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Business Insights Industry Focus: UAE Launches “Operation 300bn” To Boost The Manufacturing Sector

Last week’s announcement by the UAE that it plans to introduce enhanced strategies and investments to increase the manufacturing sector’s contribution to 300 billion dirhams (US\$81.68bn) from the existing 133 billion dirhams (US\$36.22bn) is a bold and positive move that will boost the economy at a time when businesses are seeking confidence. The strategy, called “Operation 300bn” will not only be boosting productivity, creating new job opportunities, polishing skills of local talent and increasing national competitiveness but also strengthening the national economy.



There is no doubt that the coronavirus pandemic highlighted the need for Gulf states to accelerate their diversification plans while at the same time reducing their reliance on imports.

With a relatively young population and strict coronavirus containment measures, the Gulf states are quickly moving towards herd immunity brought by COVID-19 vaccinations, and economies are being nursed back to health. According to the Institute International Finance (IIF), a Washington based association of global banks and financial institutions, the UAE and much of the GCC economies are poised to experience faster recovery this year with much of this growth being spurred by fundamental transformation to key sectors.

Manufacturing to shine

In the last 10 years, light manufacturing and some heavy manufacturing activities have taken root and shown signs of maturing and becoming major players in the non-oil sector. Manufacturing is growing very significantly and is diversifying into new areas.

The accelerated shift towards a more manufacturing and knowledge-based economy, while still nurturing services is a key part of the UAE's 10 year Industrial Strategy.



Launched by His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of UAE and Ruler of Dubai, its significance is not to be underestimated. The UAE economy has expanded 57 times in the last five decades, rising from Dh6.5 billion to about Dh353.90 billion in 2020, on the back of burgeoning services and industries.

“The industrial strategy will achieve a giant leap in the UAE’s industrial sector to become the main driving force of the national economy and lead the journey of our next 50 years with greater confidence and speed,” said Sheikh Mohammed.

An economic reorientation of this magnitude will become all the more significant after the Covid-19 pandemic and reflects a response to larger-scale changes that have been occurring in manufacturing sectors around the world. With the oil and gas sector traditionally being the dominant industry over the decades, propelling the economic

engine of the UAE, its diversification drive has ensured the economy is reducing its reliance on this space.

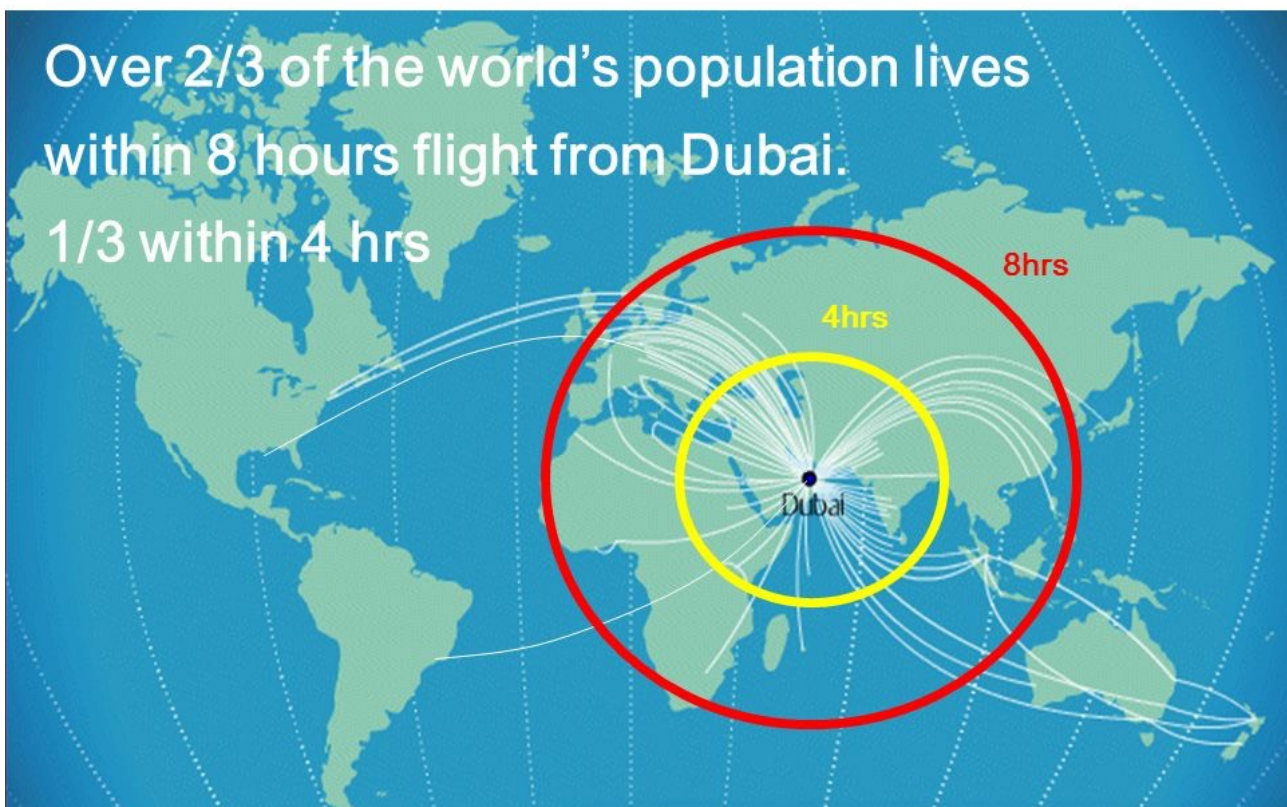
Trade, transportation, tourism, retail and real estate have been the five key drivers of growth in recent years. The share of services rose to half the economy, while the share of manufacturing rose to just under a tenth,” said Giyas Gokkent, chief economist of Mena House. “The increase in the share of non-hydrocarbon activity to almost three-quarters of the economy moved hand-in-hand with a more than fifty-fold increase in the population from 180,000 in 1968 to about 9.5million,” he added.

Globalisation and specialisation are inevitable outcomes of a technologically advanced world. However, domestic manufacturing is vital for economic diversification, competitiveness and developing domestic talent.

Domestic demand and exports will spur growth

Operation 300bn, as the new UAE strategy is known, aims to build a local value chain that is firmly rooted in future-oriented industries. Aside from the obvious benefits to the economy and the UAE’s position as a global economic hub, it can help to create a technological revolution to across the region through knowledge transfer, private investment and trade deals.

The UAE’s prime location for trade is a powerful factor. Geography still matters for manufacturing, even in the age of remote working. UAE airports are a single short-haul flight away from a large number of the world's most rapidly developing economies. In the coming years, these countries are expected to see the steepest growth in their middle classes – a total global rise of an estimated 2 billion people by 2030 – and, therefore, demand for consumer goods.



A Place to call home

The country has taken major steps in recent years to foster a balanced economic policy and to turning the country into a more open and dynamic place for people from all over the world to live and work.

The opening up its economy to foreign investors, and its positive moves to attract more talent through things like the UAE's new remote work visas, long term resident visas and multiple entry tourist visas are all aimed at creating a long term stable domestic population base recognising the need of families and residence security.



With the new laws the UAE is increasingly becoming a place of residence for the long term and for raising a family. According to Lewis Allsopp, CEO of Allsopp & Allsopp, “the UAE is constantly creating an environment that includes all cultures, making it not only a great place to live and work, but also to buy property. The UAE is among the top 10 most influential countries in the world, further underscoring its position globally as a place where people want to be to grow their businesses and families”.

In making the UAE a more attractive, more secure place for families to be based will support increased domestic consumption, supporting local manufacturing, particularly in the local food and beverages sectors. Ultra-modern vertical farming in the middle of the desert stands as a testament to UAE's determination to spark a “green revolution” to overcome its dependence on food imports.

Although the “locally grown” sector is a small contributor to the overall economy, the UAE is a major international producer of dates, home to the largest date company in the world, and is emerging as an important regional food-processing centre, with a number of investments and capacity-expansion projects in both farming and agri-business.

Supported by new industrial strategy and the “Make it in the Emirates” brand, the UAE aims to create a sense of pride in locally made products, so that the “Made in UAE” label on a product motivates people around the world to buy it for its superior quality. This is another important aspect of the overall push to make the country's manufacturing base as competitive as possible on the global stage.

Commenting on the strategy, Saud Abu Al-Shawareb, managing director of Dubai Industrial City and a steering member of the Dubai Industrial Strategy 2030 said: “Manufacturing has been a catalyst of the UAE’s growth and diversification for decades, creating thousands of jobs and investment opportunities. By boosting R&D and building on our achievements, Operation 300bn will boost our knowledge and innovation-based economy and strengthen the emirate’s attractiveness as a global business destination.”

The Ministry of Industry and Advanced Technology which is leading the strategy will roll out programmes and initiatives to support 13,500 industrial SMEs and undertake sustainable development with a focus on industries that implement advanced technology and the Fourth Industrial Revolution (4IR) solutions and applications.

There is little doubt that “Operation 300bn” will provide confidence not only to local businesses but help accelerate progressive adoption of advanced technology in the industrial sector. Welcomed by business leaders, the UAE’s continued path of economic diversification and moving the economy towards a more export focused mindset will create opportunities for international businesses and provide the stability needed for increased investment.

Hennie Heymans, CEO of DHL Express sums it well when he said, “The boom in e-commerce in Africa is here and now, and those who move first to embrace it will benefit by being here from the start”

A Paradigm Shift in Supply Chains

Shifting from Traditional Models

Raw Materials → Manufacturing → Transportation → Fulfillment → Distribution → Consumers

To Agile & Dynamic Trade Networks

Forward-thinking supply chain leaders must build **future-fit supply chains** with:

- Regional Sourcing Hubs
- Digitalized Engagement
- Transparency & Visibility

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Darryl brings 30 years of executive leadership and consulting experience and is regular contributor on thought leadership across numerous industry publications and is a frequent speaker at international conferences and events on business leadership, strategy, extracting improved business performance and M&A. With a degree in Economics and rich business knowledge across Asia, Middle East and Africa, Darryl is considered to be an expert in the linkage of business strategy and supply chain best practices to business performance. Since 2001 he has been a principle partner in Logistics Executive Group, an internationally known corporate advisory firm with offices in 14 countries and currently serves as an Independent Board Director for a range of regional companies including LogiSYM Hong Kong, Taya Group and EGI.

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