

# The United Arab Emirates: A global hub for future industries





The United Arab Emirates (UAE) holds a significant position in the Arab world and ranked 27th globally<sup>1</sup> in the United Nations Industrial Development Organization's (UNIDO) Competitive Industrial Performance Index in 2022. This index evaluates the industrial performance of 153 countries, assessing their capacity to produce and export goods competitively. The UAE's various strategies and programs,<sup>2</sup> such as the flagship "Make it in the Emirates" campaign, the National In-Country Value (ICV) Program, and the National Program to Transform Technology, have played a pivotal role in driving the growth of the manufacturing sector. These efforts have enhanced support and incentives for both local and international investors, helping to diversify the economy and reduce dependence on oil.

Launched in 2021, Operation 300bn aims to elevate the industrial sector's role in the UAE economy, with a target of increasing its contribution to Gross Domestic Product (GDP) from AED133 billion in 2021 to AED300 billion<sup>2</sup> by 2031. The initiative focuses on establishing an attractive business environment for both local and international investors, fostering the growth of national industries, and enhancing global competitiveness. By positioning the country as a global hub for future industries, Operation 300bn seeks to boost exports and expand the UAE's presence in international markets.

In parallel, Abu Dhabi's Industrial Strategy,<sup>3</sup> backed by six transformational programs targeting the circular economy, talent development, ecosystem growth, and value chain enhancement, aims to double the manufacturing sector's size to AED172 billion. The strategy also targets the creation of 13,600 skilled jobs and a 143% increase in Abu Dhabi's non-oil exports, reaching AED179 billion by 2031.

Priority sectors

The UAE's manufacturing localization strategy prioritizes value-added sectors,<sup>4</sup> including food and beverage (processed foods, dairy, and beverages),

pharmaceuticals, chemicals (basic chemicals, petrochemicals, and specialty chemicals), electrical equipment and electronics, machinery and equipment, and hydrogen, among others. Other sectors are also being increasingly emphasized to advance the country's decarbonization goals following the 28th Conference of the Parties (COP28). Low-carbon technologies, such as solar PV manufacturing, are being actively pursued.<sup>5</sup>

By targeting these sectors, the UAE aims to build a more diversified and sustainable economy, reducing reliance on imported goods while also creating jobs for both nationals and residents. A parallel objective of this strategy is to also attract foreign players to establish a manufacturing presence in selected sectors, positioning the UAE as a base outside of traditional markets that are subject to ongoing trade difficulties or high regulations.

Why localize in the Emirates?

As one of the world's top 20 economies, the UAE has secured a leading position in foreign direct investment (FDI) inflows within the region. The World Investment Report 2024 by the United Nations Conference on Trade and Development reported that FDI flows into the UAE reached approximately US\$30.69 billion in 2023, up from US\$22.74 billion in 2022, placing the UAE second globally in FDI inflows.<sup>6</sup>

The UAE's status as a premier business hub is underscored by the influx of international companies due to the country's overall value proposition and central position in high-growth markets. In 2022, the Dubai Multi Commodities Center (DMCC) welcomed 665 new companies, marking its best first quarter in over 20 years, with significant registrations from China, India, the United Kingdom, Germany, and France.<sup>7</sup> By 2023, the DMCC's total number of companies exceeded 24,000.<sup>8</sup> Similarly, the Jebel Ali Free Zone supports nearly 800 manufacturing firms with tailored infrastructure, excellent logistics, and over 100 customized projects.<sup>9</sup>

The UAE's robust and stable economy, along with its growing population, makes it an attractive destination for investors. Its strategic location at the crossroads of Europe, Asia, and Africa, offers seamless connectivity to global markets, which enables efficient distribution of products to a wide range of customers and end-users. Further, the UAE's strong logistics and infrastructure, absence of trade sanctions, and a growing number of free trade agreements with streamlined, duty-free access to Gulf Cooperation Council (GCC) and Middle East and North Africa (MENA) markets, make it an attractive location for establishing manufacturing bases. This favorable trade environment, combined with the ease of obtaining commercial and industrial licenses and access to world-class services and amenities, encourages international investment and expansion.

The government continues to promote the UAE as a reliable partner through a range of initiatives designed to expand industries locally and attract foreign direct investment (FDI). These initiatives include revised tax rates, streamlined procedures, and world-class infrastructure. As such, several industrial clusters have been successfully launched, including TA'ZIZ<sup>10</sup>, KEZAD<sup>11</sup> (Khalifa Economic Zones Abu Dhabi), and Tawazun Industrial Park<sup>12</sup>:

-  TA'ZIZ is a flagship initiative by the Abu Dhabi National Oil Company (ADNOC) and Abu Dhabi Developmental Holding Company (ADQ), aimed at establishing a large chemical production cluster, creating new revenue streams and opportunities for local manufacturers.

-  KEZAD was launched by Abu Dhabi Ports Group in 2022. It serves over 1,750 clients across 17 industrial and economic sectors, including pharmaceuticals, metals, automotive, food and agriculture technology (agtech), retail and logistics, hi-tech, green energy,

and specialty chemicals. It provides comprehensive access to industry and economic verticals, from processing and storage to distribution.

-  The Tawazun Industrial Park in Abu Dhabi is a specialized free zone for the military and security sector, focusing on defense and security industries, including electronics, technology, and automotive. It serves as a regional hub, offering a world-class industrial park with numerous benefits, flexible space, and a supportive work environment. Investors also enjoy duty-free access to GCC and MENA markets through the UAE's free trade agreements.

Entry routes to the UAE market

The UAE's ambitious manufacturing localization strategy presents several opportunities for foreign investors. There are several market entry strategies that investors can leverage to establish a presence in the UAE, including partnerships with local companies, accessing sovereign wealth funds, or investing capital onshore. Furthermore, investors can explore free zones to benefit from tax incentives and streamlined regulations. Merger and acquisition (M&A) activity through acquiring an existing UAE-based manufacturing company is also a common strategy, enabling investors to gain an immediate foothold and access to assets, customers, and talent. Lastly, greenfield investments, which exceeded US\$15 billion in 2023<sup>13</sup> (a 36% increase compared to 2022), are a popular option, allowing for tailored operations and long-term value creation.

By carefully considering these strategies, foreign investors can navigate the UAE's manufacturing landscape, benefit from familiar legal systems (especially in free zones), and contribute to the country's economic diversification and continued development.

Future outlook

The UAE has demonstrated remarkable resilience, both during the COVID-19 pandemic and amid the current geopolitical instability in the Middle East. FDI inflows are expected to continue growing, assuming no further regional instability, with a target of meeting the government's ambition of US\$150 billion in FDI by 2031.<sup>14</sup> As a result, the UAE remains an attractive location for many, with its dynamic business ecosystem appealing to international players looking to tap into one of the world's fastest growing regions - one with ambitious plans to transform and lead across several sectors. ●

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Endnotes

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