Cross Current International Journal of Economics, Management and Media Studies
Abbreviated Key Title: Cross Current Int J Econ Manag Media Stud
ISSN: 2663-2462 (Print) & Open Access
DOI: https://doi.org/10.36344/ccijemms.2025.v07i02.001

Volume-7 | Issue-2 | Mar-Apr, 2025 |

Review Article

Economic Planning and Strategies in United Arab Emirates: Lessons for Economic Development in Nigerian and Other Developing Nations

U H Agbarakwe[1*], M G Raphael[1]
[1]Department of Economics, Faculty of Social Sciences, University of Port Harcourt, Nigeria
***Corresponding author:** U H Agbarakwe
| **Received:** 04.02.2025 | **Accepted:** 11.03.2025 | **Published:** 17.03.2025 |

Abstract: ***Summary:*** For 64 years now after independence, Nigeria has been searching for the path to economic development but has been relying on the western prescriptions and abandoned its culture. Even where its traditional ways of doing things has proven to be more effective and potent, the country has stuck to the deceptive theories and recommendations of the colonial masters and institutions. 50 years ago, the economic conditions of United Arab Emirate were much the same with Nigeria until oil was discovered in their territory. From this very humble beginning the UAE is currently one of the most dynamic economies in the world today. What economic plan or strategies did they apply that made the difference? This research aims at deciphering the secret of the UAE economic development so as to draw lessons for Nigerian development. The study discovered that by adhering to their traditional political structure and system the UAE was able to achieve Political Stability and saved a lot of money that would have been lost if they adopted the western democratic system. Also through direct government intervention in international and domestic economies, the UAE was able to utilize their oil wealth to diversify their economy and reposition it to attract foreign investment. These are lessons Nigeria and other developing countries should learn from the UAE.
Keywords: Leadership Succession, Economic Diversification, Tourism, Foreign Investment.

INTRODUCTION

Economic Development has been very elusive to Nigeria. Endowed with abundant human, mineral and other natural resources, 64 years after independence, the country is still in the wilderness, searching for the path to economic development. It has experimented with virtually every development strategy given to it by its former colonial masters, yet development has remained elusive.

Just 50 years ago, the units which make up the UAE today constituted a region with very little economic activity, primarily pearl fishing and some trading activities. These localities were sparsely populated, with low physical and human development indices. Infrastructure was poor; there were only a few roads, hospitals, trained professionals, and education levels were low.

The area changed tremendously with the discovery of oil in the late 1950s and early 1960s. Around 10 per cent of the currently known world reserves of crude oil are located in UAE. With a booming economy, it has become a major economic force be it in tourism, investments through its sovereign wealth funds, or large companies like Dubai Ports. With a GDP of over US$150 billion in 2006, UAE is the third largest economy in the Middle East and North Africa, trailing behind Saudi Arabia and Iran, but ahead of Israel, Algeria and Egypt. In terms of GDP per capita, it lags behind only Qatar, and is comparable to Japan, Italy and Singapore.

Many insights from political economy would have suggested that the presence of oil in countries like the UAE could lead to a slower transformation of the economy. There are many examples of other countries that have squandered their huge oil reserves and where the presence of oil has resulted in civil strife and poor economic performance. The UAE, however, has been able to achieve political stability and forceful economic development with strategies such as using the oil revenues to hire guest workers: high-skilled labour primarily from the west, low-skilled workers mainly from Asia.

This paper intends to examine economic planning and strategies in United Arab Emirate (UAE) with the aim of finding lessons that can be drawn

Citation: U H Agbarakwe & M G Raphael (2025). Economic Planning and Strategies in United Arab Emirates: Lessons for Economic Development in Nigerian and Other Developing Nations. *Cross Current Int J Econ Manag Media Stud*, *7*(2), 10-14.

therefrom for application in Nigeria and other developing countries. To do this the work is split into four sections – the Introductory, Economic History of UAE, Economic Development Plans and strategies and Lessons for the Nigerian Economy.

Brief Economic History of UAE

A lot of the current population living within the present-day United Arab Emirate are descendants of Bedouin tribes, organized into a number of independent principalities called emirates. Most have been ruled by a family from the 1800s until the present time. Starting with the signing of the Perpetual Maritime Truce treaty in 1835, aimed at limiting piracy on the seas, there has been a close link between Britain and the sheikdoms of current-day Arab Gulf. The populations of this region were small until the late 1950s, and so were the economies. Principal activities were pearl trading and general trade of merchandise. The pearl trade took a beating during the Wall Street crash of 1929, and later with the introduction of Japanese cultured pearls. These were sleepy places until the discovery of oil in the late 1950s and early 1960s.

In 1968 when the British terminated the treaty among the Gulf sheikhdoms, negotiations were made among the sheikhdoms to form a union. In 1971 the emirates of Abu Dhabi and Dubai formed a union, and five other nearby emirates were then invited to join. The first to join were Sharjah, Fujairah, Ajman, and Umm Al Quwain. Ras Al Khaimah joined two years later, with Qatar and Bahrain deciding against membership. These seven emirates operate as a federation, constituting what today is the United Arab Emirates.

The governing body is a Federal Supreme Council (FSC), composed of the seven Emirati rulers, each emirate with its own representative. The president of the UAE is the ruler of the biggest emirate, Abu Dhabi. By convention, the ruler of the second biggest emirate, Dubai, is the deputy president. The two emirates have effective veto power over FSC decisions.

According to the 2005 census, the population of the UAE today is around four million: Abu Dhabi and Dubai, each with around 1.2 million, Sharjah with around 700,000. The remaining four emirates have a total of around 1.1 million, with about 300,000 Emirati citizens living outside the country. The GDP per capita of the UAE is one of the highest in the world.

From its very humble beginnings some half a century ago, the UAE is currently one of the most dynamic economies in the world. The country is frequently in the news because of eye-catching buildings like the dhow-shaped hotel, Burj al-Arab, the Dubai mall with indoor ski-slopes, or the activities of its sovereign wealth funds purchasing slices of major international companies (Citibank and the Rockefeller Center).

The UAE is today one of the major countries at the international economy. Its massive sovereign wealth funds are being mentioned in connection with the stability of the world's reserve currency, the dollar. Its purchases of international assets Citibank, Dubai Ports, etc. are making global headlines. It has even been suggested that the UAE may be a player in resolving the current financial crisis.

These achievements have been accomplished against the backdrop of relative poverty barely 50 years ago. The economy of the UAE has grown at an impressive average annualized real rate of 5.5 per cent in the nearly 40 years since independence, and an average of roughly 6.1 per cent over the past two decades. In terms of per capita GDP, the UAE is one of the richest nations, ranking among the top 20 countries and according to some measures, often among the top five. For example, in terms of the 2004 gross national income per capita, the World Bank statistics ranks the UAE, the fourth richest nation with US$44,340. Luxemburg tops the list with US$53,130. Other social measures have also increased. The UN Human Development Index (HDI), for example, shows steady improvement since independence (0.72 in 1975 versus 0.87 in 2005), placing the UAE among the developed countries.

Unlike many other countries, the UAE has succeeded in moving away from dependence on oil. Oil and utilities accounted for 36 per cent of GDP in 2007, down from the 80 per cent peak of GDP in 1974. The UAE also receives substantial revenue from its massive sovereign wealth fund again, an accomplishment not many other oil producing nations have been able to duplicate.

UAE Economic Development Plans and Strategies

The UAE has managed to create a political structure underlying the rapid economic transformation. Four very important observations need to be mentioned and examined. They are leadership/Administrative succession, foreign ownership of business, crude oil production and diversification of the economy and tourism.

Leadership/ Administrative Succession

First, it is interesting to note the long line of rule of the various families who govern the different emirates of the federation. The different emirates of today's UAE are monarchies, dating back almost 200 years.

In Abu Dhabi the Nahayan family has ruled since 1761, and Dubai has been ruled by the Maktoum dynasty since 1833. On the demise of a ruler, the royal family typically convenes to choose a new leader. The institution of a crown prince usually settles latent leadership squabbles. There are still occasional flare-ups and instability in the political system, as was exemplified by the coup attempt in January 1972 in the Emirate of Sharjah, when the federal UAE government army intervened and ended the insurrection. The traditional ruling system and some innovative changes and policies have resulted in a smooth and cheap (compared to very exorbitant and often violent western so called democratic options) succession and certain degree of cooperation from the citizens.

Tradition encompasses the concept of a majlis, an open meeting where people can approach the rulers at different levels of government to seek favours or plead their case. Majlis transfers are possible at all levels—from high level ruling elites to the most humble, thus enabling the rulers to ascertain the needs of their people and to ensure a certain degree of social harmony. One of the first acts of Sheikh Khalifa when he took over in 2004 as ruler of UAE, for example, was to increase the wages of civil servants by 25 per cent having understood that such increment would solve identified problems of the people.

Foreign Ownership of Business

The second point concerns foreign ownership. Although foreign investors are allowed, all businesses for foreign investment must have 50 per cent ownership by locals. Land can be rented to foreigners only by the owners, who are primarily Emirati citizens. Although this is potentially a disincentive to foreign investment, it does, on the other hand, give Emiratis a stake in the advancement of the country and provides support for the existing system. In principle, this allows the Emiratis to acquire skills from foreign business partners.

Crude Oil Production and Diversification of the Economy

Other important economic factors that aided UAE are crude oil production, economic diversification and Tourism.

Crude Oil Production

The UAE was a latecomer to the Middle Eastern oil industry, beginning production only in 1962, to become one of the world's largest oil producers. Almost all of the oil reserves and production (in the neighbourhood of 90 per cent for both) are in Abu Dhabi. Approximately 60 per cent of the UAEs oil exports go to Japan, as well as almost all of its gas. This has influenced the political economy of the country and together with its security alliances with the US, explains the pro-western stance of UAEs international relations.

Oil production is at three million barrels a day and this is priced at US$100 a barrel which translates to gross oil revenues of around US$90 billion per year. Although a large portion of this amount goes to foreign oil production partners and repayment on capital and debts, it nevertheless gives an estimate of the magnitude of revenues flowing through the emirate. At current production rates, the oil reserves of Abu Dhabi should last for almost a hundred years.

Diversification of the Economy

The country is diversifying its economy: according to some estimates, the oil and gas sector contributes between one-third and half of the GDP, and a much higher percentage of government revenues. Even as the price of petroleum has skyrocketed, the non-oil economy also seems to be doing well, with an estimated growth rate of around 18 per cent for the year 2006. An important economic strategy of Abu Dhabi has been the sovereign wealth funds, with a sizeable amount of resources invested outside the country in a well-diversified asset portfolio. The Abu Dhabi Investment Authority (ADIA) is the main sovereign wealth fund of Abu Dhabi. This is a government fund that manages the savings of the government, investing in currencies and equity in firms abroad, estimated to be valued between US$700-900 billion. The ADIA is a portfolio of many index funds and is about twice that of Norway's pension fund. Its average return on investments is estimated to be around 10 per cent, comparing favourably with the GDP of all of the UAE, which is approximately US$160 billion.

A smaller sovereign wealth fund is the Mubadala, which invests both within the country and, in particular, outside the country. With estimated assets of around US$10 billion, it is much smaller than the ADIA. The principal goal of Mubadala, as outlined in its misssion statements, is to 'focus on generating sustainable economic benefits for Abu Dhabi through a careful selection of business ventures—in partnership with local, regional and international investors'. Thus, a number of Mubadala's investments are within the emirate and focus on social development as well as on infrastructure and other projects designed to connect different sectors of the economy. For example, Mubadala is the owner of the Cleveland Clinic of Abu Dhabi that opened in2011. This endeavour, affiliated with the US Cleveland Clinic, include a clinic and a specialty hospital for conducting research. Mubadala is also involved in the MGM Grand Abu Dhabi project in the tourism sector, price-tagged by the media at US$3 billion once it is completed. Mubadala is also active in aerospace parts; it is striving to become a significant parts supplier for commercial aircraft as well as a provider of maintenance services for the region's rapidly developing airlines. It also has interests in shipbuilding, power, aluminium and other activities centred within Abu Dhabi, aiming to improve local infrastructure needs and enhancing the productivity of the local economy. Mubadala is helping Abu Dhabi concentrate on heavy industry, thus taking advantage of the availability of cheap energy, heavy metals, petroleum products, etc. This involvement also fulfils Mubadala's goal: to provide linkages within the economy in order to enhance economy-wide productivity and to create an important local industrial base.

Recently, Mubadala announced an eight-billion-dollar partnership with General Electric Co., with both partners contributing equal shares. This partnership will lead to a financing company, similar to GE's operations in the US, but targeting the markets of the Middle East and Africa. Mubadala also functions as a classic sovereign wealth fund with stakes in companies outside of the UAE. It owns, among others, 5 per cent of Ferrari with its name on the Formula 1 cars; 30 per cent of Nigerian telephone license, and a small interest in Guinea Alumina Corporation.

The government has announced projects which will result in the establishment of branches in Abu Dhabi of the Louvre Museum of France, the Guggenheim Museum of Modern and Contemporary Art in a Frank Gehry commissioned building, New York University, Masdar Institute of Science and Technology of MIT, and the Sorbonne. These represent the wholesale importation of foreign high-skilled institutions into Abu Dhabi. This willingness to open the economy to foreign entities is an option many newly independent countries have been unable or unwilling to consider, and accounts for a lot of the recent economic dynamism of Abu Dhabi.

Tourism

The Emirate of Dubai is by far the flashiest of the emirates. Many things in Dubai are done, literally, on an eye-catching scale: for example, the Palm and World Islands, the residential island complexes in the Arabian Sea, are supposed to be visible from space. The Burj al-Dubai building, currently still under construction, is already the tallest building in the world. Dubai, with huge shopping malls complete with indoor ski slopes, is striving to become the major destination for shoppers from around the world. Dubai also hosts many of the world's major sporting events.

As with Abu Dhabi, there was not much economic activity in Dubai before the discovery of oil. Today, Dubai produces a mere 240,000 barrels of oil a day versus the 2.9 million produced by the UAE, thus accounting for less than 10 per cent of the UAEs oil production. Revenues from petroleum and natural gas contribute less than 6 per cent (2006) to Dubai's US$37 billion economy (2005). Oil is expected to run out by 2015.

What makes Dubai unique is its business, finance and tourism facilities and gustiness. With its export promotion zones and the Jebel Ali port, Dubai is intent on becoming the major trade hub of the region, a strategy referred to by some as the 'Singapore model'. Set on developing into a major tourist destination, Dubai is planning to attract 15 million visitors a year (5.8 million in 2007) by offering tourists some of the biggest shopping malls in the world, or other activities geared to visitors such as camel, horse or motor racing. In 1985 the Dubai-based airline Emirates was inaugurated, and is fast becoming one of the largest airlines in the world.

Dubai's economic strategy is simple, and is, indeed, being mimicked by others. Recognizing very early that oil would run out, Dubai focused on becoming the trade and tourist mecca of the region. With its excellent infrastructure, Dubai also developed a business-friendly environment that attracted many foreign companies. To encourage foreign enterprises, the UAE promotes a very favourable busine ss climate: taxes are minimal; import duties are less than 10 per cent and taxes on some residences and hotel and entertainment services are 5 per cent.

Lessons for the Nigerian and other Developing Economies

The experience of the UAE offers many lessons and insights for other countries, particularly for the oil-producing countries of Africa especially, Nigeria some of these lessons include:

Political Stability Caused by Adherence to Traditional Political System

The importance of political stability and ease of leadership/administrative succession in UAE, occasioned by sticking to their traditional political structures and system of monarchies and dynasties, cannot be overemphasized. The incessant cases of political unrest and tension in Nigeria and other developing countries practicing the so called 'western democracies' today should be stopped as there can be no meaningful development in a politically tensed society. Also the billions of Naira spent every four years on fruitless elections should be saved and utilized in providing and expanding social over-head capital that aid economic activities. Nigeria has rich efficient and effective traditional political structures and systems in all its regions that is democratic and has ensured political stability in the traditional societies. This paper recommends the adoption of this and the abandonment of the western democracy that has proven to be very expensive yet does not guarantee the production of a better leadership. In terms of cost benefit analysis, democracy is wasteful and costly and produces unpopular leaders. It is therefore not a good enough option for underdeveloped economies like ours.

Vulnerability Plans/Diversification of the Economy

Nigeria and other developing countries should emulate UAE by diversifying its economy. We should not over rely on revenue from oil alone if we must develop. Let us take advantage of the various opportunities in Agro-based industries. We should continue from where Buhari's administration stopped to continue to encourage expansion in agricultural production. One important strategy used by the immediate past administration that aided agricultural expansion is protectionism. Yes, with it, prices will rise but at the longrun, it will stabilize and the economy will expand and create employment opportunities for the teaming youths.

National Foreign and Domestic Investment

Nigeria should emulate one of the economic strategy of Abu Dhabi, sovereign wealth funds, with a sizeable amount of resources invested outside country in a well-diversified asset portfolio. This is a clear case of government thinking outside the box by interfering in both international and domestic economy, doing very well in areas the domestic investors are not able. Nigeria and other less developed countries have continued to reason within the box given to them by their colonial masters sticking to deceptive western socio-economic and political ideologies. Even where it is obvious that they don't help in terms of development, they concentrate the effort and resources on how to make it work. Government intervention is inevitable at the onset.

Tourism

Some developing nations like Nigeria are blessed with very rich culture and attractive scenic views that are just wasting. Developing countries should repackage and showcase their cultural activities for the world to see. This will attract tourists and enable them earn foreign currencies**.** The effort made in planning Abuja is in the right direction but more should be made in terms of aesthetics to make other cities more attractive to tourists.

REFERENCES

- Department of Economic Development (2009) Diversification of Economic Base in the Emirate of Abu Dhabi: Reality and Future Challenges, Abu Dhabi. P.3 www. researchgate.net
- Department of Economic Development (2009) Supporting Methods for Small and Medium Businesses in the Emirate of Abu Dhabi, Abu Dhabi. 31 – 40 www.google.com
- Department of Economic Development (2011) Economic Report for the Emirate of Abu Dhabi 2010, Abu Dhabi. P. 134
- International Monetary Fund (IMF) (2008). Statistics, available at: www.imf.org.
- Pradhan, S. (2010). The UAE's Economic Policy and the Current Global Meltdown: An Appraisal, *Economic Horizons*, *31*(117), 27.
- Statistic Centre, Abu Dhabi, (2012) Non-Oil Merchandise Trade though the Port of Abu Dhabi, Abu Dhabi. 3
- The Government of Abu Dhabi. (2008). The Abu Dhabi Economic Vision, Abu Dhabi. P. 127
- UAE Ministry of Foreign Planning (1987) Economic and Social Development in UAE !975 – 1985, Abu Dhabi. P. 73 – 76
- UAE Ministry of Foreign Trade (2009) UAE and International Trade Organization, Abu Dhabi. P. 62
- UAE National Bureau of Statistics, (2008) Foreign Direct Investment: Survey Result 2007, Abu Dhabi. P. 12 - 14
- United Nations Economic and Social Commission for Western Asia (2001), 39 - 40
- US Energy Information Administration (2008). Office of Energy Markets and End Use, International Energy Statistics Team, available at: http://www.eia.doe.gov
- World Bank.
(2008). World Development Indicators (WDI), avai lable at: http://web.worldbank.org.