

# UAE expects 3% growth as economy gets back on track

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- Al Mansouri, Minister of Economy and co-chair of the WEF Summit on the Global Agenda, with Sharif Al Diwany, senior director for the Middle East and North Africa of the World Economic Forum, at the Summit on the Global Agenda press conference yesterday.
- Image Credit: Megan Hirons Mahon/Gulf News

Dubai: The UAE, the second biggest Arab economy, is expected to achieve 3 per cent to 3.5 per cent growth in 2011, said a top government official.

"In 2010 the situation is much more positive. The first six months indicate that the UAE economy is back on track," said Sultan Bin Saeed Al Mansouri, Minister of Economy, at a press conference yesterday.

He cited the increase in trade figures, aviation growth and expectations that GDP will reach Dh1 trillion next year.

The UAE federal budget for 2011 will allocate 46 per cent of spending on education, health care and social services, Al Mansouri said.

This comes as part of the Vision 2021, a plan to transform the UAE into a knowledge-based economy in time for the federation's golden jubilee.

"For 2011, I am optimistic but a bit concerned about other economies in the world because we are not isolated from [them]," he added.

### **Prepare to move on**

He hoped the European Union, US and other major economies will resolve their financial problems quickly "to prepare the world to move on" beyond the global financial crisis, he said.

Transparency about financial figures and dialogue on the global crisis are necessary to understand where the world economy is heading in 2011, resolve economic problems and "grow in a normal way in 2012", he said.

"Until now I don't think we have reached that."

When the crisis first hit, the UAE took a problem solving approach at the end of 2008, he said. It set up a committee of three government bodies to identify the major financial issues and their impact on the economy, evaluate the symptoms of the problem and co-ordinate with banks to understand the situation, he said.

"Understanding the problem is half the solution," Al Mansouri added.

### **Inject liquidity**

The committee was allotted \$33 billion (Dh121 billion) to inject liquidity into the banks and it used about half the amount, he said.

This created stability in the banking sector and none of the banks in the UAE has filed for bankruptcy.

Another committee was set up to monitor and report on real estate, trade, manufacturing and services sectors.

Dubai alone accounts for 85 per cent of trade in the UAE, he said. The manufacturing sector has "not been affected as much" he said, whereas trade in 2009 saw a drop in imports and an increase in exports.

The growth rate in 2010 stands at 2.5 per cent, he said. Al Mansouri was speaking at a press conference to announce that Dubai is hosting the World Economic Forum's Third Summit on the Global Agenda.

Dubai The UAE will "always continue" to trade with Iran based on UN resolutions, UAE Minister of Economy Sultan Bin Saeed Al Mansouri said yesterday.

Iran has historically always been an important trade partner for the UAE, he said. "We do not want to lose that."

Iran has taken initiatives to solve the problem and hopefully this can be done through peaceful negotiations, he said.

The trade sanctions imposed on Iran have affected business between the two countries.

Iran is one of the UAE's closest trading partners, with around \$8 billion (Dh29.4 billion) in bilateral trade in 2009, down from a peak of \$12 billion in 2008, according to figures by the UAE-Iran Chamber of Commerce.

Earlier this month, businessmen in the UAE appealed to the Dubai Government to intervene and ease restrictions imposed on them in trading with Iran.

The United Nations Security Council on June 9 approved a fourth round of sanctions on Iran, including restrictions on financial transactions, a tighter arms embargo and authority to seize cargo suspected of being used for Iranian nuclear or missile programmes.

The Security Council has imposed four sets of sanctions on Iran, in December 2006, March 2007, March 2008 and June 2010 on grounds that Tehran refuses to freeze its nuclear enrichment programme.

### **Economic Challenges**

Food, water and energy scarcity are the top economic challenges facing the Middle East in 2011, Sharif Al Diwany, Mena senior director of the World Economic Forum, told Gulf News.

"Resources scarcity is a threat to the entire world," he said, referring to food, energy and water. "The region is not spared from that."

At this point, renewable energy sources can only meet 10 per cent of the region's demand, he said.

These are challenging times as the Middle East is confronted by a "difficult trade-off".

Energy is required to desalinate seawater to make it drinkable and water is required to produce energy, so how do you save these two scarce resources, he said.

The current technology does not provide the right balance between producing and conserving energy and water, he said.

"The critical question for the world is should we expect changes in technology to improve the water-energy formula," he added.

The strategic question for desalination technology is whether it's the end of the road for high energy-intensive technology, he noted.

Another pressing priority, especially for GCC countries that are not self-sufficient, is how to secure access to food for populations in the region, Al Diwany added.

The three-day Summit on Global Agenda is expected to discuss these issues in the biggest brainstorming session starting today.