlying Emirates ranges between 0-4% for purchasing property (World Bank, 1). The VAT is set to raise land costs which would discourage buying land in these areas. If the United Arab Emirates were to create Free Trade Zones in the outlying Emirates like the ones found in Dubai and Abu Dhabi, the nation as a whole would prosper. Free Trade Zones would bring in further Foreign Direct Investment allowing for growth and development of sustainable economies.

“There are trees of a thousand sorts, and all have their several fruits; and I feel the most unhappy man in the world not to know them, for I am well assured that they are all valuable.”

-Christopher Columbus, 1492

When Christopher Columbus first set foot on the American continent, he knew not who the people were or what they stood for. Rather, he knew that the continent contained potential. He saw abundant untapped resources and knew the continent was destined for greatness. Some 500 years later, the same holds true for the United Arab Emirates. The nation is in a class of its own. Never has a developing nation been so forward-thinking that it surpasses many developed economies in economic sustainability. The nation’s workforce and governance systems provide an arena for growth and development. Through the diversification of the market economy, innovative trade policies, and forward-thinking projects, the United Arab Emirates is poised to become a new global superpower; one that builds off the failures of the past generation, in preparation for a powerful future.

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