



"Role of Foreign Trade and Foreign Direct Investment in the process of Open Economy in the Emirate of Abu Dhabi"

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Abstract:

An open economy is the opposite of a managed economy. It is characteristically market-oriented, with free market policies rather than government-imposed price controls. In an open economy, industries tend to be owned by the private sector rather than owned by the government. In the area of international trade an open economy is one whose policies promote free trade over protectionism. Even on a standalone basis, Abu Dhabi already has the second-largest economy in the region, but has the potential to further enhance its international position. In order to reach this goal, it must be equipped with a legislative environment that is both efficient and business-friendly. The Government is committed to the ongoing evaluation of its legislation, legal systems and government processes to ensure the Emirate is an attractive investment destination. This paper will discuss the impact of foreign trade and foreign investment towards an open economy in Abu Dhabi Emirate. The open economy strategy is one of the vital strategies for development of nation economies. This paper is based on two kinds of data: administrative data for foreign trade statistics, and a questionnaire (annual survey) for foreign direct investment. The results revealed that the main imports during 2013 were 'Machinery, sound recorder, reproducers and parts'. Also it shows that the main exports of non-oil were in 'Base metals and articles of base metals' in the same year. The results revealed that the value of FDI increased at the end of 2013 mainly attributed to 'Mining and quarrying'. The investments of the Gulf Cooperation Council (GCC) formed the highest percentage of the total FDI in Abu Dhabi in 2012. This paper suggests broadening the sectors of economic activity, enlarging the enterprise base, and growing external markets. Also, attract a skilled workforce from abroad, improve the efficiency of labour market and adopt fiscal policy, to create a safe monetary and financial system.

Keywords: Trade Balance (TB), Exports (E), Imports (I), Gross Domestic Product (GDP).