

THE INVESTMENT ENVIRONMENT IN THE UNITED ARAB EMIRATES

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The paper analyzes the key features of the investment environment in the United Arab Emirates, its opportunities to attract foreign direct investment, the country's investment policy, the current trends of attracting foreign direct investment in the UAE and their effective application, as well as the state regulation of these investments and further prospects for the development of foreign direct investment in the United Arab Emirates.

Keywords: foreign direct investment; FDI; investment environment; inflows; The United Arab Emirates; investment policy; green-field investment; agri-food systems; renewable energy; artificial intelligence; sustainable development.

ИНВЕСТИЦИОННЫЙ КЛИМАТ ОБЪЕДИНЕННЫХ АРАБСКИХ ЭМИРАТОВ

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В статье анализируются ключевые особенности инвестиционного климата в Объединенных Арабских Эмиратах, возможности страны по привлечению прямых иностранных инвестиций, инвестиционная политика страны, современные тенденции привлечения прямых иностранных инвестиций в ОАЭ и их эффективное размещение, а также государственное регулирование этих инвестиций и дальнейшие перспективы развития прямых иностранных инвестиций в Объединенных Арабских Эмиратах.

Ключевые слова: прямые иностранные инвестиции; ПИИ; инвестиционный климат; приток инвестиций; Объединенные Арабские Эмираты; инвестиционная политика; green-field инвестиции; агропродовольственные системы; возобновляемые источники энергии, искусственный интеллект, устойчивое развитие.

It has become evident that in order to achieve sustainable economic growth, any economy has to attract foreign direct investment (FDI). This form of international cooperation as well as international trade and labor division is the foundation of a country's economic relations with the rest of the world. Through attracting FDI, the recipient country enjoys such benefits as additional capital investment, the transfer of unique experience and management methods, ground-

breaking technologies and innovations, qualified staff, the creation of new jobs and new infrastructure.

The investment environment of a country or its investment climate is a complex system of interrelated factors of FDI including political and economic risks, the exchange rate's stability, government policies of the host country regarding FDI, the development and accessibility of infrastructure, the institutional and legal environment of the recipient country, geographical factors, the host economy's competitive advantages, cheap and abundant resources, low-wage labor and other political, economic, legal, strategic, social and cultural factors.

The United Arab Emirates can be defined as a state with a highly favorable investment climate, diverse and extensive investment opportunities. Today, the UAE serves as a major trade and investment hub for the Middle East and North Africa, and potentially for South Asia, Central Asia and sub-Saharan Africa.

In recent years, FDI flows have been very unstable around the world, decreasing by 12% in 2022. However, in the UAE foreign direct investment has been steadily growing for the last 10 years. In 2022, the UAE witnessed a record value of FDI inflows reaching \$23 billion, which is a 10% increase compared to 2021 and a 240% increase compared to 2012 [1].

According to the latest annual World investment report of the United Nations Conference on Trade and Development (UNCTAD), the United Arab Emirates ranked 16th in the world in terms of foreign investment inflows and 4th in the world in terms of the number of announced green-field investment projects in 2022 due to low political and economic risks, favorable investment environment and the ease of establishing a company «from scratch». FDI inflows into the UAE in 2022 accounted for 1.76% of global FDI flows [1].

The largest investors in the UAE traditionally include Switzerland, the UK, India, the USA, France, Austria, Japan, Saudi Arabia, Kuwait and the Netherlands [2].

FDI inflows accounted for 4.5% of the country's GDP in 2022 [2]. Hence, it can be stated that FDI is not an overriding driver of the UAE's oil and gas-oriented economy, yet, investment inflows play an essential role in its growth in addition to the country's domestic investment.

However, recently, not only has the volume of foreign direct investment attracted to the UAE been growing, but also its share in the country's GDP. The reason for this is the policy of economic diversification. Favorable conditions have been created in the UAE for the inflow of FDI not only into the oil and gas sector, but also into finance, real estate, tourism, education, knowledge-intensive industries, innovations, information and communication technologies, AI and other modern branches of the national economy.

In order to enhance its investment climate, the UAE's government has transformed its legislation and facilitated doing business in the country in addition to structural economic changes and diversification. The main feature of the country's investment climate is the functioning of more than 40 free economic zones covering a wide range of industries and providing such economic benefits as 0% income tax and 0% corporate taxes, reduced customs duties, no restrictions on foreign ownership in most industries and no restrictions on the repatriation of capital and profits. The state supports foreign investors at all stages and ensures extremely low investment risks and a minimum level of corruption and bureaucracy.

One of the indicators assessing the investment attractiveness of the country is the Kearney FDI Confidence Index. It is a forward-looking analysis suggesting markets that are more likely to attract the most investment in the next three years based on a survey of global business executives. According to the latest evaluation of 2024, the UAE is the 8th most attractive country in the world for foreign direct investment and the 2nd most attractive country among developing economies, giving way to China only. The Emirates are now demonstrating an unprecedented increase of their investment attractiveness as the country ranked mere 18th in 2023 [3].

Probably, the main focus of the UAE right now is the growth of future-oriented sectors of economy, including IT, data centers and artificial intelligence. Therefore, the state is seeking to strengthen its position as a global hub for business focused on innovation and technology. The UAE's Ministry of Artificial Intelligence expects that by 2030, 14% of the UAE's GDP will be related to AI [2].

Another trend that can be observed in the Emirates is investing in agri-food systems: new agricultural technologies and food production. According to UNCTAD, 24 international investment projects in the respective sphere were implemented in the UAE in 2022 – one of the leading figures in the world [1].

The economy of the UAE is becoming more diverse and digitalized. In addition to these tendencies, the country strives to become a global leader in what is known as «green economy». The promising directions of FDI include renewable and sustainable energy, sustainable development goals (SDGs) and the production and export of environmentally friendly goods. Thus, according to the adopted national energy strategy, the UAE aims to increase the share of clean energy in total electricity consumption to 50% by 2050 [2].

The United Arab Emirates is clearly one of the most favorable countries for attracting foreign direct investment. The state strictly follows its national development strategies, which envisage an increase in FDI inflows. The UAE is not exposed to economic sanctions and pressure, does not interfere with major international conflicts, attracts investors from all countries and regions,

guaranteeing them the protection of their private property rights. The political and economic stability of the state and its openness to all countries of the world, as well as the certainty, transparency and consistency of the state investment policy allow the UAE to increase FDI volumes even in the current volatile and complex global environment.

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