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CHALLENGES AND STRATEGIES OF ATTRACTING FOREIGN DIRECT INVESTMENT IN THE UNITED ARAB EMIRATES

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Abstract: *Foreign Direct Investment has always been fuel to accelerate the engines of economic development and growth of any economy and United Arab Emirates being no exception. The Government of United Arab Emirates has been in the forefront in promoting and sustaining Foreign Direct Investment. This could be attributed to the gap in the technology of manufacturing and various other factors. UAE has demonstrated the urge and need for FDI. Inward foreign direct investment is important in building a sustainable and diversified economy of UAE. The UAE's stock of inward FDI grew at an average annual growth rate of 49 per cent from $1.1 billion, constituting 1.5 per cent of GDP in 2000 to $85.4 billion, constituting 23.7 per cent of GDP in 2011. Many foreign multinational enterprises have established their affiliates in UAE however; the recent global crisis has significantly reduced inward foreign direct investment flows. Present paper purports to analyze the emerging trends in inward FDI in UAE and its policy context. It also aims to examine the outward FDI inflows from Asian countries particularly from India to UAE.*

Keywords: *Foreign direct Investment, economic grown and development.*

INTRODUCTION

Investment in a country by individuals and organizations from other countries is an important aspect of international finance. This may take form of portfolio investment or direct investment. Foreign Direct Investment (FDI) is the outcome of the mutual interest of the multinational firms and host countries. The wave of liberalization and globalization sweeping across the world has opened many national markets for international business. Global private investment, in most part, is new made by transnational corporations (TNCs) also referred to as multinational companies (MNCs). These transnational organizations play a major role in world trade and investment because of their demonstrated management skills, technology, financial resources and related advantages. Recent developments in the global market are indicative of the rapidly growing international business in terms of both market size and geographical diversification.

FDI provides financial resources for investment in the host country and thereby augments the domestic savings. Another contribution of FDI is that it provides the much needed foreign exchange to help bridge the balance of trade deficits. In the wake of the debt crisis, FDI has come to be viewed as an increasingly important source of external finance for developing countries. FDI also raises the technological standards and levels of efficiency and competitiveness of the host country. FDI brings with it complementary assets such as technology, management, and organizational competence and there are spillover effects of these assets on the economy. Foreign owned company comes into competition with the local forms, the latter category of enterprises are forced to improve their technology and standards of product quality. Moreover, a foreign owned enterprise pressurizes and assists the local related and support industries to improve the quality of their products and ensure greater reliability of delivery. Another benefit of FDI is that it helps the host country improve its export performance. By raising the level of efficiency and the standards of product quality, FDI makes a positive impact on the host country's export competitiveness. Because of international linkages of MNCs, FDI provides to the host country better access to foreign markets. Foreign Direct Investment brings in investable resources to host countries, introduces modern technologies and provides access to export markets. The transnational companies are the driving force behind foreign direct investment. They have large internal markets, access to which is available only to affiliates. They also control large markets in unrelated parties having established brand names and distribution channels spread over several national locations. They can influence granting of trade privileges in their home markets. Thus, they enjoy considerable advantages in creating an initial export base for new entrants.

FDI is considered to be the life blood and an important vehicle of for economic development as far as the developing nations are concerned. The important effect of FDI is its contribution to the growth of the economy. FDI has an important impact on country's trade balance, increasing labour standards and skills, transfer of technology and innovative ideas, skills and the general business climate. FDI also provides opportunity for technological transfer and up gradation, access to global managerial skills and practices, optimal utilization of human capabilities and natural resources, making industry internationally competitive, opening up export markets, access to international quality goods and services and augmenting employment opportunities.

POLICY PERSPECTIVE

United Arab Emirates is one of the members of Gulf Cooperation Council Countries and one of the members of OPEC. The UAE is composed of seven emirates viz., Abu Dhabi, Dubai, Sharjah, Azman, Umm AL Quwain, Fujairah and Ras AL Khaimath. According to World Economic Forum Global Competitive-2008-09 Report, UAE ranked 31st among 134 countries in terms of national competitiveness. UAE is the 5th largest oil producing nation however; its dependency on oil has decreased to less than 40 per cent (UAE Interact, 2008). It has the largest invested sovereign wealth funds according to IMF (de Ramos, 2008; IMF, 2008). Its diversified global strategies and huge investments in unique infrastructure projects have made UAE a hub in this region not only for trade and logistics, but also tourism (Balakrishnan, 2008). Inspite of world recession, the UAE's economy is still forecast to grow by 2.7 per cent in 2009 according to Standard Charter (Bundhun, 2009). Though, the global GDP is expected to grow by only 0.5 per cent according to IMF (2009).

According to WTO's 2012 and 2006 Trade Policy Reviews of the UAE, the UAE's investment policy limits foreign investment, except in the free zones where 100 per cent foreign ownership is allowed, and thus, reduces competition between local and foreign investors in the economy. The Federal Commercial Company's Law stipulates that UAE nationals must hold at least 51 per cent of the capital of the any company established in the UAE. However, there are exceptions to this provision for (1) Other GCC countries nationals, who are granted national treatment and may have upto 100 per cent ownership in most activities, and for (2) companies registered as branches or representatives offices of foreign companies established in Dubai (Mina, 2012). UAE government has established nearly 40 free zones, in which 100 per cent foreign ownership is allowed and no taxes are levied. The highest concentration of free zones is found in Dubai, with more than half of the total number of free zones, followed by Abu Dhabi, Ras AL Khaimath and Fujeirah. Outside the free zones, local sponsorers are needed for foreign companies to be established, and foreign ownership is limited to a maximum of 49 per cent. According to a report by United State Government Accountability Office, in addition to the Federal Commercial Company's Law, the Commercial Agencies Law, 2006 on Deregistration of Trade Agencies, represents another legal barrier to FDI in the UAE, as it stipulates that the operations of foreign importers need to be done through a sole UAE agent, either a national or a fully national owned company, and the terms of the agency relationship. However, changes were introduced in 2009 with modifications to make contracts more easily enforceable. Government of UAE has mandated to implement a National Investment Reform Process that improves the country's investment policy. The policy offers foreign investors similar rights to those extended to UAE nationals. Investment freedom in the UAE is by far the lowest scored among the ten economic freedoms included Heritage Foundation's Index of Economic Freedom. Although, the UAE's 2012, overall economic freedom score was 69.3, positioning it in the 35th rank among the world's countries in terms of overall economic freedom, its investment freedom score was only 35, positioning it in the 123rd rank. Despite some legal barriers to foreign investment in UAE, rapid growth of inward FDI during most of the period since 2000 reflects an overall confidence of investors in the economy, its business environment and growing competitiveness both regionally and globally. UAE has also made easy access to credit to the entrepreneurs through establishing a Federal Credit Bureau at Dubai. Measures have also been taken to make it easier to obtain construction permits. In view of strengthening the protection of foreign investors' property rights and encouraging foreign investments, the UAE government has signed a total of 38 bilateral investment treaties as on June, 1, 2012. The UAE has also signed 48 double taxation treaties with 46 countries. Thus, the UAE government is making serious efforts to liberalize the investment policy for foreign investors.

REGIONAL FDI TRENDS

Global foreign direct inflows rose in 2011 by 16 per cent compared with 2010, reflecting the higher profits of TNCs and the relatively high economic growth in developing countries during the year. The global inward FDI stock rose by 3 per cent reaching $20.4 trillion (UNCTAD, 2012). West Asia witnessed a 16 per cent decline in FDI flows in 2011 despite the strong rise of FDI in Turkey. Some GCC countries are still recovering from the suspension or cancellation of large scale projects in previous years. Inflows to West Asia declined for a third year. They decreased by 16 per cent to $49 billion in 2011, affected by both the continuing political instability and the deterioration of global economic prospects in the second half of 2011.

The level is the lowest since 2005 when FDI flows stood at about $44 billion and for below the record high of about $92 billion registered in 2008. Saudi Arabia the region's biggest recipients witnessed a 42 per cent fall in 2011 to $16 billion, which largely explains the overall decline. As of October, 2011, the cancelled or suspended construction projects in the Middle East and North African market were estimated at $1.74 trillion, with $958 billion in the UAE alone and $354 billion in Saudi Arabia. Construction was one of the most important areas of investment to have emerged in the last oil boom, and the pace of its activity is among the key indicators of investment behavior in housing, tourism, infrastructure, refineries, petrochemicals and real estate. Political and social unrest has halted FDI to non-GCC Arab countries. Flows to this group of countries which represented 14 per cent of the region's total, declined by 26 per cent in 2011 to $7 billion.

FDI TRENDS IN UAE

Inward foreign direct investment is considered an important factor in the efforts by the nation to build a sustainable and diversified economy. The country's inward FDI stock grew from $1 billion (1 per cent of GDP) in 2000 to $85 billion (24 per cent of GDP) in 2011, rising at an annual growth rate of 49 per cent, even the higher rate of growth in GCC countries. The stock of inward FDI related to GDP grew at an annual growth rate of 33 per cent, fastest growth in the region. Inward FDI flows to UAE grew from $1.2 billion (1.1 per cent of GDP) in 2001, to a peak of $14.2 billion (5.5 per cent of GDP) in 2007, followed by a slight decline to $13.7 billion (4.4 per cent of GDP) in 2008. The impact of the global financial crisis on inward FDI flows to UAE is reflected in the decline in 2009. Inward FDI flows rose slightly in 2010 and 2011 but remained well below the peak of 2007.

Country-wise FDI inflows in West Asia are shown in Table 1. There has been fluctuating trend in FDI inflows in West Asia countries during the period of 2006 to 2011. The share of UAE in total FDI inflows of West Asia was reported 19.08 per cent in 2006 which decline to 15.67 per cent in 2011. Even the share was recorded as low as 6.03 per cent in 2009. There has been decline of FDI inflows in UAE by more than 40 per cent during the period of 2006 to 2011. The decline of FDI inflows in West Asia as a whole was reported 27.47 per cent during the corresponding period.

Table 1
Country-wise FDI Inflows in West Asia

(In million US Dollar)

Country	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
West Asia	67121	78112	91985	66276	58193	48682
Bahrain	2915	1756	1794	257	156	781
Iraq	383	972	1856	1598	1396	1617
Jordan	3544	2622	2826	2413	1651	1469
Kuwait	121	112	-6	1114	319	399
Lebanon	3132	3376	4333	4804	4280	3200
Oman	1597	3332	2952	1508	1142	788
Palestinian Territory	19	28	52	301	180	214
Qatar	3500	4700	3779	8125	4670	-87
Saudi Arabia	17140	22821	38151	32100	28105	16400
Syrian Arab Republic	659	1242	1467	1514	1850	1059
Turkey	20185	22047	19504	8411	9038	15876
UAE	12806	14187	13724	4003	5500	7629
Yemen	1121	917	1555	129	-93	-73

Source: UNCTAD, 2012

There has been fluctuating trend in inward FDI flows in UAE over the period of 2000-2011. The highest amount of FDI in UAE was reported in the year 2007 in which UAE attracted $14.2 billion however, the amount decline to $7.7 billion in 2011. Inward FDI constituted 6.8 per cent in 2004 and as low as 2.1 per cent in 2011 in UAE (Table 2).

Table 2
Inward FDI Flows as Percentage of GDP in UAE

Economy	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
UAE	-0.5	1.2	0.1	4.3	10	10.9	12.8	14.2	13.7	4	5.5	7.7
					Per cent of GDP							
	-0.5	1.1	0.1	3.4	6.8	6.0	5.8	5.5	4.4	1.5	1.8	2.1
Memorandum:												
Comparator												
economies						(US$ billion)						
Saudi Arabia	0.2	0.5	0.5	0.8	1.9	12.1	17.1	22.8	38.2	32.1	28.1	16.4
Qatar	0.3	0.3	0.6	0.6	1.2	2.5	3.5	4.7	3.8	8.1	5	-0.1
Oman	0.1	0	0.1	0	0.1	1.5	1.6	3.4	2.5	1.5	2	0.8
Bahrain	0.4	0.1	0.2	0.5	0.9	1	2.9	1.8	1.8	0.3	0.2	0.8
Kuwait	0	-0.2	0	-0.1	0	0.2	0.1	0.1	0	1.1	0.3	0.4

Source: UNCTAD, 2011

Country-wise FDI inward stock in West Asia is shown in Table 3. The amount of FDI inward stock in UAE was reported $751 million in 1990 which increased to manifold in 2011. The share of FDI inward stock of UAE constituted 2.40 per cent in 1990 which increased significantly to 14.84 per cent in 2011. The other important countries in West Asia in terms of FDI inward stock were reported to be Saudi Arabia and Turkey.

Table 3
Country-wise FDI Inward Stock in West Asia

(In million US Dollar)

Country	*1990*	*2000*	*2011*
West Asia	31194	59688	575412
Bahrain	552	5906	15935
Iraq	—	—	9601
Jordan	1368	3135	23368
Kuwait	37	608	10765
Lebanon	53	4988	40645
Oman	1723	2577	15005
Palestinian Territory	—	647	2389
Qatar	63	1912	30477
Saudi Arabia	15193	17577	186850
Syrian Arab Republic	154	1244	10323
Turkey	1150	19209	140305
UAE	751	1069	85406
Yemen	180	843	4344

Source: UNCTAD, 2012

There has been increasing trend of inward FDI stock in UAE during the period of 2000-2011. Similarly, the composition of inward FDI stock in terms of GDP has also shown an increasing trend in the corresponding period except in the year 2009 and 2010. The inward FDI stock constituted only 1 per cent of GDP in 2000 while it was reported 26.7 per cent in 2009 which slightly decline to 23.7 per cent in 2011 (Table 4).

Table 4
Inward FDI Stock as Percentage of GDP

Economy	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*
UAE	1.1	2.3	2.3	6.6	16.6	27.5	40.3	54.5	68.2	72.2	77.7	85.4
					Percent of GDP							
	1.0	2.2	2.1	5.3	11.2	15.2	18.2	21.1	21.7	26.7	26.1	23.7
Memorandum:												
Comparator economies						*(US$ billion)*						
Saudi Arabia	17.6	17.3	17.7	18.5	20.5	33.5	50.7	73.5	110.2	142.3	170.5	186.9
Qatar	1.9	2.2	2.8	3.5	4.7	7.2	10.7	15.4	17.8	25.9	30.6	30.5
Oman	2.6	2.6	1.9	2.4	2.5	4.1	5.7	9.2	11.7	13.2	14.2	15
Bahrain	5.9	6	6.2	6.7	7.4	8.3	11.2	12.9	14.7	15	15.2	15.9
Kuwait	0.6	0.4	0.4	0.4	0.4	0.6	0.8	0.9	0.9	10.3	11.2	10.8

Source: UNCTAD, 2011

Comparison of FDI inflows and outflows from India and China is shown in Table 5. There has been fluctuating trend in FDI inflows and outflows in India however in China, there has been increasing trend in inward and outward FDI inflows. The ratio of FDI outward to inward has shown an increasing trend both in India and China during the period of 1990 to 2010.

Table 5
Comparison of Foreign Direct Investment Inflows and Outflows from India and China
(US$ millions)

Year	*India*		*China*		*India's outward to inward ratio*	*China's outward to inward ratio*
	Inward	*Outward*	*Inward*	*Outward*		
1990	236.69	6	3487.11	830	0.025	0.238
1991	75	-11	4366.34	913	-0.147	0.209
1992	252	24	11007.51	4000	0.095	0.363
1993	532	0.350641	27514.95	4400	0.0006	0.160
1994	974	82	33766.5	2000	0.084	0.059
1995	2151	119	37520.53	2000	0.055	0.053
1996	2525	240	41725.52	2114	0.095	0.051
1997	3619	113	45257.04	2562.49	0.031	0.057
1998	2633	47	45462.75	2633.807	0.018	0.058
1999	2168	80	40318.71	1774.313	0.037	0.044
2000	3587.99	514.4454	40714.81	915.777	0.143	0.022
2001	5477.638	1397.437	46877.59	6885.398	0.255	0.147
2002	5629.671	1678.039	52742.86	2518.407	0.298	0.048
2003	4321.076	1875.78	53504.7	2854.65	0.434	0.053
2004	5777.807	2175.367	60630	5497.99	0.376	0.091
2005	7621.769	2985.488	72406	12261.17	0.392	0.169
2006	20327.76	14284.99	72715	21160	0.703	0.291
2007	25349.89	17233.52	83521	22468.86	0.680	0.269
2008	42545.72	19397.45	108312	52150	0.456	0.481
2009	35648.78	15929.25	95000	56530	0.447	0.595
2010	24639.92	14626.1	105735	68000	0.594	0.643

Source: UNCTAD (2012).

Top 15 destinations of outward FDI from India and China during 2009 are shown in Table 6. Singapore, Netherlands, USA, Mauritius, UK, Channel Islands, Cyprus and Russian countries are the major destinations of outward FDI from India. During the year 2009, India's outward FDI to UAE amounted $2232.40 million. Major destinations of China's outward FDI including Hongkong, British Virgin Islands, Cayman Islands, Australia, Singapore, USA and Luxembourg.

Table 6
Top 15 Destinations of Outward Foreign Direct Investment from India and China in 2009
(Stock in Million US$)

India			China		
Rank	*Destination*	*Amount*	*Rank*	*Destination*	*Amount*
1	Singapore	14384.11	1	Hongkong	164498.94
2	Netherlands	10714.03	2	British Virgin Islands	15060.69
3	USA	6616.85	3	Cayman Islands	13577.07
4	Mauritius	6165.38	4	Australia	5863.10
5	UK	5624.11	5	Singapore	4857.32
6	Channel Islands	5446.02	6	USA	3338.42
7	Cyprus	4679.12	7	South Africa	2306.86
8	Russia	3105.65	8	Luxembuorg	2484.38
9	UAE	2232.40	9	Russia	2220.37
10	British Virgin Islands	1626.68	10	Macau	1837.23
11	Sudan	1191.13	11	Canada	1670.34
12	Switzerland	1069.77	12	Kazakhstan	1516.21
13	Hong Kong	998.58	13	Pakistan	1458.09
14	China	949.42	14	Mongolia	1241.66
15	Egypt	820.71	15	South Korea	1217.80

Source: Government of India, 2012 and Government of China, 2011.

Year-wise India's actual outflows in respect of outward FDI are shown in Table 7. Equity constituted 71.83 per cent while the amount of loan accounted for 28.09 per cent. The share of guarantee accounted for only 0.08 per cent in actual outflows in respect of outward FDI from India during the period of 2000-2001 to 2011-12.

Table 7
Year-wise India's Actual Outflows in Respect of Outward FDI and Guarantees Issued
(In million US Dollar)

Period	*Equity*	*Loan*	*Guarantee Invoked*	*Total*	*Guarantee Issued*
2000-2001	602.12	70.58	4.97	677.67	112.55
2001-2002	878.83	120.82	0.42	1,000.07	155.86
2002-2003	1,746.28	102.10	0.00	1,848.38	139.63
2003-2004	1,250.01	316.57	0.00	1,566.58	440.53
2004-2005	1,481.97	513.19	0.00	1,995.16	315.96
2005-2006	6,657.82	1,195.33	3.34	7,856.49	546.78
2006-2007	12,062.92	1,246.98	0.00	13,309.90	2,260.96
2007-2008	15,431.51	3,074.97	0.00	18,506.48	6,553.47
2008-2009	12,477.14	6,101.56	0.00	18,578.70	3,322.45
2009-2010	9,392.98	4,296.91	24.18	13,714.07	7,603.04
2010-2011	9,234.58	7,556.30	52.49	16,843.37	27,059.02
2011-12*	4,031.45	4,830.01	0.00	8,861.46	14,993.80
Total	75,247.61	29,425.32	85.40	10,4758.30	63,504.05

Source: Government of India, 2012.

Sector-wise overseas investments by Indian companies during the period 2008-09 to 2011-12 are shown in Table 8. Manufacturing constituted 40.29 per cent while financial insurance, real estate business and business services accounted for 29.43

per cent in India's overseas investment during the corresponding period. There has been fluctuating trend of overseas investment by Indian companies over the period (Table 8).

Table 8
Major Sector-wise Overseas Investments by Indian Companies
(Amounts in billion US Dollar)

Period	*2008-09*	*2009-10*	*2010-11*	*2011-12**	*Total*
Manufacturing	10.18	5.35	5.04	2.74	23.31
Financial Insurance, Real Estate Business & Business Services	3.55	4.41	6.53	2.53	17.03
Wholesale & Retail Trade, Restaurants & Hotels	1.17	1.13	1.89	1.00	5.19
Agriculture & allied activities	2.38	0.95	1.21	0.41	4.94
Transport, Communication & Storage Services	0.31	0.38	0.82	1.34	2.85
Construction	0.35	0.36	0.38	0.37	1.46
Community, Social & Personal Services	0.39	0.18	0.70	0.18	1.45
Electricity, Gas & Water	0.14	0.84	0.10	0.04	1.19
Miscellaneous	0.12	0.11	0.18	0.10	0.51
Total	18.58	13.71	16.84	8.73	57.86

Source: Government of India, 2012.

Country-wise overseas investments by Indian companies is shown in Table 9. There has been fluctuating trend in overseas investment by Indian companies and particularly in UAE during 2008-09 to 2011-12. The share of UAE in overseas investments by Indian companies was reported 3.39 per cent in 2008-09 which increased significantly to 5.11 per cent in 2010-11, however, it slightly decline to 4.29 per cent in 2011-12. The amount of overseas investments by Indian companies in UAE was reported $2.51 billion in the corresponding period.

Table 9
Top Ten Country-wise Overseas Investments by Indian Companies
(Amount in billion US Dollar)

Country	*2008-09*	*2009-10*	*2010-11*	*2011-12**	*Total*
Singapore	4.06	4.20	3.99	1.86	14.11
Mauritius	2.08	2.15	5.08	2.27	11.57
Netherlands	2.79	1.53	1.52	0.70	6.54
United States of America	1.02	0.87	1.21	0.87	3.97
United Arab Emirates	0.63	0.64	0.86	0.38	2.51
British Virgin Islands	0.00	0.75	0.28	0.52	1.55
United Kingdom	0.35	0.34	0.40	0.44	1.53
Cayman Islands	0.00	0.04	0.44	0.14	0.62
Hong Kong	0.00	0.00	0.16	0.31	0.46
Switzerland	0.00	0.00	0.25	0.16	0.41
Other countries	7.65	3.19	2.65	1.23	14.71
Total	18.58	13.71	16.84	8.86	

Source: Government of India, 2012.

Number of cross border merger and acquisitions in UAE and West Asia are shown in Table 10. The share of UAE in total number of cross border merger and acquisitions of West Asia in terms of Net Sales accounted for 21.05 per cent in 2005 and 25.41 per cent in 2011. Similarly, the share of UAE in total number of cross border merger and acquisitions of West Asia in terms of net purchases accounted for 40.96 per cent in 2008 and 36.90 per cent in 2011.

Table 10
Number of Cross Border Merger and Acquisitions

Years	*UAE*	*West Asia*
Sales (Net)		
2005	12	57
2006	13	86
2007	18	116
2008	27	138
2009	13	77
2010	20	106
2011	31	122
Purchases (Net)		
2005	22	66
2006	42	91
2007	56	129
2008	68	166
2009	36	73
2010	18	64
2011	31	84

Source: UNCTAD, 2012

The value of cross border merger and acquisitions in UAE and West Asia is shown in Table 11. The share of UAE in the value of cross border merger and acquisitions in terms of Sales of West Asia accounted for only 1.79 per cent during 1995-2005 which increase to 7.53 per cent and decline significantly 5.7 per cent in 2011. Similarly, the share of UAE in terms of value of net purchases of cross border merger and acquisitions accounted for 36.55 per cent during the period of 1995-2005 which increased significantly 93.56 per cent in 2011.

The year 2011 was a challenging one for the global FDI market. Natural disasters in Asia Pacific and economic and political instability in Europe, North Africa and the Middle East led many companies to put on hold their FDI plans, leading to a sharp decline in FDI in many countries. The number of FDI projects in the Middle East and Africa region grew by 16 per cent in 2011. Capital investment was down slightly by 1 per cent and job creation upto by 3 per cent. The top ten countries for FDI attracted 64 per cent of projects and capital investment as well as 54 per cent

Table 11
The Value of Cross Border Merger and Acquisitions
(In million US Dollar)

Particulars	*UAE*	*West Asia*
Sales (Net)		
1995-2005 (Annual Average)	29	1613
2007	856	22602
2008	1226	16287
2009	300	3543
2010	756	4887
2011	554	9713
Purchases (Net)		
1995-2005 (Annual Average)	791	2164
2007	15611	40103
2008	5983	22099
2009	14831	26843
2010	-1803	-15278
2011	5741	6136

Source: UNCTAD, 2012

of jobs created. The UAE attracted the highest number of projects while Saudi Arabia attracted the most capital investment, which grew by 40 per cent in 2011 to just over $14 billion however; this is still far below the $42 billion in capital investment recorded in Saudi Arabia in 2008. The political turmoil of 2011, led to some dramatic changes in the volume of FDI in the countries, most affected by the Arab Spring uprisings. The growth of projects led to a small increase in capital investment of 0.4 per cent but a decline in the number of jobs created by 6 per cent. UAE based companies remained most active in FDI overseas, although the number of their projects declined by 3 per cent in 2011 and capital investment overseas declined by 43 per cent. In terms of project numbers, financial and business services was the top sector, accounting for 33 per cent of all projects recorded in the Middle East and African region, with growth of 3 per cent in 2011. In terms of job created, metals and minerals was the leading sector within estimated 57,000 jobs created and with very strong jobs growth of 38 per cent in 2011 (UNCTAD, 2011).

Number of green field FDI projects in UAE and West Asia are shown in Table 12. There has been fluctuating trend in number of green field FDI projects in UAE during the period of 2005-2011. During 2011, there were 257 green field projects with worth of $14991 million in UAE. The share of UAE in number of green field projects as against of green field projects in West Asia as a whole accounted for 47.95 per cent in 2011. However, the worth of green field projects in UAE was recorded highest in 2008 with the share of more than 60 per cent as against West Asia as a whole.

Table 12
Green Field FDI Projects

Years	*UAE*	*West Asia*
Number of Projects		
2005	102	240
2006	215	440
2007	154	317
2008	269	594
2009	232	445
2010	214	453
2011	257	536
Value of Projects (In Million Dollar)		
2005	29400	58907
2006	83905	139725
2007	60387	81755
2008	114705	190137
2009	34142	82733
2010	23958	37190
2011	14991	44194

Source: UNCTAD, 2012

CONCLUSION

Asian countries in general and particularly India and China have emerged as an important source of outward foreign direct investment in the global economy. The global economy is facing unprecedented crisis led by the recessionary trends that had occurred in the advanced countries since 2007. The hope for global economy lies in the growth process of the emerging developing economies of the world. The economies of China and India not only shown resilience in a recession ridden global economy but has emerged as the growth pole of the global economy. The global economy has witnessed a dramatic change in the structure and pattern of international investment associated with the arrival of new international firms from the emerging economies. Indian and Chinese firms have long experience to operate and invest in other countries of the globe. The overseas investment experience of both Indian and Chinese firms show that largely they operated in the developing countries possesses technological and other capabilities equal or lower than at home. However, some investment has been made in the industrially advanced countries though in minority equity participation. The UAE has envisaged a strategic policy to build sustainable and diversified economy. In view of the growing importance of FDI for economic development, UAE has introduced policy reforms and initiated an investment policy for encouraging foreign investors. However, the recent crisis of economic and political instability in Middle East and African region has affected inward FDI flows to UAE. This is a serious concern for the policy makers, serious efforts will be required to speed up the ratification of a new foreign investment law, which removes several of the current legal barriers to FDI and offers foreign investors similar rights to those of UAE nationals. There is also imperative need to monitor the green field projects that they are completed in the scheduled time and there is no cancellation or suspension of projects.

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