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YEAR OF
ZAYED

"The Ruler should not have any barrier which separates him from his people."

Mr. Amer Ali, Executive Director of Dubai Maritime City Authority on the Launch of Dubai Maritime Cluster

How important is maritime logistics to the overall economy of the UAE? And what percentage of the GDP is it?

Maritime logistics plays a huge part in the steadily expanding national economy of the UAE, the second largest Arab economy. One of its important contributions is that it complements the UAE Government's economic diversification policy designed to reduce the country's reliance on oil revenues and prepare the country to a post-oil era. Take for instance in Dubai, where the maritime industry has made immense economic contributions. Hosting over 5,500 companies

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Iran 40 years later... not much to cheer

Tehran has squandered its resources and failed its own people, leading to a situation where there is not much hope for the beleaguered nation. And if it offers a forlorn future to its own people, no one should expect that it may give happiness to others

By HE Ali Al Ahmed, UAE Ambassador to Germany

At the lobby of the largest hotel in Tehran, Espinas Palace Hotel, the receptionist apologized to me: "I'm sorry sir, but we cannot accept any of your credit cards." That was years ago. Sensing the bewilderment on my face, he continued: "In Iran, we only pay in cash, because our country is not linked to the international credit card network." I looked at him, sympathetically, and thought, "There's a difference between deciding not to be linked to the network, and being forbidden to join it." However, I opted to stay silent, seeing that the employee was embarrassed for something he had no control over. It is also wiser not to express such views when you are in Tehran.

My hardship continued, because the ATMs did not work and I was unable to withdraw money from my bank account, for the same reason that Iran is not linked to banks abroad. When you travel to Iran, you have to bring foreign currency along. This is the current reality of Iran, based on my experience. Many others like me are perhaps wondering what is Iran waiting for, and what does the future look like for the country? It is not a question of whether the regime stays or leaves. The pressing question is: what are the outcomes of Iran's policy on its economy and its components, such as unemployment, inflation, corruption, growth, investment opportunities and others?

Will foreign investors come to Iran, knowing the magnitude of associated risks? Is investment and access to the Iranian market profitable and worth the risk?

Following Iran's dismissal from the global financial system, the answer to these questions can be extracted from two sources. The first are credit rating reports of countries from global ratings firms — P+S, Moody's and Fitch — based on credit capacity and financial strength. Surprisingly, Iran is not included in the list. It is actually considered the most dangerous place to invest due to the absence of legislations and laws that protect foreign capital.

The second source is a report on countries and risks, issued by the reputable Economist. It points out that the United States' withdrawal from the nuclear agreement between Iran and the P5+1 (US, Britain, France, Russia, China plus Germany) is expected to lead to a collapse in investments and total decline in Iran's oil exports. It will also result in difficulties in receiving financing, leading to the government not being able to pay off its foreign debts.

The banking sector is the one that suffers the most due to a government deficit. Assets of Iranian banks weaken the rate of unsecured debts and the intervention of influential politicians will hinder the banks' capabilities to give out loans. When banks are unable to provide loans, they will be unable to contribute to economic growth or adopt any commercial opportunities.

The report points out that the Iranian government will change its economic policies to focus more on China and India to alleviate the economic pressure arising from the US withdrawal. Moreover, European companies are afraid of entering the Iranian market due to the sanctions imposed by the US since Donald Trump was elected President.

Barter option

In order to avoid using the US dollar, the deals signed between Iran and China or India might be based on a barter deal. This means that the Chinese or Indians can purchase Iranian oil and export other Chinese and Indian products that can be equivalent to the oil's cost.

In addition, the Iranian government might resort to returning to its previous experience of relying on local industries and products due to the Iranian market's inability to attract foreign investors. It might also depend on retaining investors who have now fled the Iranian market. The dreams of those investors have evaporated as reality dawned that the market is not worth the risk.

“Even if we expect that the Iranian market will increase its efficiency, trying to reach self-sufficiency depending on local Iranian products, the purchasing power of individuals will shrink considerably under these projected inflation rates.”

HE Ali Al Ahmed,
UAE Ambassador to Germany

As for Iranian President Hassan Rouhani, the report states that his position is weakening due to his failure to bring in foreign investments or implement private projects that he had announced. He was also not able to curtail the role of the Revolutionary Guards or minimize their influence.

Another question that presents itself here is: Who will buy Iranian oil? Iran's average production is 2.5 million barrels per day. Right after the US announced its withdrawal from the nuclear agreement, the demand for Iranian oil dropped to 600,000 barrels — the share of the European Union (EU). After all, the EU has alternatives when it comes to importing oil.

Japan and South Korea are two of the biggest importers of Iranian oil, and they have also reduced their dependence on Iran as a source. South Korea's oil imports from Iran dropped by 40 per

cent in July this year. Meanwhile, China and India import 1.3 million oil barrels per day from Iran, more than half of Iran's daily production. Those are deals that Iran relies on for survival. The report pointed out that India is currently negotiating with the US as it considers cutting its current oil imports from Iran by 50 per cent.

In response, Iran lowered its prices to attract buyers, offering a 95-cent discount for every barrel.

In light of these conditions, the Economist's experts are expecting that Iran will not be able to sell more than 1.7 million barrels of oil per day, compared to the 2.5 million barrels it was selling before the US pulled out of the nuclear deal. The Iranian oil is there, and the ones who are willing to risk buying it are few, because President Trump is on the lookout.

Experts note that a majority of insurance companies avoid insuring the transportation of Iranian oil, regardless of its destination. This means more risks, and therefore a further decline in demand. The report clarifies that the failures of Rouhani's economic plan did not start recently, but rather a year ago when the Iranian government, influenced by angry Iranian protesters, backed away from implementing plans to cut fuel subsidies by 50 per cent, a move that was approved by the Iranian parliament. The subsidies were then restored by the government.

Another failed experiment was the government backing away from the implementation of new taxes in the wake of the deteriorating economy and expected shrinkage of the Iranian national income, according to the same report.

Pertinently, the Rouhani government finds itself in an unenviable position, and most indicators show that the Iranian economy will continue to con-

tract. The government will not be able to convince foreign investors to invest in Iran, or even keep investors that it signed deals with.

Notably, inflation and exchange rate are the two other economic factors that constitute the biggest drivers in society. In July this year, inflation rate in Iran reached 18 per cent. The Economist expects that the average inflation rate will average at 16.41 in 2019 and 2020.

Shrinking purchasing power

Even if we expect that the Iranian market will increase its efficiency, trying to reach self-sufficiency depending on local Iranian products, the purchasing power of individuals will shrink considerably under these projected inflation rates. The report notes there is a big gap in the exchange rate of the Iranian rial in the market and the official rate claimed by the Tehran government. This poses a direct threat that may lead to the collapse of the Iranian currency, and there are several historical testaments.

The collapse of the currency would force rich Iranians to replace their Iranian money with another currency. No one will be able to calculate his or her wealth in Iranian rails. Whenever a state loses control over its currency, it loses a significant part of its sovereignty. The collapse of the Iranian currency may erode trust in the currency, because Iranian citizens will see their assets and savings vanishing due to no fault of theirs. Perhaps their only fault is to believe in their government.

The truth is that Tehran does not have the fundamentals for economic stability, and the government's policy does not provide a decent life for its people. As statistics speak louder than words, 40 per cent of Iran's population now lives below the poverty line, while the unemployment rate among Iranian youth has reached 30 per cent.

According to international statistics, the world's largest percentage of drug addicts is in Iran. This is the reality of

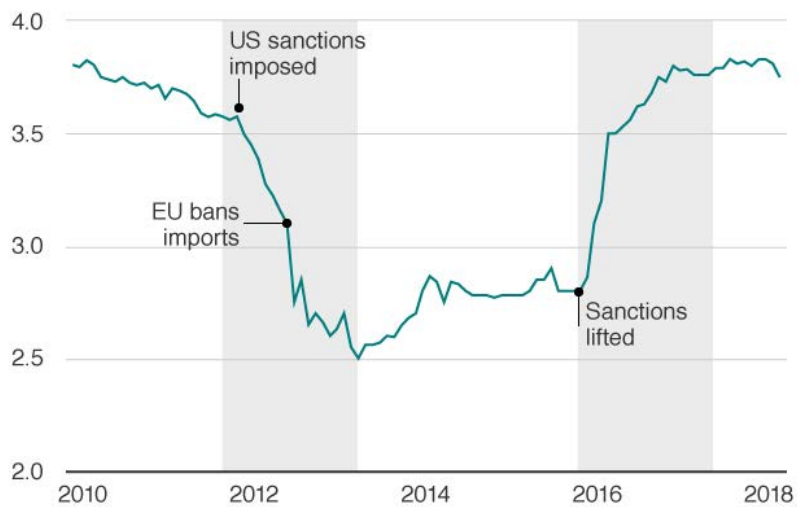
a country that holds the fourth-largest crude oil reserves in the world.

Logically, if Tehran offers a forlorn future to its own people, no one should expect that it may give happiness to

others. In 2019, the Iranian regime will celebrate the 40th anniversary of its so-called Islamic revolution. In reality, there is not much to cheer.

Iran's oil output

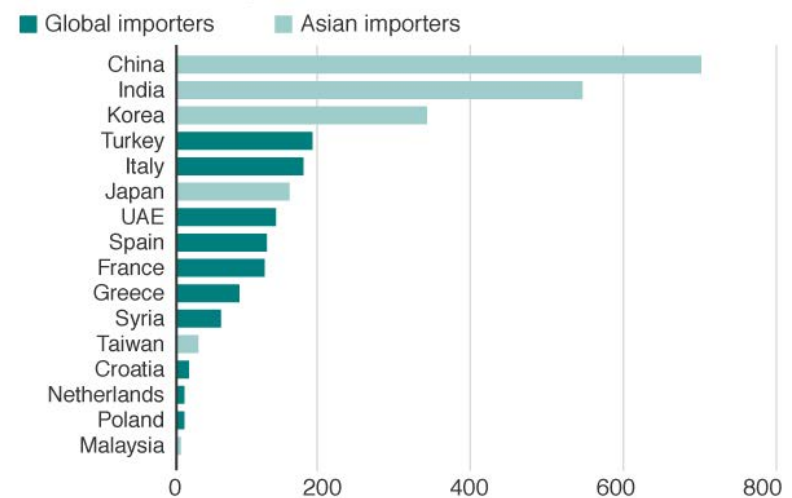
Production in millions of barrels per day



Source: Central Bank of the Islamic Republic of Iran, IATBXOIL index

Iran's biggest customers

Average exports in thousands of barrels per day from November 2017 to April 2018



Source: Bloomberg

NASA, UAE Space Agency Sign Historic Implementing Arrangement for Cooperation in Human Spaceflight

NASA and the UAE Space Agency (UAESA) signed an Implementing Arrangement (IA) Monday, Oct. 1, that outlines cooperation across a range of areas related to space exploration and human spaceflight. The document was signed by H.E. Dr. Ahmad Belhoul Al Falasi, Minister of State for Higher Education and Advanced Skills, and Chairman of the UAE Space Agency, and NASA Administrator Jim Bridenstine during a ceremony at the 69th International Astronautical Congress, held in Bremen, Germany Oct. 1-5.

The IA falls under the overarching Framework Agreement signed between the UAESA and NASA in June 2016, which established a framework for areas of cooperation in ground-based research; sub-orbital research; research and flight activities in low-Earth orbit (LEO); and human and robotic exploration in the vicinity of the moon, on the lunar surface, and beyond.

Bridenstine said, "As NASA builds cooperation for the return of humans to the Moon for long-term exploration and utilization, we welcome the opportunity to expand our partnership with the UAE Space Agency as it builds its

significant capabilities on Earth, in low-Earth orbit, and beyond. UAE is currently working with U.S. universities to build an orbiter "Hope", to launch in 2020 and reach Mars in 2021. I'm delighted to sign this agreement signifying our deepening relationship as we move forward into the next phase of exploration."

The new IA enables the training arrangements for UAE astronauts to be discussed. It also provides further opportunities for the UAE to utilize the International Space Station (ISS), and for the UAE Space Agency to contribute to lunar exploration.

H.E. Al Falasi added, "Our national space sector has reached a highly advanced stage, particularly with regards to the opportunities and expertise prevalent throughout. By advancing our international cooperation in space, we aim to further develop these local capacities through more sophisticated space missions and drive the growth of the national space sector.

"The signing of this agreement reflects the UAE Space Agency's commitment to further strengthening partnerships

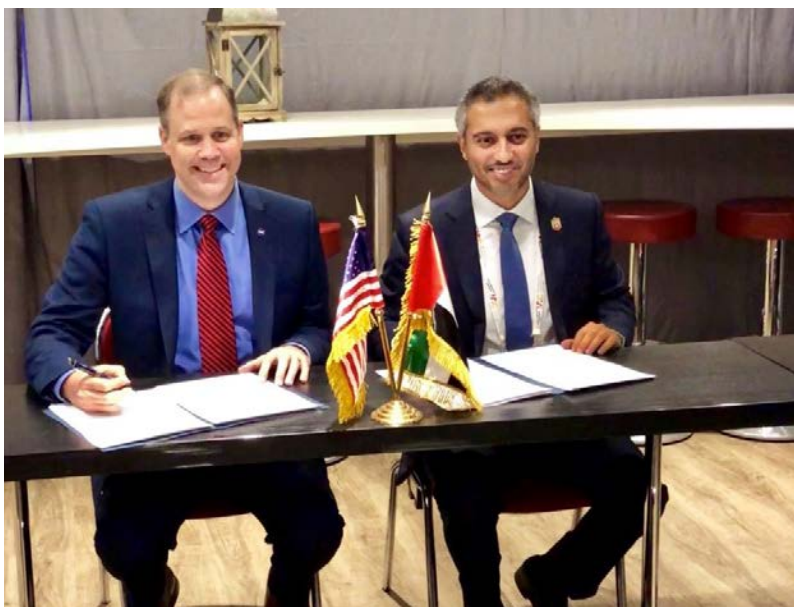
with the most important space agencies around the world, with a shared aspiration to launch space exploration projects that benefit humanity in its entirety. It is also in line with the UAE's objectives of bolstering its presence within the global space sector," he added.

The IA also outlines opportunities for ground based research projects at the UAE's Mars Scientific City in collaboration with the Mohammed Bin Rashid Space Centre (MBRSC), a landmark research and development facility that aims to simulate conditions on the Red Planet and is set to launch in 2020.

As part of the agreement, and in collaboration with MBRSC, the UAE Space Agency and NASA will explore the feasibility of conducting field studies and research in space biology, physical sciences and human research at the City. The projects will aim to make use of Mars Scientific City and the NASA Human Research Analog, a unique facility dedicated to investigating the effects of spaceflight on human beings.

H.E. Dr. Mohammed Al Ahbabi, Director General of the UAE Space Agency, said "The document we signed yesterday represents another major milestone in our vision to become a leading space-faring nation, offering the opportunity for knowledge sharing and close collaboration with NASA in regards to our astronaut program. With the first Emirati astronaut set to board the ISS in April 2019, this agreement with NASA will allow MBRSC and the UAE Space Agency to further build on our human spaceflight experiences."

The next IAC will be held in Washington in 2019, and last year, the UAE was selected to host IAC 2020 in Dubai, coinciding with the launch of the region's first interplanetary mission, the Mars "Hope" Probe. Set to enter Martian orbit in 2021, the Emirates Mars Mission will gather data on the Red Planet's atmosphere before sharing important information with the global scientific community.



ECONOMIC OUTLOOK

UAE economy to grow 3.7% next year, says IMF

The UAE's fiscal deficit is expected to remain stable at about 1.6 percent of GDP this year, and return to a surplus. The current account surplus will exceed 7 percent of GDP this year. Economic growth in the UAE is expected to strengthen over the course of the next several years on higher oil prices and increased government spending, according to the International Monetary Fund.

"The UAE economy continues to adjust to a prolonged decline in oil prices since 2014," said Natalia Tamirisa, who led an IMF team mission in the UAE between September 16 and 30. "Non-oil activity remains subdued amid continued corporate restructuring, real estate overhang, and tightening financial conditions."

With oil production and government spending set to braise, the IMF forecasts overall growth at 2.9 percent this year and 3.7 percent next year, while inflation is projected at 3.5 percent this year due to the implementation of VAT and is expected to ease afterwards. The UAE's fiscal deficit is expected to remain stable at about 1.6 percent of GDP this year, and return to a surplus. The current account surplus will exceed 7 percent of GDP this year.

"Given large fiscal buffers, ample spare capacity, and rising investment needs for Expo 2020, the government has appropriately switched to providing stimulus to the economy," Tamirisa said. "Front-loading stimulus measures and focusing them on productive spending, consistent with the Vision 2021 goals of diversifying the economy and raising productivity, would augment their impact on growth."

Over the medium term, as oil prices soften the IMF believes the UAE will return to the path of "gradual fiscal consolidation" to help save an adequate portion of exhaustible oil income for future generations.

STATE FINANCE

UAE approves \$16.4bn budget for 2019 with no deficit

The UAE approved a budget of \$16.4bn (AED60.3bn) for 2019, an increase of 18

percent on last year. The UAE cabinet said 42.3 percent of the budget for the next year was allocated to the community development programs, 17 percent to the education system and 7.3 percent to develop the health sector and provide medical services. The UAE also approved a \$49 billion (AED-180bn) budget for the next three years, with a significant portion amount going towards education and social development. UAE Prime Minister Sheikh Mohammed said 59% of the three-year budget would be allocated to education and social development. "Citizens are our top priority. We have allocated the bulk of the budget to ensure its prosperity, health, education and security," he said.

The UAE cabinet also approved a Federal Law regulating space sector, which Sheikh Mohammed said would "open the sector for investments, research and cooperation" from the private sector.

Dubai's FDI rose 26% in first half of 2018

Foreign direct investment (FDI) into Dubai rose 26 percent - \$4.84 billion - in H1 2018 compared to the same time period last year, according to new data from the Dubai Investment Development Agency (Dubai FDI), an agency of the Department of Economic Development (DED).

The statistics show that the number of FDI projects in Dubai rose to 248, a 40 percent increase over the same time period last year. "The rise in FDI capital and projects reinforces Dubai's leading position as the preferred global location for global businesses and start-ups pursuing growth and expansion and clearly reflects investor confidence in Dubai's economy," said Sheikh Hamdan, Crown Prince of Dubai and chairman of the Dubai Executive Council.

According to the Financial Times - fDi Markets, Dubai ranks third globally in the number of green-field FDI projects, which accounted for 64 percent of total FDI projects in H1 2018.

Of the total FDI projects during the course of the half year, 43 percent are using high and medium technology, according to the classification universally adopted by the Organisation for Economic Co-operation and Development (OECD). 'Strategic projects' accounted for 56 percent of total investment projects that Dubai attracted.

"FDI flows in the first half of 2018 reaffirm the sustained growth of Dubai economy,

and the diversity, competitiveness and attractiveness of the emirate," said Sami Al Qamzi, the DED's director general. Additionally, FDI growth in 'advanced technology' led to Dubai being ranked third globally in FDI technology transfer, and third after Singapore and Shanghai among the top 25 destinations in the world when it comes to attracting FDI in AI and robotics, according to the Financial Times - FDI Benchmark.

UAE PRIVATE SECTOR

Domestic appliance giant Miele sees 200% growth in the UAE

The German company, which launched a new Miele Experience Centre in Dubai, said it expects to see a further spike in its business by 2020. Premium domestic appliances manufacturer Miele has seen a 200 percent increase in its business in the UAE in the last five years, the company said.

The German company, which launched a new Miele Experience Centre in Dubai, said it expects to see a further spike in its business by 2020. The custom-designed Miele Experience Centre, located on the Sheikh Zayed Road in Umm Al Sheif, features its largest display of appliances in the Middle East with more than 140 premium products. In addition to the interactive experiences, the centre features in-house chef Francesca Busso, who will be on-site and offer daily live demonstrations using Miele appliances.

Customers will also have the opportunity to join complimentary cooking classes and enjoy recipes from the Miele kitchen. "We are proud to open our newest Experience Centre in Dubai and bring such a broad range of products to this significant market," said Stavros Politis, managing director of Miele UAE. "Having outfitted some of the world's most prestigious locations and iconic landmarks across the UAE, including the Burj Khalifa, Palazzo Versace, Mohammed Bin Rashid Al Maktoum City and residences in Emirates Hills, Dubai remains a trendsetter for the Middle East's luxury market and we look forward to introducing more of our award-winning products into this market."

The fourth-generation family-owned company, Miele has been operating for more than 119 years, has over 20,100 staff and an annual turnover of € 4.1 billion (2017/18 financial year), with year-on-year increase of 4.3%.

Mr. Amer Ali, Executive Director of Dubai Maritime City Authority

performing over 13,000 marine-based activities, Dubai's maritime industry went up by 25 per cent from 2011 to 2015 and now accounts for seven per cent of the emirate's gross domestic product (GDP). Moreover, over 76,000 maritime jobs now support Dubai's steadily growing economy. This confirms Dubai's continuing success in becoming one of the most globally competitive, distinguished, and comprehensive maritime centers in the world. In 2015 alone, the sector's contribution to Dubai's GDP was at AED 26.9 billion or 7 per cent of the total. Shipping had the largest share, followed by ports, maritime engineering, and maritime support services.

Could you please elaborate on the crucial role the DMCA plays in making Dubai one of the top 5 most competitive maritime centers on the world?

The DMCA was established to transform Dubai's maritime community into one of the world's best. As such, we have formed strategic partnerships with some of the world's leading global maritime clusters as well as various government and private sector entities to position the emirate as one of the globe's top maritime hubs and to create an investment-friendly and attractive environment for a sustainable industry growth.

Additionally, we are continuously working towards improving technology-driven maritime services in support of the efforts of our wise leaders to build a sustainable and knowledge- and innovation-driven economy. By offering the latest smart services, we are not only bringing happiness to the community, but we are also helping establish a well-connected and integrated city. Moreover, the DMCA has made significant progress towards improving the maritime infrastructure and introducing new regulations and legislations to ensure the highest levels of operational efficiency and safety within local waters. Some of these initiatives are; the UAE Maritime Week and Dubai Maritime Summit (DMS), both of which are aimed at strengthening Dubai's position as an international center for maritime excellence and innovation; and Innovation Quay, and Dubai Maritime Virtual Cluster (DMVC), all of which are promoting creativity and innovation in the maritime sector to boost the smart transformation efforts.

We have marked key milestones in our initiatives to make Dubai one of the top five most competitive maritime centers in the world. Dubai's maritime services, operations, and logistics services are now widely recognized around the world, as well as its excellence, quality, and inclusiveness in terms of shipping services, ports, and overall logistics.

Could you please elaborate on what is the aim of the newly launched Dubai Maritime Virtual Cluster and how will the initiative help grow FDI in the maritime sector?

The DMVC initiative is in line with our efforts to enhance the competitiveness and attractiveness of the local maritime sector. It promotes Dubai on the global stage by advancing its four main pillars of maritime clustering development, empowering the sector, spreading awareness, and encouraging participation.

The DMVC has been rolled out to enhance Dubai's competitiveness, inclusiveness, and excellence, as well as attract foreign investments to increase the industry's economic share in support of Dubai's transformation into a pivotal global economic hub. Adopting an innovative method, it aims to promote research and development (R&D), innovation, training, and best international maritime practices, in addition to facilitating the international maritime players' access to world-class local maritime services. Also, it seeks to enhance investor confidence in Dubai at the regional and global levels, as well as strengthen the maritime sector's role as a vital economic contributor to Dubai's economic diversification plan in preparation for a post-oil future.

The launch of DMVC's informative and interactive platform complements the national efforts aimed at making Dubai the world's smartest and happiest city. The platform helps investors and stakeholders to gain reliable information on services, initiatives and competitive advantages offered by Dubai, which has established its leading position on the global economic, commercial and maritime sector.

Imprint

Publisher

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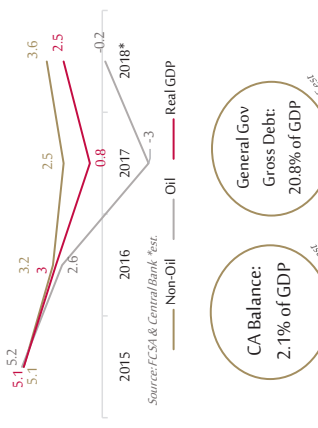
UAE Monthly Dashboard

September 2018

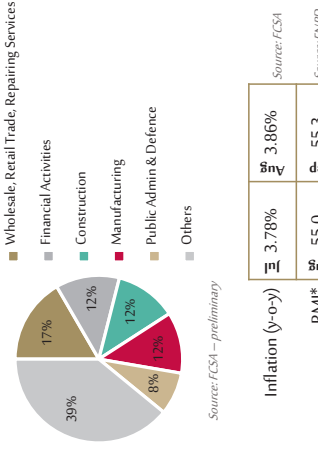
Nominal GDP (\$bn)



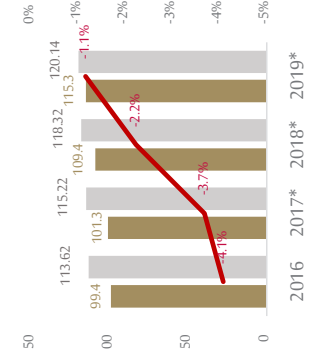
Real GDP Growth %



Share of Non-Oil GDP 2017



Fiscal Balance* \$bn



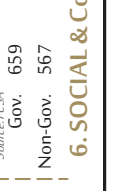
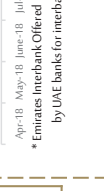
CA Balance: 2.1% of GDP



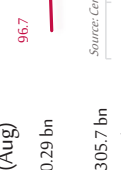
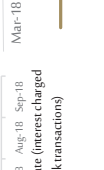
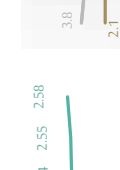
1. MACROECONOMIC



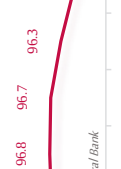
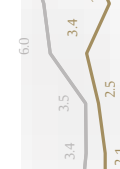
2. MONETARY & BANKING



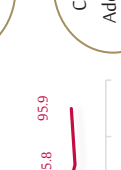
3. FDI INFLOWS & OUTFLWS



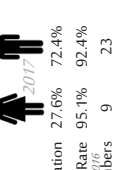
4. FINANCIAL MARKETS



5. HOUSING & TOURISM



6. SOCIAL & COMPETITIVENESS



UAE Monthly Dashboard

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