

INSTITUT  
**CHOISEUL**

# **THE UNITED ARAB EMIRATES**

From soft power to global influence

Samy GHORBAL

# STRATEGIC NOTES



Intended for economic, institutional and political actors as well as an informed audience, Institut Choiseul's Strategic Notes aim at analysing and shedding light on important economic, social and political debates, keeping in mind the geopolitical and geoeconomic ruptures at work today.

**INSTITUT CHOISEUL**





# THE UNITED ARAB EMIRATES

From soft power to global influence



**Samy GHORBAL**

*Associate researcher at Institut Choiseul*



## **About the author:**

*Samy Ghorbal is an associate researcher at Institut Choiseul. He specialises in Africa and the Arab world and has been a special correspondent with weekly newspaper Jeune Afrique from 2000 to 2017. He now collaborates with L'Opinion. Shortly after the 2011 Revolution, he published several essays on the democratic transition in Tunisia. He graduated from the Paris Institute of Political Studies. He is also a consultant in economic intelligence and strategic communication.*

## SYNTHESIS

In the United Arab Emirates, the gross domestic product quintupled over the past 20 years to reach 500 billion dollars. This “economic miracle”, a unique trajectory in the Arab world, is due to economic diversification, which was made possible by the oil revenue and the country betting on attractiveness, best exemplified by Dubai.

The Emirates’ current economic and financial power can be explained by great political stability and the Emirati leaders’ pragmatic outlook on the finite nature of their oil revenue. As early as the 1970s, they understood how urgent it was to prepare for what would come after oil, by developing infrastructure, diversifying their economy and imagining new growth areas.

Today, the United Arab Emirates are a financial centre, as well as a globalisation hub, but also an innovation cluster. A perfect illustration of the Emirati ambition is its spatial program, the most successful in the Gulf states. The authorities invested more than 6 billion dollars and in 2020, passed a law on spatial attractiveness enabling them to secure investments and develop private partnerships in this sector, a strong leverage for power, affirmation and technology transfer.

Finally, the Federation has made energy transition one of its most ambitious projects. Come 2050, the country wants to produce and consume electric and completely decarbonized energy, an exception in the region. The Emirates have become a major actor in the international conversation on climate change, so much so that Dubai is hosting the COP28, from 30<sup>th</sup> November to 12<sup>th</sup> December 2023.

This study favours long-term analysis to decrypt the economic tendencies at play in the country and characterize its unique trajectory. It also underlines the many economic, industrial, technological and financial opportunities existing between the Emirates and France. Today, French actors are among the country’s top foreign investors and have established themselves in all strategic sectors and in the most flourishing industries. The French and the Emirati would only benefit from further densifying their bilateral commercial channels and multiplying common investments and projects, to contribute to this strategic partnership’s long-lasting success.





# INTRODUCTION

## Playing in the Big League

On 24<sup>th</sup> August 2023 in Johannesburg, it was announced that the United Arab Emirates (UAE) would join the BRICS, the club of major emerging countries. This adhesion will become effective as of 1st January 2024. It is a diplomatic and strategic success for Abu Dhabi, which sanctions its new status of regional power, inspiring and weighing on global business. On paper however, this deal had a lot against it. The UAE federation has just celebrated its 50<sup>th</sup> birthday. The country's relatively small population (around 10 million) is 85% non-natives. For the Emirates, standing among demographic giants such as China, India, Russia or Brazil (also historic members of the organization), and strong regional powers like Egypt, Iran, Ethiopia and even Saudi Arabia, might have seemed odd. However, The Emirates' co-optation did not come as a surprise, and didn't spark any debate. Of course, as of 2021, the UAE became shareholders of the New Development Bank, the BRICS' "monetary fund". One should also note that the country's economy is worth near 500 billion dollars in gross domestic product and that their main sovereign wealth fund, the Abu Dhabi Investment Authority (ADIA), is believed to hold 900 billion dollars in shares. However the wealth, financial power and attractiveness of Abu Dhabi and Dubai are not the only key to fully comprehend the situation.

At the impulse of Sheikh Mohamed bin Zayed Al Nahyan<sup>[1]</sup>, the United Arab Emirates started affirming themselves in all fields, which landed them their acceptance in the Big League. The country acquired a 4 nuclear reactor power plant -Barakah, in the Al Dhafra region-, and has become a military and spatial power, capable of building satellites and sending a probe to orbit Mars. A financial centre, a hub for globalization and an innovation cluster, the Emirates put forward a series of very ambitious programs based on education, computer science and knowledge society to foresee the world's evolution.

The UAE, wishing to reach carbon neutrality by 2050 are hosting the COP28 in Dubai from 30<sup>th</sup> November to 12<sup>th</sup> December 2023.

---

*1 Leader of Abu Dhabi and President of the United Arab Emirates since 14<sup>th</sup> May 2022, Mohamed bin Zayed Al Nahyan is 62 years old. He has actually assumed power for more than ten years, both as Crown Prince and Defence Minister.*

They also launched Masdar City in 2008, a green smart city in the middle of the desert, designed by Architect Norman Foster as an experimental project heralding the city of the future, and aiming to create an entrepreneur ecosystem dedicated to energy transition and sustainable development.

Finally, from a cultural standpoint, by welcoming the Louvre to Abu Dhabi, the Emirates have brought the concept of universal museum into the 21<sup>st</sup> century and the Arab world, nurturing a dialogue between civilisations.

\* \* \*

The first oil reserves were discovered in the late 1950s in the rich in fish waters of the Gulf. The most important fields were identified off the coast of Abu Dhabi, in Umm Shaif in 1958, and in Murban in 1960. The Trucial States, a series of small tribal principalities were, at the time, under British protectorate, and saw their economy completely disrupted. The reserves were then exploited by a consortium formed by the British Petroleum Company (BP) and the Compagnie Française des Pétroles (CFP, now Total), that gave a share of the production revenue to the ruling families<sup>[2]</sup>.

These royalties were set at first to 12,5% of the barrel reference price, but there was much debate and controversy surrounding their use. In Abu Dhabi, where the most hydrocarbon were found, the ruling family clan was tearing itself apart. The modernists, led by Sheikh Zayed bin Sultan Al Nahyan, Crown Prince and Governor of Al Ain, saw the incredible opportunity to grow and urbanize their territory, and eradicate poverty and illiteracy in the Bedouin population. The conservatives, feared for the balance of their traditional society; they wished to temporize. Their ruler, Sheikh Shakhbut, chose the latter. Known for his unwillingness to spend, the ruler demanded his share be paid in gold coins and refused any modernization policy<sup>[3]</sup>. In 1966, Shakhbut was cast aside and replaced at the head of his clan by his younger brother, Zayed as, in the meantime, the geopolitical

---

2 Justine Clément, “Émirats arabes unis : quelles voies de diversification économique s’offrent au pays rentier”, posted 22/09/2021 on website *Les Clés du Moyen-Orient*. Readable online

3 Antoine Ajoury, “Cheikh Zayed, le Bédouin visionnaire”, published 06/09/2017 in *L’Orient-Le Jour*.

context had been upturned. Kuwait became independent in 1961. Yemen and the Sultanate of Oman were in the throes of a civil war. From Cairo to Bagdad, Arab nationalism triumphed, and the menace of Iran grew. The British, who had settled in the region in the 1820s, made no secret of their desire to leave. The status quo was on the brink of collapse. The states needed to modernize, equip and above all, organize politically if they were to have a chance to survive.

Emir Zayed was sure that individually, Abu Dhabi, Ajman, Bahrain, Dubai, Fujairah, Sharjah, Ras Al Khaimah, Qatar and Umm Al Quwain were not strong enough and risked being dominated by their powerful neighbours as soon as they would declare independence. Without unification, no salvation. Abu Dhabi had a central part to play in the integration process, as the largest, wealthiest and most populated of the nine principalities. Zayed was perfectly aware of the rivalries and jealousies that pit the other emirates rulers against one another. He strove to disprove their bias, as he knew time was of the essence. He found an ally of circumstance in Sheikh Rashid bin Saeed Al Maktoum, Emir of Dubai, who also wished to develop his country's infrastructure to take advantage of its exceptional location at the crossroads of Asia, Africa and Europe<sup>[4]</sup>.

Zayed offered his counterparts a deal: creating a nine Emirates Federation, whose economic prosperity would be guaranteed as each entity would have access to Abu Dhabi's oil revenues. On 2<sup>nd</sup> December 1971, Abu Dhabi, Dubai, Sharjah, Ajman, Umm Al Quwain and Fujairah agreed on the principle of a federation: the United Arab Emirates were born. On 11<sup>th</sup> February 1972, they were joined by Ras Al Khaimah, while Qatar and Bahrain preferred to remain independent.

The institutional compromise devised by Sheikh Zayed is still in place in the UAE. The head of State position falls to the Abu Dhabi ruler. Dubai gets the Prime Minister position, while the other ruling families share other government positions.

The hydrocarbon revenue grew rapidly. Abu Dhabi joined the OPEC in 1967. The Abu Dhabi National Oil Company (ADNOC) was created in 1971 and, as early as 1973, took significant capital shares in the foreign consortiums exploiting Emirati oil. It became the main

---

4 Antoine Ajoury, *Ibid*

shareholder in 1974 and continued its rise to power. In 1981, during the second energy crisis, the Emirates produced 1,5 million barrels every day. A number that has since doubled.

\* \* \*

The region's underground riches have largely contributed to the Emirates wealth, but they alone cannot explain the new state's incredible economic and technological rise, or its singular political trajectory. An anecdote -probably mythical- states that Sheikh Zayed liked to gather his sons after the great Friday prayer, to tell them about the art of ruling. "During these meetings, the patriarch would turn the AC off, as a way of reminding his children where they came from and teaching them the importance of working hard to prepare the future, for the black gold would not last forever."<sup>[5]</sup>

As early as the 1970s, Emirati leaders understood how urgent it was to prepare for what would come after oil, by developing infrastructure<sup>[6]</sup>, diversifying their economy and imagining new growth areas. They were able to use the trade tradition of a city such as Dubai, whose workers and traders originating from the Indian subcontinent already made up a large proportion of the population in the early 20<sup>th</sup> century, as well as its well-established trade relations with Iran.

This "taste for extraversion" also became apparent in their recourse to foreign workforce. The industrial and construction fields needed the support of south Asian and Indian workers, due to the Emirates' low demography. In the past, this has caused abuse (mostly corrected now that the kafala system has been revised). The Emirati leaders' approach is singular in that they were the first to "take it upon themselves to change their migratory model and accept harbouring a cosmopolitan population, and with it, cultural pluralism."<sup>[7]</sup>

---

5 Christophe Ayad and Benjamin Barthe, "MBZ, le véritable homme fort du Golfe", published 12/05/2020 in *Le Monde*.

6 Sheikh Zayed set off the modernization of Mina Zayed port (Abu Dhabi) in 1968. In 1979, Sheikh Rashid established Dubai's harbour and free zone, Jebel Ali, which became a global hub for container and merchandise exchange. By 1998, it had supplanted Tokyo's in both volume and value.

7 Laurence Louër, "Réformes et transformations du modèle socio-économique des monarchies du Golfe", published 20/05/2022 on *Les Clés du Moyen-Orient* website, readable online.

The most qualified foreign workers were thus allowed to change employment, without asking for their employer's opinion, which raised qualifications and wages and in turn, stimulated economic diversification. This approach, which set the Emirates apart from the other Gulf monarchies for a long time, has been the catalyser of a feeling of belonging and taking part in a common fate<sup>[8]</sup>. Today, it contributes heavily to the nation's branding, explains why expatriates from all origins favour Dubai as a destination – now a global brand, and to the UAE's attractiveness.

The Emirates opening is a pragmatic decision, but also owes a lot to the humanist inheritance of their founder, Sheikh Zayed bin Sultan Al Nahyan, whose creed of tolerance has become an integral part of the country's contemporary political identity. A pious man, imbued with the values of Islam, a son of the desert and of the Bedouin culture; many stories attest that he always heralded respecting diversity and other religions. Zayed's Emirates allowed the building of Christian worship sites, which was an exception in the Gulf. There are about forty there today<sup>[9]</sup>. The country also welcomed Pope Francis in 2019. The Constitution of 1996 proclaims and warrants the Freedom of Religion and Conscience. In 2015, incitement to hatred and religious intolerance were requalified as a criminal offence<sup>[10]</sup>. The authorities are also firmly involved in the fight against violent radicalism and religious instrumentalization by political movements. It became one of the country's determining foreign matters after the Arab Spring in 2011.

---

8 Like most Arab states, the UAE's concept of nationality is strictly based on birth right. Only Emirati sons and daughters are considered citizens.

9 On 14<sup>th</sup> June 2017, Crown Prince Mohammed Bin Zayed had the mosque named after him renamed Mariam Umm 'Issa (Mary, mother of Jesus. Jesus is a recognized prophet of Islam). The building is located in Mushrif, Abu Dhabi.

10 Nicolas Keraudren, "Aux EAU, la tolérance comme agenda politique", published in *La Croix* on 04/02/2020.



## CHAPTER 1

# **A UNIQUE TRAJECTORY IN THE ARAB WORLD**

01

## 1. At the basis of the Emirati economic miracle

### Industrial diversification made possible by oil revenue

The UAE's economic diversification strategy dates back to the early 1970s. It has been set in motion by the Federation's government along with each Emirate's authorities. The British protectorate had left the Trucial states in extreme poverty. The oil revenues reached tremendous heights after 1973, and allowed investments in territorial infrastructure, connectivity and the start of an ambitious urbanization policy. In Abu Dhabi, deep-water port Mina Zayed opened in 1972. In Dubai, the port of Jebel Ali had been designed as an extension of Port Rashid (1958). It was inaugurated in February 1979 in the presence of Queen Elizabeth II. Located 35 kilometres away from Dubai, it asserted the city's commercial ambitions. Nowadays, it ranks 9<sup>th</sup> in the world. The highway connecting the metropolises of Abu Dhabi and Dubai was also built around that time. 150-kilometre-long, it had six lanes in each direction from the beginning<sup>[1]</sup>.

Fujairah oil terminal was built between 1978 and 1983. Its strategic location on the Arabian sea coastline makes it one of the main storage terminals in the world. It can hold 50 million tons and accommodate Very Large Crude Carriers. It is vital to hydrocarbon trade, especially since its location allows it to function even if the Strait of Hormuz is closed. It is connected to Abu Dhabi's reserves via a 406-kilometre-long pipeline. It has a capacity of 600,000 barrels per day, extendable to 1.6 million in case of a crisis.

Hydrocarbons were originally the UAE's most exported goods, but in 2019, they were down to 29.7%<sup>[2]</sup>. The Emirates produce between 2.8 and 3.2 million barrels per day, and 1.2 million barrels in natural gas equivalent. The country has 110 billion oil barrels in reserve (7<sup>th</sup> largest stock in the world) and 290 billion cubic feet in gas (9<sup>th</sup> in the

---

1 EII's last 40 kilometres, connecting Jebel Ali to downtown Dubai, form the famous skyscraper-lined Sheikh Zayed Road.

2 Bpifrance, *Direction, Evaluation, Studies, Prospective, United Arab Emirates country index card*, June 2023.



world<sup>[3]</sup>). Emirati oil is very light and high quality. Its main buyer is Japan (almost a third of the total crude oil production), followed by China (700,000 barrels per day), and Europe, Kuwait, and the United States.

With ADNOC (Abu Dhabi National Oil Company), the Emirates quickly structured their downstream activities, mainly refining, petrochemistry and commercialization. FERTIL (Ruweis Fertilizer Industries), the result of a joint venture with Total, was created in 1980. It specializes in fertilizer production (ammonia, urea). Located 250 kilometres away from the capital, the company exports nearly 98% of its production.

Heavy industries with high energy intensity rose in the wake of oil and gas activities as early as the mid 1970s. Alumina refinery DUBAL may be its most emblematic example. Located in Jebel Ali, its production started in 1979. It since became one of the biggest players in the sector. In 2013, the company merged with EMAL to form EGA (Emirates Global Aluminium) and became the country's first non-oil related employer (60,000 people). Its total revenue oscillates between 6 and 8 billion dollars<sup>[4]</sup> and its activity generates 4% of the world's aluminium production. The Emirate of Ras Al Khaimah developed an industrial ambition in Khor Khwair with cement plants (Union Cement, Gulf Cement Company) and a ceramic plant, RAK Ceramics. With 30 million pieces produced annually, it is the world leader in industrial porcelain and ceramic<sup>[5]</sup>.

## Business First, betting on limitless attractiveness

The UAE's transport infrastructure quality, logistical ease and geographical location greatly contributed to the country's attractiveness, and the diversification of their economies. Their highly incentivizing fiscal and regulatory environment too, was a

---

3 These figures can be found on TotalEnergies' website: [www.planete-energies.com](http://www.planete-energies.com) in the "world's natural gas reserves" tab. Four times lesser than Qatar, the UAE's are on par with Saudi Arabia's and Nigeria's -which have a far larger population- and are three times Algeria's.

4 WAM (Emirates News Agency), "EGA annonce un bénéfice net de 7,4 milliards d'AED en 2022", dispatch published 03/07/2023.

5 Valérie Sasportas, "Ras al-Khayma, la vraie nature des Émirats", published 18/05/2023 in *Le Figaro*.

powerful leverage tool. Yet, these factors alone do not explain the Emirati economic miracle. Political stability, economic governance and security also played – and keep playing – a crucial part.

In 2021, Abu Dhabi, Dubai and Sharjah were all part of the top 10 safest cities on the planet. Their criminal rates are among the lowest in the world<sup>[6]</sup>. The Federation's two main Emirates show great political stability, an important asset to foreign investors, who, more than anything, shy away from “political risk” and the unpredictability associated with it.

Low corruption levels also play an important part in making the country more attractive. The Emirates are 26<sup>th</sup> in a world ranking where the top spots are still filled by Nordic countries, and first in the MENA region<sup>[7]</sup>. “This absence of corruption is systemic”, a French consultant living there explains. “The Emirates showcase a particularly high degree of economic freedom and the taxes are quite low. The less authorizations to obtain, the less taxes to pay, the less opportunities for a bribe. The administration and public services are efficient; a lot of procedures happen online. The environment is conducive to business and everything is done to encourage entrepreneurial freedom.”<sup>[8]</sup>

Along with Sheikh Mohammed bin Rashid Al Maktoum, Emir of Dubai and Federation Prime Minister, the Emirati rulers have adopted the managing creed of former Singapore Prime Minister Lee Kuan Yew (in office between 1959 and 1990): “Lead your country like you would a company”. They work with an array of executives and counsellors chosen for their competence and act in symbiosis with the business world. The ruling families' holdings perimeter is extremely wide, and they control part or everything in these companies. But, as a Moroccan strategy consultant who used to work for Dubai Holding explains: “Instead of creating gigantic pyramid conglomerate monopolies by gathering their business shares, Emirati

---

6 Safety is a central part of the “Emirati social contract”, which advocates zero tolerance. In the streets, CCTV type cameras and facial recognition are common, and in Abu Dhabi and Dubai, police services have some of the best technological equipment in the world.

7 The UAE, tied at the 26<sup>th</sup> place, obtained 67 in the 2022 Transparency International ranking. They are slightly overtaken by France (72, 19<sup>th</sup>) and the United States (69, 24<sup>th</sup>) but are above South Korea (63), Portugal (62) and Italy (56)...

8 Interview with the author, September 2023.

leaders preferred splitting their empire in a multitude of competing businesses guided by the pursuit of profit. They found a creative way to reconcile what seemed unreconcilable: a de facto monopoly and market efficiency.”<sup>[9]</sup>

The Emirates are always looking for ways to be more attractive and recognized. They owe much of their success to their agile mindset allowing them to anticipate the economy’s underlying trends. Drawing from the elements that made Jebel Ali Port’s success, they multiplied tax-free zones in many fields: finance (DIFC, Dubai International Financial Center), Internet (Internet City in Jumeirah), media and communication (Media City), and formation and knowledge economy (Knowledge City). The Emirates have become a “global brand” that knew to woo the new economy leaders by putting forward the advantages of a local implantation. Even if it does not automatically generate extra tax revenue, each arrival feeds the brand dynamic and trickles down on domestic demand and a flourishing real estate.

Dubai is following trends closely to remain at the cutting edge of innovation, and it has become a new Eldorado for blockchain technologies. Close to 500 companies specializing in cryptocurrencies and the Web 3.0 have settled there. In 2030, the authorities hope to have welcome the double to rival Miami. The industry could represent 40,000 highly qualified jobs by the end of the decade. The DIFC set off FinTech Hive, the first start-up accelerator specialized program in the MENA region. The DMCC (Dubai Multi Commodities Center), initially designed for raw materials exchange, has since opened itself up to digital assets and introduced a crypto license.

Dubai’s very accommodating tax system (zero capital gains tax on cryptocurrency sales) and ease of implantation have created a pull factor and brought crypto investors, crypto millionaires and influencers to consider the city a choice destination. The regulatory framework, both flexible and robust, helped turn Dubai into a safe and credible global platform<sup>[10]</sup>. It now organizes and hosts must-attend events of the ecosystem: the Blockchain Economy Dubai

---

<sup>9</sup> Interview with the author, September 2023.

<sup>10</sup> Conformity and compliance stakes remain at the heart of the regulators’ process. Any company active in the Emirati market must respect anti money-laundering norms (AML) and cannot avoid the KYC (Know Your Customer) protocols.

Summit, the World Blockchain Summit and the Crypto Expo Dubai. In July 2023, local regulating authority VARA granted a license to Binance, world leader of the crypto industry, so that the company would offer its services of virtual asset exchange and brokerage to institutional and individual investors. Yet another bridge between the traditional financial industry and digital currencies.

## Dubai, from warehouse-city to globalised hub

The second largest and most populated Emirate in the Federation, Dubai pushed the logic of economic diversity the furthest, and hydrocarbons now represent less than 5% of its GDP. The city experienced a tremendous growth: its population went from 276,000 in 1980 to 3 million in 2020. Its surface area is 35 times that of Paris inner city.

Dubai leaders, alerted by geologists, soon understood that their oil reserves would quickly deplete and that they would need to find a new development model fitting their climate constraints and their advantageous location at the crossroads of the marine routes joining Asia, Africa and Europe. In the early 1990s, Dubai bet on globalization and the service industry (tourism, real estate, finance, tech). Jebel Ali Port and its free zone long formed the economy's backbone as they attracted investments and favoured industrial implantation<sup>[11]</sup>. Thanks to its logistical infrastructure and minimal tax system (total exemption from corporate income tax, non-taxation of employees, absence of social contributions), Dubai has asserted its position as container traffic hub and fully benefited from the international marine traffic increase, until 2020.

In 1985, the Emirates authorities launched an airline, Emirates, and modernised their international airport. In 2022, it welcomed 66 million passengers in its three terminals -the third is entirely dedicated to their own airline flights-, and became the first airport in the world. It should reach 85 million passengers in 2023, almost at 2019's record levels (86 million)<sup>[12]</sup>.

---

11 *Securing 45,000 companies and 39,000 jobs, the free zones amounted to 33% of Dubai's GDP in 2020. Business France, EAU : mise en place d'un programme d'appui exceptionnel aux entreprises, note published on 29/05/2020.*

12 *Ricardo Moraes, "Aéroport de Dubaï : son trafic au premier trimestre a dépassé les niveaux pré-Covid", published in Airjournal.fr, on 23/08/2023. Under code IATA DXB, Dubai airport states 201,800 annual rotations and offers 257 destinations in 104 countries. India is its first market.*

Far from weakening the country, the geopolitical tensions originating in the 1980s (Iran-Iraq war, USSR collapse, the invasion of Kuwait and the first Gulf war), have actually contributed to the Emirates prosperity and attractiveness. Dubai seemed like an airlock, an entry point in international capitals and merchandise flows. Stimulated by the Indian demand, the country's absence of tax, the gold trade flourished; and the city became the yellow metal world capital. In the UAE's exchange structure, precious metals became second only to fuel. In 2019, they made up 15.1% of exportations (2nd place) and 21.9% of imports (1st place)<sup>[13]</sup>. Every year, between 20 and 40% of world gold reserves (intended for jewellery) are believed to transit through Dubai<sup>[14]</sup>.

Though it was originally designed as a “warehouse-city”, Dubai established itself as a commercial hub, a “supplier centre for the wide circle extending from Istanbul to Chennai and Almaty to Dakar.”<sup>[15]</sup> Deterred by how difficult it was to access the Schengen area, the businesspeople of Maghreb and French-speaking Africa turned to the Emirates. Tourism became another growth relay. In 1996, the authorities launched the international Shopping Festival, to seize a fraction of the passengers transiting through the Emirates hub. In 1999, the Burj Al Arab was inaugurated: 320-metre-high, this 7-star, sailboat shaped palace symbolises the city's newfound marine vocation and resonates worldwide. It was the first of a long series of impressive feats designed to put Dubai on the map of top-tier destinations.

In 2002, Dubai Holding passed a new threshold with The Palm Islands, three artificial islands visible from space in the blue Gulf waters: Palm Jumeirah, Palm Jebel Ali and Palm Deira. These luxurious atolls were supposed to grant Dubai 70 kilometres worth of beaches and double its coastline, but the 2008 crisis impeded the process<sup>[16]</sup>.

Dubai has become the capital of excess, a city in perpetual transformation, one iconic building after another. The new business

---

13 *Bpifrance, Direction Évaluation, Études, Prospective, Country Card United Arab Emirates, June 2023.*

14 *Dans les coulisses de Dubaï, « ville de l'or », Euronews, broadcast on 30/05/2023.*

15 *Marc Lavergne, “Dubai, utile ou futile”, Hérodote periodical, special edition “Le Golfe et ses Émirats”, 2009, 2nd quarter.*

16 *The Palm Jumeirah, home of the Atlantis hotel was completed. The Palm Jebel Ali is still under development. As of 2013, the Palm Deira project is abandoned.*

district, Downtown Dubai was built by Emaar around Burj Khalifa, the highest tower in the world (culminating at 829.8-meter-high). Behind this relentless, seemingly futile record quest, lied a finely tuned strategy to make real estate one of the Emirates' first growth generators. The harsh 2008 crisis rattled the government and halted a few oversized projects, but did not change the country's global course.

The Dubai real estate market went through a spectacular recovery in 2022 in the wake of the Universal Exhibition and the last Covid-19 restrictions fading out. Nearly 100,000 transactions, worth a total of 132 billion euros occurred (+76.5%)<sup>[17]</sup>. The majority of buyers are Russian, British, Italian and Indian. Confident in the market's stability and high demand, previsions indicate that the sector should keep growing in 2023 (+5% expected), in spite of interest rates rising. Real estate amounts to 5.5% of the national GDP, and 7.9% of Dubai's<sup>[18]</sup>.

## 2. Evolution of the Federation's internal and external balance

### Abu Dhabi's political establishment and the birth of a nation

It took two convoluted decades to achieve Sheikh Zayed's desired federal system. A diplomat at heart, the first UAE President had to exert tremendous patience to convince his peers to give up some of their prerogatives, budget-wise, but even more so on matters on defence and foreign policy. The country's Constitution, temporary until 1996<sup>[19]</sup>, stated the principle of collegial decision among the seven Emirati leaders, united in a Supreme Council. The Federation's two main entities retained a veto right, as fundamental decisions engaging the country's future required a majority of five votes, necessarily including Abu Dhabi and Dubai. Still, "the seven Emirates kept a lot of autonomy, including in domains under exclusive federal authority, like security and armed forces", political expert Victor

---

<sup>17</sup> "Dubai affiche des ventes immobilières record", *Le Figaro with AFP*, published 16/01/2023.

<sup>18</sup> GDP at Constant Prices for 2022, Dubai Statistics Center (DSC).

<sup>19</sup> The temporary constitutional dispositions agreed upon when creating the United Arab Emirates Federation in 1971 were prorogued every five years, in lieu of a consensus on the final State form.

Gervais explains<sup>[20]</sup>. The unification of armed forces was promulgated by presidential decree on 6<sup>th</sup> May 1976. Prior to that, it had been fought by the rulers of Dubai, Ras Al Khaimah and Sharjah.

The Iran-Iraq war (1980-1988) furthered the gap and caused internal friction. Abu Dhabi, Ajman and Fujairah supported Bagdad, though discretely. Saqr bin Mohammed Al Qasimi, ruler of Ras Al Khaimah, close to Saddam Hussein, offered him military air bases on his territory. This initiative – though it was not followed up – deeply bothered his Federation partners; especially since the leaders of Dubai, Sharjah and Umm Al Quwain wished to protect their commercial bounds with Tehran and had chosen a more neutral path.

In August 1990, Iraq invaded Kuwait, a trauma that caused a surge of unity within the Gulf Cooperation Council. The Emirates embrace the American coalition with no qualms. In 1994, they further their cooperation with Washington by signing a defence agreement and allowing a US military base to implant in Al Dhafra.

An internal event also contributed to strengthen the unity dynamic wished by Sheikh Zayed: Dubai Ruler Sheikh Rashid bin Saeed Al Maktoum's succession in October 1990. His successor, Sheikh Maktoum and his younger brother and Crown Prince, Sheikh Mohammed decided to develop Dubai as a globalised city. The trading Emirate stepped back from the political checkboard and allowed Abu Dhabi to assert its political dominance and strengthen the federal State structure. In 1996, the Constitution was finally adopted, the armed forces were placed under a single leadership and the few customs offices that remained between certain Emirates were closed.

In 2003, in the weeks leading up to the invasion of Iraq by the US, another crisis shook the UAE. Sheikh Khalid bin Saqr Al Qasimi, Crown Prince of Ras Al Khaimah, declared his support to Saddam Hussein. He was deemed incompatible with Abu Dhabi's foreign policy objectives, and he was demoted in favour of his younger brother, Sheikh Saud bin Saqr al Qasimi.

---

20 Victor Gervais, "La transformation des dynamiques internes aux EAU", contribution published in May 2017 by la Fondation pour la Recherche Stratégique.

In 2008, Dubai's real estate sector collapsed and the financial crisis that ensued pushed the Emirate's authorities to ask for federal State help. Abu Dhabi rescuing Dubai concentrated even more economic and political power around the federal capital. The highest tower in the world, initially called Burj Dubai, was symbolically renamed Burj Khalifa, to honour Abu Dhabi's ruler, Sheikh Khalifa bin Zayed Al Nahyan.

In 2014, military service became mandatory for all men between the ages of 18 and 30, and optional for women. The goal was to make a newly heavily funded army the crucible and cement of the new Emirati nation. The measure had already been considered after the first Gulf war but was met with too much reluctance. Its later implementation permanently sealed the birth of a Nation.

### A new foreign policy axis after the 2011 Arab Springs

The past decade saw the UAE asserting themselves politically in the Gulf but also more widely, in the African and Arab world. Far from the "neutral defensiveness" that characterised Sheikh Zayed's diplomacy, the interventionist side of the new Emirati foreign policy finds its roots in the 2011 Arab Springs. Researcher Jean-Loup Samaan explains there are three contributing factors: "the worry caused by people uprisings in certain Arab countries (in particular Tunisia, Egypt and Bahrain); the rising tensions between the Abu Dhabi ruling family and the local Muslim Brotherhood branch (which was outlawed in 2014); and Mohamed Bin Zayed's internal strengthening"<sup>[21]</sup>.

Fearful of the potential Muslim Brotherhood hegemony supported by Qatar and Turkey, Abu Dhabi and Riyad formed an alliance. In March 2011, the Emirates intervened, as members of the Gulf Cooperation Council, to put an end to the uprisings disturbing the Al Khalifa dynasty in Bahrain. They supported Marshal Haftar in Libya and joined forces with Saudi Arabia to assist general Abdel Fattah el-Sisi, leader of the Egyptian army when he went against Mohamed Morsi, elected President in July 2013. Their desire to counter the Islamic Republic of Iran and stop a Shiite arc extending from Sanaa

---

<sup>21</sup> Jean-Loup Samaan, "Les Émirats arabes unis en Afrique, les ambitions parfois contrariées d'un nouvel acteur regional", Notes de l'IFRI, IFRI, September 2021.



to Sidon, in South Lebanon explains why the Emirati stood with the Syrian rebellion and why they intervened against the Houthi rebels in Yemen.

In June 2017, the Emirates, Saudi Arabia, Egypt and Bahrain set off a crisis with Qatar and imposed an embargo on Doha. This new “Gulf crisis”, thankfully kept within diplomatic bounds, fazed their Occidental partners, unwilling to choose between Riyadh, Abu Dhabi and Doha. It had repercussions in Africa, where the UAE had gained a considerable influence, in the wake of the harbour investments of DP World and Abu Dhabi Ports. Time wore the protagonists out, and they settled their quarrel on 5<sup>th</sup> January 2021 in Al-'Ula, Saudi Arabia. Even if they have not reached all their goals, the Emirates appear to have come out on top of the situation initiated by the Arab Springs. Political Islam is contained and in Egypt, Tunisia, Morocco and Sudan, Islamists were voted out or overturned.

The Arab world gravity centre has now shifted to the Gulf, where Abu Dhabi and Riyadh are competing for the top spot. This transfer, promoted under Donald Trump's presidency, translated in the Abraham Accords, signed 15<sup>th</sup> September 2020<sup>[22]</sup>. Debated for their detachment with the Palestine cause, the Accords add to Abu Dhabi's political weight and can be understood as a “rear alliance” designed to prevent potential Iranian expansionism. They can also be interpreted as reassurance in the face of a potential American disengagement<sup>[23]</sup>. Cooperation in the defence industry, already apparent, was one of the main axes of Israel and the Emirates' coming together. This should also benefit their bilateral commercial exchanges; they may reach 2.5 billion dollars in 2025.<sup>[24]</sup>

---

22 *Negotiated under the patronage of the United States, the Abraham Accords normalised the relationship between several Arab countries and Israel. The UAE and Bahrain were soon joined by Sudan and Morocco.*

23 *The US lack of reaction when drone and missiles attacked Saudi oil reserves in June 2019 was a true electroshock for Gulf leaders.*

24 *The geopolitical repercussions of the recent war in Gaza and the immense emotion it created in the Arab world might however impede these commitments.*

Sheikh Mohamed bin Zayed Al Nahyan's UAE now aspire to global influence, as their BRICS adhesion attests. Their diplomatic and strategic agenda has grown in autonomy. For instance, Abu Dhabi's relationship with Vladimir Poutine's Russia was never threatened, as their cooperation on security as well as industrial and spatial matters grew stronger over the last decade. The same goes for China, now one of their main commercial partners. More than ever, the UAE strive to balance their alliances and reinforce their links with the new leaders of the global South.

## CHAPTER 2

# **A GLOBAL, RESILIENT POWER**

02

## 1. Macroeconomic fundamentals and financial power

### 500 billion dollars GDP and well-oriented economic perspectives

The UAE's GDP quintupled over the past 20 years to reach 500 billion dollars. In 2022, their economic growth rose to 7.6%, its highest rate in eleven years. The Central Bank forecasts it should settle at 3.3% in 2023<sup>[1]</sup>. Their perspectives seem even better for 2024, as previsions anticipate an activity expansion by 4.3%. The GDP per capita is almost at 50,000\$/year (88,000\$/year in purchasing power parity, ranking 6<sup>th</sup>).

Pushed forward by tourism, real estate and Foreign Direct Investments, the non-oil sector's growth will be notably higher than the GDP's average in 2023, at +4.5% and should maintain in 2024 (+4.6%). This difference can be explained by a diversification in production, and because OPEP+ lowered its production quotas. This sovereign decision was taken in coordination with Saudi Arabia, Iraq, Kuwait, Oman and Algeria to maintain crude oil rates. Thus, the Emirates reduced their daily production by 144,000 to maintain a yearly average of 3.1 million barrels per day. This restrictive policy should be renewed for the early months of 2024.

The inflation -culminating at 5.2% in 2022- will soon be curbed. The Central Bank states that price increase should stay at 3.1% in 2023 and possibly lower to 2.6% in 2024. Public debt, which had risen to 40% of the GDP in 2020, was brought back to 31% at the end of 2022 and its percentage should keep lowering in 2023<sup>[2]</sup>.

The UAE managed to erase any lingering consequence of the Covid-19 crisis, which had contracted the activity by an unprecedented 4.8% in 2020. As early as 2021, the numbers were notably on the rise again (+3.9%), thanks to a number of factors. Firstly, hydrocarbon prices went up again at the end of the pandemic, a trait amplified

---

1 WAM (Emirates News Agency), "CBUAE maintains growth forecast unchanged at 4,3 % for 2024", dispatch published 21/06/2023.

2 According to the IMF, Emirati public finances balance themselves when barrels reach between 64 and 67 dollars. See Direction Générale du Trésor, "Situation économique et financière des Émirats arabes unis", study published on 5th January 2023.

by the invasion of Ukraine by Russia. How the authorities dealt with the pandemic also played a big part in this dynamic rebound. The Emirates were at the forefront of vaccine deployment. By March 2021, three months after the injection campaign began, half of the country's adult population had received at least their first dose. In November of that same year, with 22 million doses, the Emirates were the first country to have fully vaccinated their entire eligible population. This prowess allowed the different Emirates to quickly lift their sanitary restrictions, which benefited tourism. The Dubai Universal Exhibition, set for 2020, was held in 2021. It attracted 24 million visitors, of which a significant number of foreigners.

2023 will be a record year for tourism. The number of foreign visitors staying in hotels was raised by 34% in Abu Dhabi (2.4 million in the first semester). The federal capital airport saw a 67% traffic increase during the same period, with 10 million passengers. Dubai welcomed 8.55 million international visitors in the first semester (+20%). For the second year in a row, the city was appointed Top Global Destination by the TripAdvisor's Awards Committee. Its bed occupancy rate is among the highest in the world (78%), and its clientele is diverse: 20% originate from Western Europe, 28% from neighbouring Gulf countries and the MENA region, 17% from Southern Asia and 14% from Russia and Eastern Europe<sup>[3]</sup>. Tourism revenue weigh 180 billion dirhams (49.18 billion dollars), or 10% of the GDP.

The economy's dynamism and diversification, as well as the massive transformation investments planned on Federal and Emirate levels, might bring the Emirati GDP over the symbolic threshold of 3,000 billion dirhams (816 billion dollars) by 2031.<sup>[4]</sup>

## Sovereign funds, growth catalysers and crisis absorbers

The Emirates' five main sovereign funds make up more than 1.700 billion dollars in assets. They are the country's power reactor core, and a tool to propel the economy's diversification.

---

<sup>3</sup> *Khaleej Times*, "Dubai breaks record in welcoming the World", article published on 06/08/2023.

<sup>4</sup> Aarti Nagraj, "UAE Central Bank raises non-oil economic growth forecast for 2023 on tourism boost", *Thenationalnews.com*, article published on 22/06/2023

The most important is the Abu Dhabi Investment Authority (ADIA). Funded in 1976 and enriched by Abu Dhabi's hydrocarbon revenues, it was worth 993 billion dollars in late 2022, which makes it number 1 in the Gulf and number 4 in the world, after the Norwegian fund and two Chinese funds<sup>5</sup>. The ADIA's main mission is to accumulate national savings for long-term benefice by diversifying its investments. It focuses mostly on North America (54% of its portfolio) and then in similar parts on Western Europe and Pacific Asia (around 20%). "This fund reached such a high level of sophistication and performance it could well forego the oil rent and rely solely on its investments' dividends", François-Aïssa Touazi stated in a note for the Fondation Pour la Recherche Stratégique<sup>6</sup>.

Dubai as well has its own fund, the Investment Cooperation of Dubai (ICD), claiming to manage more than 1.000 billion dirhams of assets, or 280 billion dollars. Created in 2006, it is led by the Emirate Crown Prince, Sheikh Hamdan bin Mohammed Al Maktoum and owns many economic jewels: the Emirates airline, its low-cost counterpart Fly Dubai, the Dubai Duty Free, the DMCC free zone, and Emirates NBD.

ADQ, another Abu Dhabi fund, manages around 160 billion dollars of assets. It specialises in sustainable investments designed to shift to an economy based on knowledge and renewable energy. It owns shares in Etihad, Abu Dhabi's airline, in energy specialists TAQA and ENEC (Emirate Nuclear Energy Corporation, which operates the Barakah nuclear plant), and in Abu Dhabi Securities Exchange (ADX), Abu Dhabi's stock exchange.

The federal government sovereign fund, the Emirates Investment Authority (EIA), manages around 100 billion dollars in assets, and is the main shareholder of Etisalat and Du, two communication service providers. It is led by Sheikh Mansour bin Zayed bin Sultan Al Nahyan, the Federation's Vice President and Vice Prime Minister.

---

5 According to the SWF ranking, quoted by *L'Écho.be*, "Le fonds souverain saoudien loin derrière la Norvège et la Chine", article published on 14/08/2023. The Norwegian fund manages 1.376 billion dollars of assets. Kuwait's KIA, the second largest in the Gulf after the ADIA, is worth 801 billion dollars. Meanwhile, the Saudi Public Investment Fund is worth 700 billion and Qatar's QIA, 450.

6 François-Aïssa Touazi, "Les Fonds Souverains du Golfe", note from the FRS, February 2019.

Sheikh Mansour also presides Mubadala, the main strategic investment fund in the United Arab Emirates, worth 276 billion in assets. Created in 2017 by fusing two investing entities, this fund is known to own the English football club Manchester City, that won the latest European Champions League edition. Its mission is to accelerate the Emirati economy's transformation and technological upgrade. To do so, it invests directly in companies and joint ventures, like the aerospace manufacturer Strata, in start-up incubators, like Hub71, and start-ups like the taxi company Hala. It also supports partnerships with international companies in which it owns shares. Mubadala thus acquired 86.1% of American GlobalFoundries' capital, one of the world leaders in the semiconductor and electronic chips industry. He also launched a strategic partnership with Bpifrance in 2014 and the creation of the first French Emirati Fund, dedicated to private equity and supporting French companies with a proven growth and innovation potential. This seasoned relationship was strengthened in December 2021 when they signed a co-investment agreement worth 4 billion dollars<sup>[7]</sup>.

These sovereign funds act like true growth catalysers and crisis absorbers by enabling the country's companies to prosper and become national champions, like Emirates, Etihad or Etisalat. Furthermore, the ruling families holdings also support the country's companies. The most famous one, Dubai Holding, gathers Sheikh Mohammed bin Rashid Al Maktoum's personal portfolio, including shares in Dubai Properties, which developed the Jumairah Beach Residence (JBR) and owns the iconic Burj Al Arab hotel.

### **Abu Dhabi Global Market and Dubai Financial Market, attractive centres for Middle Eastern finance**

The creation of the Dubai International Financial Centre (DIFC) free zone in 2005 was the first milestone in the financial diversification of the UAE economy. Today, the zone holds 3,644 entities, including 17 of the 20 main banks in the world, 5 of the 10 largest insurance companies in the world, and 5 of the 10 main international asset management firms. They owe their success to a combination of factors: investors enjoy privileged conditions, including the absence

---

<sup>7</sup> "Bpifrance et le ministère de l'Économie, des Finances et de la Relance concluent deux accords de coopération avec Mubadala pour favoriser les investissements dans l'économie française", Bpifrance press release, 03/12/2021.

of tax<sup>[8]</sup>, they can easily and safely repatriate their dividends as the Emirati dirham (AED) is pegged to the US dollar in a fixed parity system, and the regulation quality. “Any company brought into the DIFC financial district is regulated by the Dubai Financial Service Authority (DFSA)”, as an asset manager living in the Emirates explains. “It must have offices there, and comply with a number of regulatory requirements. International standards are in practise, specifically British ones. The Common Law is very popular with investors, and it applies there and in Abu Dhabi, as it is a good investment protection, and it has a strong international pull. As they were operating in a free zone, companies did not have to associate with local partners. Finally, the Emirates' geographical position in terms of time zones is another advantage. Traders can operate on Asian markets in the morning, European markets in the afternoon and American markets at night.”<sup>[9]</sup>

The Abu Dhabi Global Market (ADGM) was created in 2015, following the template of Dubai's DIFC. “The Abu Dhabi leaders considered that a financial centre was, much like an airline, an element of power and sovereignty, and did not want to leave this monopoly to their eastern neighbour”, a French diplomat explains<sup>[10]</sup>. “A lot of asset managers came to the Federal capital because there were sovereign funds there and they wanted to be closer to their clients. This in turn attracted other players of our field.”

The two finance centres became specialised in fortune management and private banking. Henley & Partners project that there are 92,600 wealthy residents in the Emirates, for a combined wealth of 966 billion dollars<sup>[11]</sup>. The DIFC just created a centre dedicated to family businesses and private estates, the Global Family Business and Private Wealth Centre. The aim is to attract more Family Offices to Dubai and allow the DIFC to double its contribution to the economy. Since the health crisis, Dubai has been trying to assert itself as a new hedge fund bastion. It seems that around sixty of them, mainly from

---

8 A flat 9% government corporate tax was introduced in June 2023.

9 Interview with the author, October 2023.

10 Interview with the author, October 2023.

11 Adrien Paredes-Vanheule, “Dubai, le nouveau bastion des hedge funds”, *l'Agefi*, article published on 25/03/2023.



Anglo-Saxon countries, solicited a licence with the Dubai regulator. Even if the Middle Eastern part in current outstanding is still minimal (about 1% of 4,844 billion dollars), the motion is set. More and more companies are not simply opening offices anymore, they are setting up entire teams there. Hedge funds do not pay stamp acts and they answer to specific regulations. The new cryptocurrency assets open opportunities, and they benefit from amenable regulations in Dubai (DIFC, DMCC) and Abu Dhabi as well (ADGM). They are another competitiveness factor, along with the quality of life and the presence of many campuses and universities.

“There is a political will to promote Emirati financial centres and IPOs”, a French banker living in Dubai notes. “It is worth noticing that the IPO market, which collapsed in North America and Europe in 2022, remained very dynamic in the UAE and the Gulf. This voluntarist approach is not in vain. If the Emirates want to attract even more international investors, their companies must be listed, and their stock exchanges must gain in capitalisation and cash flow. Having them emerge is a crucial stake and all actors, starting with large national banks like First Abu Dhabi Bank, are working towards that goal by siphoning savings. It is a new perspective for international business. The Gulf economies potential is not news to anyone, but the markets tended to take an interest in them to raise funds, to come and get money. Today, they are incentivised to do the opposite, target business and invest. It is the next industrial and financial evolution and there is no stopping it. There is an ever-growing demand for business.”

## **2. Nuclear, hydrogen, knowledge economy, space. New frontiers of development**

### **Nuclear power, hydrogen power, solar power: spearheading decarbonation**

The United Arab Emirates ambition to become one of the world leaders of low emission hydrogen production by 2050. Around the same time, the electrical power produced and consumed in the country should be entirely carbon-free. These objectives are now the core of the Emirates national energy strategy, deeply revised in

2023. This roadmap/strategy is based on three inseparable pillars: the development of a civil nuclear capability, the ramp-up of solar energy and the hydrogen plan<sup>[12]</sup>.

Run by ENEC (Emirates Nuclear Energy Corporation) and made in collaboration with South-Korean consortium KEPCO (Korea Electric Power Corporation), the Barakah nuclear plant is a 24 billion dollars investment. Construction began in 2012 in the Al Dhafra region (in the Emirate of Abu Dhabi, 250 kilometres away from the capital). The 5.6 GW plant started production in 2020. Three of the four 3rd generation APR-1400 light-water reactors are already operational. The fourth will be launched in 2024. This infrastructure, the first civil nuclear plant in the Middle East, symbolises the Emirates head start in this strategic field. At full capacity, Barakah will avoid 22.4 million tons of CO<sub>2</sub> emissions each year. As of 2025, it will produce 85% of Abu Dhabi's renewable energy<sup>[13]</sup>.

Solar power is the second pillar of the Emirati energy transition strategy. This desert-country has incredible sun exposure potential but needs to consider dust accumulating at the surface of photovoltaic panels, quickly decreasing cell efficiency. What was long thought a blockage is soon to be solved thanks to a major innovation: bifacial panels capturing both the energy from the Sun, and its reflection on the ground. This technology was used to build the Al Dhafra solar farm, in cooperation with French EDF Renouvelables et Chinese company Jinco Power. It currently is the largest solar power plant in the world. Its 4 million panels stretch over 20 square kilometres and offer a 2GW capacity. It was built in less than two years<sup>[14]</sup>. At full capacity, it will serve 160,000 homes and its production costs will be one of the lowest (13.5\$/MW/h). The Emirati government is about to launch a call for bids to double its capacity. Part of the additional power could be allocated to industrial needs, for instance the hydrogen plan.

---

*12* Synonym with additional industrial diversification and an economy turned green, the renewable energy rise to power doesn't mean the end of the country's oil calling. The Emirates were the world's fifth oil exporter in 2022, and they wish to maintain developing their hydrocarbon production while limiting its environmental impact as long as the world will need oil and gas. ADNOC, very much involved in the low carbon energy production, set a new "Upstream Methane Intensity target" of 0.15% by 2025, the highest standard in the world.

*13* Noelia Pinto, "La centrale nucléaire de Barakah aux Émirats évite de nouvelles émissions de carbone", *Atalayar.com/fr*, published on 21/01/2022.

*14* Laura Maï-Gaveriaux, "Les Émirats mettent en service la plus grande ferme solaire au monde", *Les Échos*, article published 31/01/2023.

Founded in 2006 by the Abu Dhabi Mubadala Investment Company, Masdar (Abu Dhabi Future Energy Company) has become the renewable energy national champion. It is present in around forty countries and its project portfolio amounts to 20 billion dollars. It produces 20GW of green electricity and is aiming at 100 GW for 2030. To assist in this upscaling, shareholders signed a new pact in December 2022: TAQA (Abu Dhabi National Energy Company, which exploits the main country's desalination factories) reached 43% of the company's capital, and ADNOC 24%. Mubadala retained the remaining 33%. Masdar will play a central part in carrying out the national energy strategy.

Convinced with hydrogen's potential as the "energy of the future", the Emirati government wishes to increase the national production of low-emission hydrogen to 1.4 million tons per year by 2031, and to 15 million tons per year by 2050<sup>[15]</sup>. The necessary investments are considerable and add up to hundreds of billions of dollars, creating huge opportunities for the world leaders in the energy sector. Prime Minister Mohammed bin Rashid Al Maktoum announced in early July 2023 that a 150-200 billion AED<sup>[16]</sup> would be unlocked over the course of the next seven years to support this effort.

Several strategic partnerships have already been sealed. Masdar and the German gas giant Uniper (saved from bankruptcy by Berlin after Russia stopped delivering gas to Germany) made an alliance to build a very large green hydrogen -obtained through water electrolysis-plant in the Emirates by 2026. The project relies on a massive solar plant (1.3GW) to supply the industrial site. Part of the production will be exported to ensure Germany's energy security. Meanwhile, French ENGIE committed to the Emirati Ministry of Energy to deploy a 2GW "hydrogen hub", capable of supplying other markets in the Gulf Cooperation Council. It was announced in December 2021, during a State visit by President Macron in Abu Dhabi. The amounts mentioned were around 5 billion dollars.

---

<sup>15</sup> Updated UAE Energy Strategy 2050, Ministry of Energy and Infrastructures, July 2023.

<sup>16</sup> Between 41 and 49 billion dollars.

## To Mars: how the Emirati space programme came to be in a decade

Sultan Al Neyadi safely came back to Earth on 24th September 2023 after 186 days in the ISS, the International Space Station. The 42-year-old engineer born in Al Ain (Abu Dhabi) is the second Emirati astronaut to go to space. His mission had started on 2nd March on the Cape Canaveral launch site, aboard a Space X Falcon 9 launcher. He will down in history as the first Arab citizen<sup>[17]</sup> to step out into space on 28th April. For a little over six hours, he went out to prepare the solar panels installation. Three years before Al Neyadi, another Emirati, fighter pilot Hazza Al Mansouri, had reached the ISS aboard a Soyuz Russian spacecraft launched from the Baikonur Cosmodrome on 25th September 2019. Al Mansouri spent nine days in the ISS.

Considered heroes in their country, the two astronauts are the Emirati space programme torch bearers, the most ambitious in the Gulf. Initiated in the late 1990s and made a reality by the launch of Emirati provider Thuraya's geostationary satellites, it changed gear in 2006 when the Mohammed bin Rashid Space Center (MBRSC) opened in Dubai. That same year, the Emirates Institution for Advanced Science and Technology (EIAST) opened. In association with South Korea, the Institution produced satellite DubaiSat-1 and DubaiSat-2.

The most important threshold was passed in 2014 at the impulse of then Crown Prince Sheikh Mohamed bin Zayed Al Nahyan and the United Arab Emirates Space Agency (UAESA). The Emirates wanted to become a forefront player and formed links with all actors in the field: Russians, American and the CNES (Centre National des Études Spatiales) to move upmarket, create a dedicated ecosystem and research centres (there are currently five) and design their own satellites. Since, the authorities invested more than 6 billion dollars -three times more than their Saudi neighbour- and in 2020,

---

*17 The Emirati Al Mansouri and Al Neyadi are the third and fourth Arab astronauts. Before them came Saudi prince bin Salman, who flew in the American shuttle Discovery in 1985 and Syrian Mohammed Fares who went aboard the Soviet station Mir in 1987. On 25th May 2023, two Saudi astronauts, Rayyanah Barnawi and Ali Alqarni, also flew to the stars aboard another Space X launcher, an illustration of the strategic competition opposing bin Salman's Saudi Arabia and ben Zayed's Emirates.*

they passed a law on spatial attractiveness enabling them to secure investments and develop private partnerships<sup>[18]</sup>.

The Emirates set no limits for themselves. They want space to become a vector of power, affirmation and technology transfer. Their programme took a military and strategic dimension in 2020 when then orbited the Falcon Eye reconnaissance satellite, but also holds a scientific and prestigious aspect. Thanks to Mars probe Hope, launched in July 2020 from a Japanese site, the UAE became the world's fifth power to place an artificial satellite in orbit around the Red Planet. Equipped with sensors to study the Martian atmosphere and climate, Hope also carries a high-definition camera, the EXI (Emirates Exploration Imager). Its pictures are the most precise ever taken on the Mars surface. Their other goal, the Moon, is at arms' reach. In December 2022, rover Rashid 1 crashed while landing on the Moon, but the UAESA is already working at sending the next lunar rover, Rashid 2.

Several high technology companies were developed in the wake of the Emirati space programme, which strengthened the innovation ecosystem<sup>[19]</sup>, for instance telecommunications operator Yahsat, the Emirati IA G42 champion (two companies owned by public investment fund Mubadala) or Tawazun Precision Industries, a spatial components manufacturer. Moreover, in December 2022, the Emirates announced a partnership with Israel for their satellites, and with India for their launch sites.

## Knowledge economy, innovation clusters and start-up ecosystem

The United Arab Emirates plan to develop their start-up ecosystem to make innovation a tool in their economic diversification. The Future 100 Initiative was launched in December 2022. It selects and supports a hundred start-ups chosen for their impact on future economies. This applies in particular to those operating in new technology fields, such as FinTech, biotech, AI, robotics, the Internet

---

<sup>18</sup> Pascal Airault, "Émirats arabes unis : les grandes ambitions spatiales de Mohammed Ben Zayed", *L'Opinion*, article published on 11/12/2022.

<sup>19</sup> Mathieu Luinaud, "Les Émirats arabes unis à la conquête de l'espace", opinion column published in *l'Opinion*, 30/06/2023.

of Things (IoT), blockchain, metaverse and Web 3.0, smart mobility, cybersecurity, renewable energies, space, 3D printing, as well as the technological side of cultural and creative industries like gaming or augmented reality. For its promoter -and Minister of Economy-, Abdulla bin Touq Al Marri, this initiative will highlight the hundred companies best equipped to favour competitiveness in tomorrow's economy<sup>[20]</sup>. The dispositive will benefit Emirates "native" companies as well as foreign ones, as long as they are well-established in the country.

The Future 100 Initiative completes already well-supplied start-up incubation and acceleration programmes, since the financial free zones of Abu Dhabi (ADGM) and Dubai (DIFC) already offer their own acceleration programmes. The Hub71 platform, implanted in the ADGM, is Abu Dhabi's tech epicentre. Supported by Mubadala, it offers personalised backing to innovative companies by connecting them to Emirates and international main actors and investors. Hub71 struck strategic partnerships with Microsoft and Japan's Softbank. The platform already assisted 240 start-ups, and its incitation programme for eligible companies offers free lodgings and offices for a maximum of three years on top of a health-insurance pack. The total equals 3 million dirhams worth of support per company.

In 2023, to accelerate even further the development of the blockchain ecosystem and the Web 3.0, the platform launched Hub71+ Digital Assets, an integrated ecosystem, in partnership with the country's main bank, First Abu Dhabi Bank (FAB). The programme has a 2-billion-dirhams line of credit<sup>[21]</sup>.

In Dubai, the DIFC Innovation Hub is the region's largest FinTech and innovation companies cluster, with more than 500 tech companies, from startups to global unicorns. This hub concentrates more than 60% of all the Gulf Cooperation Council's FinTech start-ups<sup>[22]</sup>. A venture-capital fund, the Dubai Future District Fund, worth a billion dirhams was launched by both the DIFC and the

---

20 Quoted by Deepthi Nair, "Start-ups will help the UAE double its GDP by 2031, Ministry of Economy says", *The National News*, article published 24/09/2023.

21 Divsha Bhat, "Abu Dhabi launches 'Hub71+Digital Assets' to accelerate growth of Web3 start-ups", *Gulf Business*, article published on 15/02/2023.

22 "Le DIFC enregistre les meilleurs résultats de ses 17 ans d'existence", *WAM (Emirates News Agency)*, dispatch published 16/02/2023.

Dubai Future Foundation. The accelerator programme FinTech Hive, created in 2017 by the DIFC had benefited 163 tech companies in its first five years of existence. Plus, there are around twenty specialised incubators. The main ones are located in Dubai's free zones: Internet City, Dubai Media City, Dubai Silicon Oasis and Abu Dhabi's Flat6Labs...

The Emirates are willing to do everything in their power to organise their transition to a knowledge economy. They plan to reinforce further still their investments in secondary and higher education to obtain a highly qualified and productive workforce, adept with new technologies. It is one of the six priorities of the strategic plan Abu Dhabi Economic Vision 2030, which serves as a compass to the authorities. Its counterpart Abu Dhabi Industrial Strategy 2030's ambition is to make the Emirate "a global platform for the knowledge economy, innovation and durability", a goal that should produce 160 billion additional dirhams in revenue by 2030.

The education investments come in different forms. Each year, the country sends 15,000 students perfect their training in the best universities abroad. The United States, the United Kingdom and Canada are their destinations of choice. The Emirates also have around 140,000 students (60,000 nationals and 80,000 foreigners, mostly residents). Their university offer is rich and diverse: including Emirati schools, public and private, as well as foreign universities and campuses. The United Arab Emirates University, established in 1976, is the country's oldest institution. Khalifa University was created in 2007 to promote the knowledge economy development. The Mohamed Bin Zayed University of Artificial Intelligence, inaugurated in October 2019, is the first academic institution in the world to offer training courses focused exclusively on artificial intelligence and robotics. Today, it welcomes 283 handpicked students and around a hundred researchers and PhD students from 41 countries.

The authorities are also banking on foreign universities and encourage them to establish campuses on Emirati soil. The Sorbonne University Abu Dhabi was the first one to do so, in 2006. Several renowned academic institutions have since followed in its footsteps over the past fifteen years, such as the New York University in 2010 or the Rochester Institute of Technology and the Canadian University that chose Dubai to open campuses.

When it comes to future technologies, the Emirati development policy is deployed through strategic national, regional or sectorial plans. The country set off a national policy for electric mobility and strives to promote research and implantation of autonomous vehicles, which could represent one fourth of the country's entire transportation offer by 2030<sup>[23]</sup>. The Emirates also started a National Strategy for Artificial Intelligence led by a designated Ministry. It touches on every economic sector, from education to health, industry and transport. Dubai is carrying out a strategy to emerge as the new 3D printing hub, with Dubai 3D Printing Strategy, prediction that 25% of the Emirates new buildings could be based on this innovative process.

These voluntarist programmes and plans may seem overly ambitious, but they have several benefits. They enable a better alignment of public and private actors on government plans and mobilise investments and savings. They also allow to push all the players in one field by creating a sense of urgency. When it was launched in 1961 by John Fitzgerald Kennedy, the Apollo programme seemed quixotic, but it did allow the US to win the Moon race in 1969. Space X owner Elon Musk's Mars programme follows that same logic to get the same results.

“The United Arab Emirates and the Gulf States like to give themselves ‘over the top’ challenges that Westerners are too quick to label delusions of grandeur”, Laurent Vigier, Executive Chairman of the Private Equity Five Capital, living in Dubai, observes. “In any ‘over the top’ challenge, there is an innovation necessity. The Saudi will not be able to build the new city of NEOM with the technology presently available, it cannot be done. They would have to incorporate things that exist only in prototype form, at best. The Emirates are facing the same situation with hydrogen and space. This way of thinking Big, to go beyond what is reasonable, is partly what makes the Emirates, the Gulf so strong. Their proclaimed ambitions may seem out of place, but they pit pressure on the whole of society to reinvent itself, to push its limits. It is not media buzz. It is a well thought out strategy, and a way to break free from an “oil revenue psychology” that has plagued some oil-based economies. It implies having scientists and engineers, and that the population will follow progress to absorb innovation. It is a quicker way to a knowledge economy.”

---

23 “UAE Cabinet approves national energy and hydrogen strategies, establishes UAE Ministry of Investment”, WAM (Emirates News Agency), dispatch published 03/07/2023.



## CHAPTER 3

# **THE EMIRATES AND FRANCE: STRENGTHENING THE PARTNERSHIP**

03

## 1. A strong, diverse presence in the strategic field of the Emirati economy

### Diplomacy and defence: the Paris – Abu Dhabi axis

The United Arab Emirates and France have built an exceptionally tight bond. The two States foster a quality political relationship and converse often. France is one of the UEA's historic military suppliers, via Dassault and the GIAT. Since 1995, a defence agreement has linked Paris and Abu Dhabi. Since 2009, the French army assumes a permanent military presence there, via the BA 104 airbase, home to a Rafale squadron, and an anchorage spot for La Royale ships. It is the only implantation of that sort in the Gulf. The Emirates are France's leading clients in the Near and Middle East, and its third supplier. Close to a thousand French companies have settled there.

Under Georges Pompidou and Michel Jobert, France immediately established diplomatic relations with Sheikh Zayed bin Sultan Al Nahyan's United Arab Emirates and Paris opened a resident embassy in Abu Dhabi in 1974. Developing a French presence in the Gulf, a traditional part of the British and American zone of influence, was part of the famous "Arab policy", theorised by General De Gaulle in 1967. It was perceived as an opportunity by Emirati leaders, and this for two reasons. The first is France's global influence. A powerful balancing force, as permanent member of the Security Council, it cultivates a certain independence vis-à-vis the United States. Its closeness to both Israel and the Arab world showcases its desire to promote a fair and balanced solution to the Near-East conflict. The second finds its roots in a will to diversify the country's security alliances. The military partnership with France, initiated in the late 1970s, allowed the United Arab Emirates to distance themselves from an overly exclusive relationship with the United States, which had taken on the role of Gulf police ever since the British retreat of 1968<sup>[1]</sup>. Thus, for nearly two decades, Paris became Abu Dhabi's main military equipment supplier<sup>[2]</sup>. Paris' military involvement in the

---

1 Denis Bauchard, "La France et les émirats et monarchies du Golfe", article published in 2015 in magazine *Pouvoirs*, issue n°152.

2 Other than the *Mirage* planes (Dassault) sale, one should note the major contract signed in April 1993 with the GIAT, selling 436 Leclerc tanks, for a total of 21 billion francs, and the sale of helicopters *Gazelle*, *Cougar*, *Tigre* and furtive *Baynunah*-class corvettes. See: *Sénat de la République française*, legislative report n°724, filed on 06/07/2011.

International coalition against Iraq following the invasion of Kuwait, in 1990-1991, strengthened France's credibility as a security partner.

Personal relations between Sheikh Zayed and Jacques Chirac also helped build trust between Abu Dhabi and Paris. The Emirati did not forget that the French President was the only Western leader to fly to Abu Dhabi for the Federation founder's funeral in November 2004. Emmanuel Macron and Sheikh Mohammed bin Zayed share a similar bond. The French Head of State visited the Emirates half a dozen times since his tenure started in 2017. In July 2022, Mohammed bin Zayed's first State visit was to France, after he became President of the United Arab Emirates upon the death of his half-brother, Sheikh Khalifa bin Zayed. His visit gave way to particularly luxurious celebrations, including a reception at the Versailles Palace.

France's enduring commitment to the Emirates, in spite of any political context (alternations and cohabitations), its particularly appreciated in Abu Dhabi. In December 2021, during Emmanuel Macron's visit to Dubai's Universal Exhibition, the Emirates ordered 80 Rafale F4 planes for 14 billion euros. An excellent gauge of the two countries relationship. Delivery should start in 2027 and the Emirati air force should receive Dassault's most recent planes<sup>[3]</sup>, before the French army itself.

Even if their clear inclination for French products is manifest, the Emirati remain demanding interlocutors, mindful of their industrial compensation. In civil aviation, as in weaponry. Airbus Helicopters learnt this the hard way in May 2023 when the order of twelve H225M Caracal helicopters was cancelled. Tawazun Council, the organisation centralising Emirati purchases and contracts cited insufficient technology transfer and a failure to meet the country's value goals<sup>[4]</sup> as the reason behind their decision, as the Emirates deem it important to develop their own defence industry to increase their sovereignty and strategic autonomy.

---

3 Laurent Lagneau, "Dassault Aviation a reçu un premier acompte pour la livraison de 80 Rafale F4", *Opex 360*, article published 20/04/2022.

4 Laurent Lagneau, "Les Émirats arabes unis ont l'intention d'annuler leur commande de 12 hélicoptères H225M Caracal", *Opex 360*, article published 09/05/2023.

## A cultural and educative cooperation, showcasing the French excellence and influence vector

A sign of the importance he gave this academic partnership, Sheikh Mohamed bin Zayed Al Nahyan -then Abu Dhabi Crown Prince- came all the way to Paris to be present at the contract signature between University Paris-Sorbonne (Paris 4) and the Emirati Minister of Higher Education and Scientific Research, on 19th February 2006. The implantation of Sorbonne University in Abu Dhabi became effective in 2009 when the 93,000 square metre permanent state-of-the-art opened on the Federal Capitals's Reem Island. Along with the Louvre Abu Dhabi (located on the neighbouring Saadiyat Island), they constitute the most spectacular sign of the cultural and academic cooperation between France and the Emirates.

This campus, unique in the Middle East, is a pride point for the Emirati, as well as a cultural soft power and influence element for Abu Dhabi. But this project also answers a training need clearly identified by both parties. The Emirates, counting on their youth and international opening, had made a number of partnerships with foreign academic institutions, but these offered mainly business, management, engineering and computer science courses. Sorbonne University Abu Dhabi has filled a void, Jean-Robert Pitte explains. He is a former President at Sorbonne University and strong advocate for the project. "I quickly understood that what the Emirates, and Abu Dhabi especially wanted, was French-taught humanities (literature, languages, human sciences including law and economics)<sup>[5]</sup>. The Emirati project is audacious in that it chooses Western, French angle to these subjects. Critical thinking, freedom of thought and intellectual rigor are great tools to make one's opinions and act accordingly."<sup>[6]</sup>

All classes were originally taught in French, but there are now courses in English. Even if cosmopolitanism is paramount, in professors and students, the Emirati made up 54% of the 13th promotion, who graduated in November 2022. An intensive one-year French course is offered to the bachelor students whose language mastery is not

---

<sup>5</sup> Jean-Robert Pitte, "Les Émirats arabes unis se tournent vers la culture française", published in a special issue of periodical *Hérodote* dedicated to the Gulf and the Emirates, 2nd trimester 2009, page 101.

<sup>6</sup> Same, page 105.

sufficient Sorbonne University Abu Dhabi academic offer evolved with the Emirates economic strategy evolution. A bachelor's in mathematics with data science specialisation was created in 2020. To uphold the cooperation agreement on artificial intelligence signed by the Emirates and France in 2019, the University created the Sorbonne Center for Artificial Intelligence along with two Excellence Chairs, thanks to a partnership with Thales and TotalEnergies.

Sorbonne University Abu Dhabi set a precedent. The EM Normandie chose Dubai as its third international campus, and more specifically the Dubai Knowledge Park, a 14,000-student educative cluster gathering several renowned international institutions. The EM Normandie was accredited in October 2022, and it is the first French business “grande école” to open its own campus in the Emirate. The talents trained there will be able to assist the development of French companies in the Emirates and answer their recruitment issues. Its programmes are aligned with the country's strategic ambitions.

The Louvre Abu Dhabi is the other majestic symbol of the United Arab Emirates' friendship with France. Carried by President Jacques Chirac -whose name was given to the 4-kilometre avenue leading to the edifice-, the project was launched in March 2007. Ten years were necessary to achieve the Jean Nouvel building. The museum's silver structure was inspired by Arabic mashrabiya and domes and is as heavy as the Eiffel Tower. During its inauguration on 9th November 2017, it was dubbed “the Louvre of desert and light” by French President Emmanuel Macron. It is the first universal museum of the 21st century and of the Arab world. Through its eleven permanent galleries and exhibition spaces, it ambitions to allow civilisations to meet and exchange. Its collections are made up of pieces lent by the Louvre and fifteen other French museums, as well as pieces bought by the United Arab Emirates Ministry of Culture.

The institution's success -it welcomed 3.7 million visitors in this first five years- extended the initial 2037 Louvre brand licence until 2047. Exporting the Louvre brand allowed the institution to diversify its revenues and collect 224 million euros in royalties. The ten-year extension should bring an additional 165 million euros<sup>[7]</sup>.

---

7 Martine Robert, “Le Louvre vend sa marque à Abu Dhabi pour dix ans de plus”, *Les Échos*, article published on 05/12/2021.

Beyond its economic value, the agreement is an influence opportunity for France's universalist values. It is also a symbol of Abu Dhabi's opening, in line with Sheikh Zayed's legacy<sup>8</sup>. It also aligns with Emirates' ambition for top tier tourism. The French art de vivre, prized by the Emirati, can also be found on dinner plates. Michelin Star chefs Pierre Gagnaire and Yannick Alléno both opened gourmet restaurants in Dubai; and Paul Bocuse's Lyon institution is about to follow in their footsteps and open an establishment in Saadiyat, Abu Dhabi's Museum Island.

### Increasing exchanges and investments in all economy sectors

Commercial exchanges between France and the United Arab Emirates reached 6.9 billion euros in 2022 with a 2.3 billion euros excess. They almost doubled since 2020's "depression" and the Covid-19 crisis (3.9 billion euros). The Emirates are France's first clients in the Middle East and absorb 33% of the exports intended for that area (4.7 billion euros). The country is France's third supplier (12% of French import for 2.5 billion dollars) behind Saudi Arabia (39%) and Qatar (20%)<sup>9</sup>. Paris mainly imports refined oil products and aluminium. The hydrocarbon rate increase mechanically reduced France's trade surplus. The trend should remain the same in 2023. The UAE are France's fourth trade surplus in the world.

However positive, these figures can only approximate the bilateral exchange dynamism. The real flow is significantly more important because the foreign trade statistics, following the customs tariffs nomenclature, do not take service exchange flows into account - in banking for instance - or the many French subsidiaries' dividends. Similarly, armament exports are not counted.

---

8 *With the Louvre Abu Dhabi, as in many other fields, the Emirates were precursors in the region. The projects partly owes its success to the fact that Saudi Arabia decided to open itself to cultural tourism and reappropriated its pre-Islamic archaeological past. The Saudi also asked for France's expertise to showcase the Al-'Ula site. They entrusted it to an agency currently led by Jean-Yves Le Drian, former Defence Prime Minister and Foreign Affairs Minister, a Gulf connoisseur.*

9 « Émirats arabes unis : relations économiques bilatérales », note from the Abu Dhabi SER (Regional Economy Service (SER) / DG Trésor, published 10/10/2023.

Although France's market share tends to erode since the early 2000s - it has been cut by three<sup>[10]</sup> - Paris strengthened its spot as a major economic investor. The stock of French FDI amounted to 5,8 billion euros in 2021. They are stronger in Abu Dhabi than Dubai. This figure is the highest in the Middle East, but once again, it reflects only part of the extent of the French presence. Most investments by TotalEnergies do not count, as they were made via entities located in other countries (The Netherlands in this instance). They represent a minimum of 10 billion euros.

French companies durably set shop in all strategic sectors of the UAE's economy, and in the markets of luxury and cosmetics, the Abu Dhabi SER (Regional economic departments of the French Treasury) indicates. They are thought to have 600 subsidiaries and to employ at least 30,000 collaborators, thanks to the many regional headquarters in Dubai. The CCI France UAE estimates there are 1,200 companies in this market.

TotalEnergies remains the Emirates oldest and most important partner. In 2021, the company had a 280,000 BOE/day (barrel of oil equivalent) share and had been present in the country for more than 80 years. It is the number one foreign company. TotalEnergies created a multi-dimensional partnership with ADNOC to cover the entire energy chain. The company partnered with Masdar on solar activities and TAQA on desalination techniques and power production (the Taweelah complex supplies 10% of Abu Dhabi's water and electricity needs). Finally, infrastructure-wise, the French major and Mubadala bought 24.5% share of the Dolphin Energy pipeline and the two million cubic feet of gas it transports every day from Qatar to the Emirates and the Sultanate of Oman<sup>[11]</sup>.

Energy companies ENGIE and EDF also enjoy a solid implantation. In 2021, ENGIE committed in the 2GW "hydrogen hub" megaproject.<sup>[12]</sup> It produces 45% of the country's power, and EDF Renouvelables, along with Masdar and Jinco Power, are building and operating the

---

*10 According to Abu Dhabi SER, the French market share in 2021 amounted to 2.1%. It is lower than Germany's (4%), the United Kingdom's (2.7%) and Italy's (2.6%) in a ranking dominated by China (18%), the United States and India (tied at 7.5%).*

*11 "Émirats arabes unis : TotalEnergies et ADNOC renforcent leur alliance stratégique", TotalEnergies press release, 19/07/2022.*

*12 See infra, p28*

giant Al Dhafra solar farm. Veolia, world leader in water technologies, recycling and sustainable development will design one of the world's largest desalination plants in Abu Dhabi. Based on reverse osmosis, this 555,000 m<sup>3</sup>/day unit led by TAQA and Engie will supply drinkable water to 210,000 homes. It will start running in 2025, and its technology will allow an 80% energy gain compared to traditional processes. Most of the water consumed in the Emirates comes from the sea<sup>[13]</sup>.

In civil aviation, Etihad and even more so Emirates are Airbus clients of choice. The Dubai company fleet is made up of 50% Airbus A380. 97 planes (for a total of 123 acquisitions) are still in service. Dubai's airport state-of-the-art terminal 3 is exclusively dedicated to the local air carrier, and was designed specifically for the ultra-high capacity airliner. They also booked fifty A350-900, and the first will arrive in August 2024. Etihad exploits four A380, five A350 and nineteen A320. Thanks to the Dubai and Abu Dhabi hubs, the Emirates own the third most important fleet in the world. The Strata acquisition brought an aviation component manufacturer in a field considered of the utmost importance to the country's development. The Emirates also plan on exploring the potential of Sustainable Aviation Fuel (SAF), and Airbus and Masdar just signed an agreement to that effect<sup>[14]</sup>. Still in the transportation field, the Dubai metro is operated by Keolis (SNCF group).

French companies also have a strong hold in the hotel industry with Accor, first hotel operator in Dubai, and in mass-market retail with brands Géant Casino and Carrefour. Finally, the United Arab Emirates are an excellent market for luxury and cosmetics. In these fields, the French exports, increased by 41.8% in 2022, thanks to tourism's recovery. A significant part of these sales is made through Chalhoub, a group based in Dubai, present in a dozen countries and operating over 700 stores in the Middle East. Leather goods, make up and skincare products are the most popular among the local clientele.

---

<sup>13</sup> "Veolia va concevoir à Abu Dhabi l'une des plus grandes usines de dessalement au monde", Veolia press release, 14/06/2023.

<sup>14</sup> "Masdar et Airbus soutiennent le développement du marché mondial des carburants aéronautiques durables", WAM (Emirates News Agency), dispatch published 16/05/2023.



## 2. Opportunities to develop for French companies

### An ever more welcoming frame for expatriation and investments

In order to support their economy's development, their diversifying efforts and move upmarket, the United Arab Emirates intend to keep attracting the best talents and innovative entrepreneurs. The country set off a series of reforms and incentives designed to create a climate opportune to expatriation, completing an already tried and true package. In April 2022, the authorities announced a new residence visa law to attract investors and talents. It ensures an immediate Golden visa -a ten-year residence visa- to professionals and highly qualified scientists, as well as real estate investors able to justify they own 2 million dirhams in property<sup>[15]</sup>. This renewable ten-year visa applies to family members, spouses and children, with no age limit. It doesn't require a maximal duration for stays outside the UAE, and no employer is required.

Other residence permits were simplified and made more attractive. Retired people can ask for a five-year visa, other real estate owners, a two-year visa, and remote workers a one-year visa. In all these cases, no sponsor is required. Similarly, Green residence visas were created for free-lance workers and the studying visa regime was simplified. Family reunification is encouraged as the age-limit under resident sponsorship was extended from 18 to 25 years-old.

As CCI France UAE President and Chalhoub President chief of staff Geoffroy Bunetel explains: "The Emirates also aligned their weekend on the Occidental standard of Saturday and Sunday. There is a will to attract and keep the digital natives who flocked in -especially in Dubai- during the Covid-19 crisis, and who largely supported the residential real estate market. This young, creative, ultra-connected population can be a growth engine and an asset to the job market, where talent competition is fierce."<sup>[16]</sup>

---

<sup>15</sup> *Guide des Affaires Émirats arabes unis, published by Business France, and edited by Axel Baroux, November 2022.*

<sup>16</sup> *Interview with the author, October 2023.*

These measures are understandable in the context of the newfound rivalry with Saudi Arabia, that is also looking to attract talents and investors to carry out its economy transformation (Vision 2030) as swiftly as possible. “The Emirates are being challenged, of course”, a French-North African investor specialised in start-up support and living in Dubai, acknowledges. “They want to keep their first place in the run, but they are ten years ahead and they enjoy an incomparable quality of life. Saudi Arabia’s recent measures to force foreign companies wishing to enter their market to establish their regional headquarters there as of 2024 are crystallising attention. But they only impact companies submitting to public markets. They do not apply to the rest, and vast majority.”<sup>[17]</sup>

Other reforms were created towards investors and entrepreneurs, the most striking allowing foreigners to hold 100% of a company based in the Emirates. It lifted one of the country’s last barriers to entry. This liberalisation happened gradually between 2018 and 2021<sup>[18]</sup>. The economy is “fully normalised”, de facto aligning the mainland and free zones regimes. In the latter, associating with an Emirati shareholder had not been required for over fifteen years. The shift to full ownership is a signal and a stimulus for the private sector, whether national or foreign. It signals the end of the rentier economy and the advent of a fully competitive environment. It seems that the country was ready for the measure: it did not cause a stir.

In July 2023, Prime Minister Mohammed bin Rashid Al Maktoum announced the creation of a Ministry of Investment to impulse and coordinate reforms and improve procedure and legislation competitiveness. Once again, it speaks to the country’s refusal to be outdistanced and “guarantee that the Emirates remain a global destination for investments” while facing “the growing neighbouring competition in finance and tourism.”<sup>[19]</sup> The government is hopeful they will attract no less than 150 billion dollars in investments in the next ten years, and they are organising an annual international conference dedicated to investments, the Annual Investment Summit.

---

<sup>17</sup> Interview with the author, October 2023.

<sup>18</sup> *Guide des Affaires aux Émirats arabes unis*, op. cit.

<sup>19</sup> Élise Pacot, “Les Émirats arabes unis annoncent la création d’un ministère des Investissements”, *Atalayar.com*, article published 05/07/2023.

CCI France UAE President Geoffroy Bunetel trusts the Emirates' attractiveness: "The economy is not a zero-sum game. One should not think in terms of competition, but rather in terms of emulation. The Gulf States are intertwined. If Saudi Arabia develops and diversifies its activities, it will profit the Emirates as they are a regional hub and reexport a lot towards their Kingdom neighbour. This will create positive symbioses and additional opportunities for all players."<sup>[20]</sup>

## Mobilising the 'French Team' around great projects

During his most recent visit in Paris, Emirati Minister of Economy Abdulla bin Touq Al Marri declared he wanted to increase the exchanges with France to 15-20 billion dollars, nearly doubling today's levels<sup>[21]</sup>. An undoubtedly ambitious goal requiring to cross a new threshold in the two countries' bilateral relation and mobilise large companies on both sides. To get there, the two countries created the UAE-France High-Level Business Council. The first plenary meeting took place in Abu Dhabi on 30th January 2023 in the presence of French Minister of Economy and Finance Bruno Le Maire, and Minister of Industry and Advanced Technology and ADNOC President Sultan Al Jaber.

This high-level Business Council gathers ten businesses in each country. Its goal is to "significantly broaden and deepen the UAE-France economic ties by fast-tracking pragmatic and result-oriented programmes and initiatives with an initial focus on Energy, Clean Energy and Climate Action, Transport Logistics, Manufacturing, Technology, and bilateral Investments."<sup>[22]</sup> Its presidency was appointed to ADNOC leader Dr Sultan Al Jaber, and TotalEnergies CEO Patrick Pouyanné. To boost the dynamic, both companies committed to work together to reduce and in time eliminate extracting-related methane emissions.

"The idea behind this Council is to create a human interaction leverage tool between large companies in both countries", a French

---

<sup>20</sup> Interview with the author, October 2023.

<sup>21</sup> Pascal Airault, "Abdullah bin Touq al-Marri : « nous voulons atteindre 15 à 20 milliards de dollars d'échanges par an avec la France », L'Opinion, article published on 27/09/2023.

<sup>22</sup> "Le Conseil d'affaires de haut niveau UAE-France tient sa première réunion plénière", WAM (Emirates News Agency) dispatch, published 31/01/2023.

diplomat explains. “The cooperation and business flow were already intense but not all leaders knew one another well enough. This compact format can boost projects and generate others. France is perceived as an essential partner, and the UEA’s expectations are very high. France is seen as an “engineers Nation” behind great industrial successes like the TGV, Airbus, the nuclear park. It is also at the cutting edge of climate issues and decarbonation. The matter is another priority for the country, hosting the COP28 under the patronage of Sultan Al Jaber. French companies can go even further to assist the UAE’s economy transformation and diversification.”<sup>[23]</sup>

The Emirates want to double the size of their economy by 2031 by betting on large projects; and French groups that have a foot set in this market should try and seize all these opportunities. This is especially true of the energy sector, where ADNOC plans to allocate a 150 billion dollars investment envelope by 2027 to raise its energy production capacity, develop CO<sub>2</sub> capture and storage and change scales in the renewable energy sector. This is obviously true of low-emission hydrogen, of which the Emirates want to be an international leader. A 50-billion dollars envelope should be allocated to it, and ENGIE is already deeply involved in the project. Solar energy is another development direction, invested by EDF Renouvelables and the Al Dhafra plant, whose capacity should double by the end of the decade to supply the future hydrogen hub in clean energy. The Dubai Electricity and Water Authority (DEWA) planned a total investment of 50 million dirhams to develop the Mohammed Bin Rashid Al Maktoum Solar Park, the largest Independent Power Producer (IPP) project in the world. This decisive piece should allow the Emirate to reach carbon neutrality in 2050. With its 260-meter-high solar tower, it will generate 5,000 MW of electricity and reduce Dubai’s energy footprint by 6.5 million tons of CO<sub>2</sub>.

Energy waste repurposing is another strategic field to explore for the French expertise. Veolia Near & Middle East struck an alliance with Masdar and BEEAH Group, a sustainable development pioneer in the Middle East. The goal is to exploit Sharjah’s gigantic energy waste repurposing plant. The Emirates Waste to Energy project can process 300,000 tons of urban waste per year, allowing Sharjah to become the first Middle East city to eliminate and recycle 100% of its landfill waste. The whole field is growing rapidly in the Emirates.

---

<sup>23</sup> *Interview with the author, 2023.*

Transport infrastructures offer similar perspectives to French companies. In the harbour industry, an important renovation project is set to begin in Fujairah and a fourth terminal is about to be built in Abu Dhabi's Khalifa port. The Emirates already own eleven airports (seven international and four domestic), but intend to keep investing. ADP Ingénierie was selected to design and consult on the Sharjah airport extension. An international airport is to be built in Ajman. The most emblematic project is international airport Dubai Al Maktoum's (DWC) extension, and its 32 billion dollars investment to reach 220 million passengers and 16 million freight tons in 2050<sup>[24]</sup>. Rail is also undergoing a significant growth. National company Etihad Rail was created in 2009 and its goal is to connect the country's eleven main cities via a 1,200-kilometre high-speed railway network. In 2030, one of these lines will connect Abu Dhabi and Fujairah. Today, people mostly drive between the federal capital and Dubai, but at 200 km/h, the train will connect the two cities in 50 minutes. Alstom (rolling stock), Keolis (operations) and Thales (signage system) will showcase the French know-how. Last but not least, urban mobility. Etihad Rail is planning to develop tram lines in Abu Dhabi, where public transports are still undersized. In Dubai, a third metro line is on the agenda.

In 2018, the Emirates adopted the National Food Strategy, a global strategy to reduce their import dependence. This food security preoccupation was only strengthened by the Covid-19 crisis. In December 2021, Abu Dhabi and Paris signed a Memorandum of Understanding (MoU) to reinforce the Emirates production systems and avoid food waste. The ADQ sovereign fund massively invested in the Al Ain region (Abu Dhabi) to develop a farming centre as well as greenhouse cultivation. Dubai announced they were launching a Food Tech Valley to accentuate technical innovation, particularly in hydroponics. In this sector too, there is space and opportunity for French agrotechnology companies to shine.

## Opportunities for French entrepreneurs to seize

In September 2022, *The Economist* ran the headline "Boom Time in the Gulf". The cover showed a caravan driver and behind him, a landscape of sun-bathed dunes. Almost a cliché. But in the

---

<sup>24</sup> "L'aéroportuaire aux Émirats arabes unis", *Business France Note*, Autumn 2021.

background, the unmistakable Dubai skyline and Burj Khalifa<sup>[25]</sup>. Like the prestigious British weekly magazine, a reference for international decision makers, the economy is now fully aware of the Emirates and the Gulf potential. As previously discussed, large French groups did not wait the media buzz to thoroughly invest this market. The same does not go for medium companies, which tend to be more cautious. Not all of them have their German or Italian counterparts' fighting instinct, since those are more used to project far from their bases to find new growth areas.

In order to support its companies' international development, France created a dedicated support service, the Team France Export, structured around the Business France agency, Chambers of Commerce and Bpifrance. From the 24th floor of the Al Habtoor Business Tower in Dubai Marina, it assists 700 companies wishing to prospect the Emirati market every year. On 13-14 June 2023, Business France and the French Ministry of Economy organised the Vision Golfe fair in Paris. More than 700 participants gathered, of which half came from the Gulf. Over a hundred middle size French companies took part in the Beauty World Salon in Dubai. Support can also be found among a young and entrepreneurial French diaspora, estimated at 20,000-30,000 people (not all are registered with the Consulate). Two-thirds of all French people in the Emirates are under 40 years old. The other third, the "pioneer generation" were among the first to come to the Gulf, and enjoy a strong business network.

In order to help French companies take the plunge, the Emirates public and semipublic organisations are also deploying measures. In 2023, the Dubai International Chamber, one of the three chambers operating under the patronage of the Dubai Chamber of Commerce, inaugurated a new liaison bureau in Paris to stimulate commercial exchanges and investments with France. Over the first seven months of 2023, the number of new French companies registering with the Chamber reached 472, a 33% raise compared to the same period the previous year<sup>[26]</sup>. Created in 2019, the Abu Dhabi Investment Office (ADIO) has an office in Paris. "The ADIO is Invest France's equivalent, its goal is to promote Abu Dhabi as a destination and

---

25 "Boom Time in the Gulf, Winners from the World's Turmoil", *The Economist*, 24-30 September 2022.

26 "La Chambre Internationale de Dubaï renforce sa présence en Europe avec l'inauguration d'un nouveau bureau à Paris", *Wire press release*, 12/09/2023.

favour foreign implantations”, Parisian office head Guillaume Hallez explains. “The goal is not for companies to outsource in Abu Dhabi, but that they implant subsidiaries to develop locally and radiate in the region. Our mission is to help them settle there, give them advice and guide them in the free zones, and connect them to their field leaders in Abu Dhabi. We lighten their regulatory load as much as possible.”<sup>[27]</sup>

The creation of the ADIO and its corollary coincided with the Emirates reforming their corporate law. They instituted full ownership. Entrepreneurs no longer need to partner up with a local associate owning 51% of the company’s capital. A strong signal. Foreign companies are treated the same and enjoy the same support, same incentives and same preferential conditions when they develop an industrial project in dedicated zones, like the KIZAD (Khalifa Industrial Zone of Abu Dhabi). Support is available, and it can make all the difference. Then how come a lot of mid-sized companies hesitate to go for it? Some may not know such tools exist, hence the ADIO’s didactic effort.

According to Guillaume Hallez: “Innovative French companies tend to focus first on Europe when they go international, and the ‘American dream’ is still big with start-uppers. Unicorn founders do not always realise that the American market is very difficult, expensive and oftentimes saturated. On the other hand, Abu Dhabi and the Emirates allow to radiate on huge growing markets: India, West Africa, the Gulf States and the Arab world. You can safely reach 3 billion clients and stay in the same time zone.”

But things are changing. Finance, cryptocurrency and defence industry actors no longer need to be “evangelised” on Emirati opportunities. And other fields are getting the memo. CCI France UAE President Geoffroy Bunetel notices a growing interest in companies of all sizes: “China closing during the Covid-19 crisis, the Dubai Universal Exhibition, the Qatar World Cup success and the Gulf States’ vigorous economies changed put the region in a more favourable light. Like any market, the Emirati market is demanding, it requires implication. You have to be there and foster trust with your partners. But it is worth it!” Boom Time in the Gulf. Tomorrow’s strong positions are built today.

---

<sup>27</sup> Interview with the author, October 2023.





## CONCLUSION

### A laboratory for Arab modernity

The Arab world's gravity centre has shifted to the Gulf. Half a century after its creation by Sheikh Zayed bin Sultan Al Nahyan, the United Arab Emirates changed status and became an avant-garde, global power shining over the region and crystallising its desire for modernity. The transition to a tech-based knowledge economy comes with massive investments in the industries that will make tomorrow. Developing space technologies, artificial intelligence and betting on hydrogen is not mere media buzz or "communication stunts". These are disrupting investments. They belong to a cohesive, ambitious vision and are the result of well thought-out strategies. The Emirates' speedy decision-making and execution should question our Western societies' complex and fragmented governance.

We probably do not fully measure the Emirati transition's socioeconomic implications, or the impact it may have on their environment. The societies of the Gulf accept the fact that they are undergoing a transformation with foreign populations that are in the majority, but to whom they do not impose their way of life. For a long time, Dubai's social liberalism was thought to be the result of an "enclave effect", irreplicable and thus anecdotal. But it now appears to be gaining Abu Dhabi and the neighbouring countries, starting with the very conservative Saudi Arabia. The Gulf, once thought to be corseted in its traditions, might be emerging as an original synthesis, possibly one the most promising forms of Arab modernity -with Dubai and the Emirates as flagships. Such changes happening today in the birthplace of Islam won't fail to bring an array of positive outcomes to Europe.

The Emirates, now a part of the BRICS, are bound to play a geopolitical bridging role between blocks and civilisations. Their diplomatic and strategic agenda has gained autonomy. Their positioning as a "go-between" capable of conversing with all players, is a strength and a calling: they have become an interconnective hub in an ever-divided world.

As the Emirates' friends and allies, France and its companies are among the country's main foreign investors. They would do well to further strengthen their positions.

# CONTENTS

<b>Synthesis</b> .....	7
<b>Introduction: Playing in the Big League</b> .....	9
<b><i>Chapter 1: A unique trajectory in the Arab world</i></b> .....	15
<b>1. At the basis of the Emirati economic miracle</b> .....	16
Industrial diversification made possible by oil revenue	16
Business First, betting on limitless attractiveness	17
Dubai, from warehouse-city to globalised hub	20
<b>2. Evolution of the Federation's internal and external balance</b> .....	22
Abu Dhabi's political establishment and the birth of a nation	22
A new foreign policy axis after the 2011 Arab Springs	24
<b><i>Chapter 2: A global, resilient power</i></b> .....	27
<b>1. Macroeconomic fundamentals and financial power</b> .....	28
500 billion dollars GDP and well-oriented economic perspectives	28
Sovereign funds, growth catalysers and crisis absorbers	29
Abu Dhabi Global Market and Dubai Financial Market, attractive centres for Middle Eastern finance	31
<b>2. Nuclear, hydrogen, knowledge economy, space. New frontiers of development</b> .....	33
Nuclear power, hydrogen power, solar power: spearheading decarbonation	33
To Mars: how the Emirati space programme came to be in a decade	36
Knowledge economy, innovation clusters and start-up ecosystem	37
<b><i>Chapter 3: The Emirates and France, strengthening the partnership</i></b> .....	41
<b>1. A strong, diverse presence in the strategic field of the Emirati economy</b> .....	42
Diplomacy and defence: the Paris – Abu Dhabi axis	42
A cultural and educative cooperation, showcasing the French excellence and influence vector	44
Increasing exchanges and investments in all economy sectors	46

<b>2. Opportunities to develop for French companies</b> .....	<b>49</b>
An ever more welcoming frame for expatriation and investments	49
Mobilising the 'French Team' around great projects	51
Opportunities for French entrepreneurs to seize	53
<b>Conclusion: A laboratory for Arab modernity</b> —————	<b>57</b>



# STRATEGIC NOTES INSTITUT CHOISEUL

New series

*La pêche en France*  
Geoffrey Dhellemmes

*Le secteur privé et l'accueil collectif des jeunes enfants*  
Jean Spiri

*IA : et si on se mettait au travail ? L'exemple du retail*  
Briac Piriou

*Pour des entreprises françaises leaders de l'économie circulaire*  
Collectif

*Arabie saoudite 2.0*  
*Opportunités pour les entreprises françaises*  
Anne Gadel

*Cap sur un leadership inclusif*  
Collectif

*Au cœur du bien- vieillir.*  
*Sensibiliser, dépister, prioriser face à l'urgence cardiovasculaire*  
Paul Gadel

*Cap sur un leadership responsable*  
Collectif

*Du télétravail à l'open travail.*  
*Vers une organisation flexible et hybride*  
Christophe Harrigan

*Préserver notre industrie de défense*  
François Mattens

*Faire de la France une Solar Nation*  
Pascal Lorot

*Repenser la souveraineté.*  
*Briser la tragédie des horizons*  
Lorraine Tournyol du Clos



# INSTITUT CHOISEUL

Institut Choiseul is an independent and non-partisan think and do tank. It is dedicated to deciphering the major economic issues and to uniting the young economic generation.

To fuel public debate and embody current economic dynamics, Institut Choiseul produces Strategic Notes, occasional studies, and rankings of young leaders. To federate and animate its communities, it organizes high-level events combining convivial networking, testimonies of experts and practitioners as well as exchanges on prospective subjects, in different territories and across economic topics, in France, Europe and Africa.

At the crossroads between a business community and a think tank, Institut Choiseul offers a platform for private and public economic decision-makers to identify each other, network, promote their initiatives and reflect on the major economic trends of tomorrow.



## Institut Choiseul

12, rue Auber 75009 Paris, France

Phone : +33 (0)1 53 34 09 93

Email : [contact@choiseul.info](mailto:contact@choiseul.info)

[www.choiseul.info](http://www.choiseul.info)

[www.choiseul-france.com](http://www.choiseul-france.com)



@instchoiseul



Institut Choiseul

This Note cannot be sold.

Legal deposit : January 2024

ISBN : 978-2-4938-3915-2

Printed in France.

© Choiseul Associates 2024. All rights reserved.

INSTITUT  
**CHOISEUL**



9 782493 839152