

Export and Investment Promotion Planning System

87/88 Trade and Economic Overview

Mission: 339 ABU DHABI

Country: 328 UNITED ARAB EMIRATES

WHILE THE PETRO. BASED UAE & OMAN MKTS FACE GOVT. EXPENDITURE CUTBACKS SIMILAR TO OTHER GCC STATES, THEY OFFER TWO DISTINCT ADVANTAGES TO CDN EXPTRS. HAVING ENJOYED OIL REVENUES LATER THAN OTHER REG'L ECONOMIES, OMAN & UAE HAVE BASIC INFRASTRUCTURE FACILITIES IN PLACE BUT THEIR GOVTS MULTI-BILLION DOLLAR DOWNSTREAM DVLPMT PROGRAMS ARE FAR FM COMPLETE. OMANI & UAE '87 BUDGET PRIORITIES WILL BE DEFENCE & SECURITY, EDUCATION, AGRICULT. & O & M SERVICES. THIS TRANSLATES INTO RANGE OF VERY PROMISING GOVT & PRIVATE MKT PROSPECTS PARTICULARLY WELL MATCHED BUT UNTAPPED BY CDN EXPERTISE ALONG THE FOLLOWING LINES (A) OIL & GAS IND. WILL RE-FOCUS EXPEND. FOR ENHANCED RECOVERY AND O & M CAPABILITIES; (B) THE NEW DRIVE FOR EFFICIENCY THROUGHOUT GOVT FACILITIES HAS STIMULATED INTEREST IN LABOUR-SAVING TECH. SUCH AS SCADA & OTHER COMPUTER SYSTEMS; (C) SIMILAR EFFICIENCIES ARE THE INTENTION OF A NEW GCC ELECTRICITY GRID PROJ & UAE & OMANI EXPANSION OF ELECT. DISTRIBUTION SYSTS; (D) TELECOM. EXPANSION PROGRAMS BENEFIT FM SELF-FINANCING UAE & OMANI TELECOM MINISTRIES; (E) EDUCATION WILL REMAIN A LONG TERM FUNDING PRIORITY; (F) LEVELING OFF OF INCOMES HAS LED LOCAL CITIZENS TO STAY & SPEND MORE AT HOME ON GROWING MKTS FOR FOOD, NEWSPRINT, COMPUTERS, AUTOMOBILE SPARE PARTS, HEALTH CARE AND CONSUMER PRODS. THE 2ND ADVANTAGE OF DEALING WITH THE UAE BUSINESS COMMUNITY IS THAT BEYOND IMPORTING SOME \$9B FOR DOMESTIC CONSUMPTION, LOCAL MERCHANTS PURCHASED A FURTHER \$2.5B FOR RE-EXPORT TO OTHER REG'L ECONOMIES, PRINCIPALLY SAUDI ARABIA, IRAN, INDIA & PAKISTAN. THE TID PROGRAM WILL INCREASING CAPITALIZE ON THIS ROLE OF UAE TRADERS AS A BACKDOOR TO OTHER GCC TARIFF MKTS WHICH IS LIKELY TO INCREASE WITH THE RECENT DROP OF MINIMUM UAE IMPORT DUTIES FM 4% TO 2%. UAE GOVT PURCHASING & INVESTMENT IN DVLPMT DROPPED ONLY 14% IN '86 TO \$5.4B WHILE IMPORTS DROPPED ONLY 8% IN '85. PETROLEUM EXPORT EARNINGS AND SUSTANTIVE FOREIGN INVESTMENT EARNINGS GENERATED A CDN \$11.8B TRADE SURPLUS IN 1985 AND AN OVERALL BALANCE OF PAYMENTS SURPLUS OF CDN \$1B. WHILE UAE COMMERCIAL BANKS ARE MORE SELECTIVE IN GRANTING CREDIT, CURRENT SURPLUS LIQUIDITY AND GOVT. RELIABILITY IN PAYING CONTRACTS WITH LITTLE DELAY, HAS ENCOURAGED BANKS TO DROP PRIME LENDING RATES IN SEARCH OF IMPORT AND RE-EXPORT BUSINESS. OMAN'S INCREASE IN 1986 OIL EXPORTS, WILL FINANCE THE 1987-92 5 YEAR PLAN EXPENDITURES OF \$34B AND STIMULATE A RISE IN 1986 IMPORTS OF SOME \$3.9B. IN CONCLUSION THE UAE AND OMANI ECONOMIC ENVIRONMENTS ARE MOST POSITIVE TOWARDS CDN COMPANIES WHICH ARE POINTEDLY WELCOMED AS AN ALTERNATIVE SOURCE OF NORTH AMERICAN KNOW HOW CARRYING NO POLITICAL OR COLONIAL BAGGAGE: TECHNOLOGY WITHOUT IDEOLOGY.