

## THE UNITED ARAB EMIRATES AT 40: A BALANCE SHEET

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**T**he United Arab Emirates (UAE) has just celebrated its fortieth anniversary as an independent state. Forged, in 1971, of seven autonomous emirates abutting the southwestern coast of the Arabian Gulf,<sup>1</sup> it is the Arab world's only successful example of unification that has withstood internal challenges and external threats. Its founder, Sheikh Zayed bin Sultan Al Nahyan, saw that unity was the best hope for the new nation at a time plagued by many challenging regional developments. And since 1971, as the country has endeavored to become a modern state with an open economy and tolerant society, it has indeed made itself a player in regional and international affairs.

This paper seeks to appraise the UAE at 40 and highlight the essential concepts underpinning its development since independence. The first section will shed light on the basis of the legitimacy of the country's leaders and explicate how soft power in its foreign policy has been used to serve domestic prosperity. The second section will provide an understanding of its economy, explaining its nature, its resources and the degree to which it has

helped make the country a major player in the region and the world. The third section will shed light on the country's social accomplishments and areas of concern for the leadership. Finally, a concluding section will summarize the UAE's record and highlight some of the challenges it faces in the years ahead.

### FOREIGN POLICY

Created at a time of great flux in Middle Eastern and Gulf affairs, the United Arab Emirates had to make decisions that would advance its political, economic and social development. The Gulf and Middle East regions were in the throes of strategic challenges that represented both potential opportunity and uncertainty. Neighboring Oman was facing an ongoing rebellion in its Dhofar region; Iran under the shah was presenting itself as an ascendant and ambitious state; Yemen was poor, elite-divided and emerging from a long civil war; and Saudi Arabia was beginning to re-assert itself after the end of the Nasserite era in Egypt. Indeed, the entire Middle East was undergoing widespread political, economic and social changes that were to influence

whatever state emerged after the withdrawal of British colonialism in the area once known as the Trucial Coast.<sup>2</sup>

The new state, under the practical political skills of the late Sheikh Zayed (1918–2004), saw that its best chance for success was a political system that combined local autonomy with a federal government to coordinate state affairs and design a unified foreign policy.<sup>3</sup> The fact that the emirate of Abu Dhabi was, and remains, the largest and richest of the emirates allowed it to lead the new nation. The others — Dubai, Sharjah, Ras al-Khaimah, Ajman, Fujairah and Um al-Quwain — saw that it was in their interest to coalesce as a single state with Abu Dhabi providing the lion's share of the federal state's expenses and a good portion of those of the individual emirates.<sup>4</sup>

### **Elements of Legitimate Rule**

At a time of much political upheaval in the Arab world, the essence of which is a yearning for the opening up of regimes and respect for individuals, the UAE stands out: the absence of fully elected institutions has not translated into a despotic political system. Indeed, politics in the UAE are predicated upon the old Lockean principle<sup>5</sup> of the explicit and implicit consent of the governed, in which the government's legitimacy rests upon a universal acceptance of both its form and those who lead it. Whether it is at the local level in the individual emirates or at the federal level, UAE leaders boast a sense of legitimacy that no one, even those on the fringes of the political process, doubts or disputes.<sup>6</sup>

Over a rapid period of development, the UAE has been able to combine different elements seen as essential for political legitimacy. Its rentier status, involving a

social contract between rulers and ruled, has been augmented by a social openness sanctioned by a tolerant version of Islam that has allowed for widespread modernization and exposure to regional and international influences. At the same time, the UAE leadership has preserved the society's heritage and Islamic character, grounding new trends and modernity in tradition and avoiding a complete rupture with the past.<sup>7</sup>

Christopher Davidson writes that, contrary to predictions of the collapse of monarchical regimes following social transformation or coercive measures to maintain the status quo,<sup>8</sup> the UAE became more stable than before its modernization.<sup>9</sup> He lists conditions that contributed to this eventuality, including the personal qualities of rulers — charisma, respect, ability — along with public approval, patrimonial networks, cultural, religious and ideological resources, and the preservation of identity. However, and not unlike other states in the Arabian Peninsula, rentierism as a sociopolitical reality stands out as an essential condition for the emirati rulers' legitimate claim to power and prominence. The UAE has been able to modernize, radically improve living standards, establish the foundations of statehood, and become an active and respected international player.<sup>10</sup> Davidson presents the late Sheikh Zayed as an example of a charismatic figure who was able to lead the nation in challenging times. His legacy continues today through his successor, Sheikh Khalifa bin Zayed Al Nahyan, who has been president since 2004.

The claims to political leadership, however, have not obviated the need for an electoral process to bring leaders from the different strata of emirati society into decision making. Besides having a Higher

Council composed of the rulers of the seven emirates and a federal cabinet in charge of the armed forces, foreign policy and monetary policy, the UAE has a consultative body, the Federal National Council (FNC), where each emirate is represented by a number of deputies. In existence since 1972, when it was fully appointed by the individual emirates' leaders, today's council is a 40-member chamber divided as follows: eight each for Abu Dhabi and Dubai, six each for Sharjah and Ras al-Khaimah, and four each for Ajman, Fujairah and Um al-Quwain.

Twenty deputies are appointed by the rulers (half of each emirate's number of deputies), while a col-

lege of ruler-chosen electors names the other 20. While the 2006 FNC had an electoral college of just over 6,000, the most recent rounds (2011) had about 130,000. In 2019, elections for the FNC will be completely open to all citizens. Women were represented by nine members in the 2006 FNC, comprising 22 percent of overall membership. (Incidentally, the UAE was the first Arab Gulf country to appoint a female minister, and today's government contains two, in addition to two others without portfolios.) As to function, the FNC looks into executive decisions, makes recommendations, watches over public finances and ratifies treaties.<sup>11</sup>

### **An Activist Foreign Policy**

The UAE is a prime example of a developing nation whose foreign policy relies on instruments of soft power<sup>12</sup> and

has been designed to serve its domestic constituency without sacrificing a deeply held belief in the importance of moderation and neutrality. Specifically, UAE foreign policy is committed to the peaceful resolution of conflicts, the inviolability of sovereignty, the stability of oil supplies, and Arabian Gulf and Peninsula security. The UAE has also dedicated itself to the fight against terrorism since the attacks of September 11, 2001.<sup>13</sup>

The UAE is a member of the Gulf Cooperation Council (GCC),<sup>14</sup> the Arab

League, the Arab Quartet,<sup>15</sup> the Committee for the Arab Peace Initiative,<sup>16</sup> the United Nations, the Organization of

the Petroleum Exporting Countries (OPEC), the Organization of Arab Petroleum Exporting Countries (OAPEC), the Organization of the Islamic Conference (OIC), and tens of regional and international and intergovernmental organizations. It advocates a two-state solution for the Palestinian–Israeli conflict, a negotiated settlement for the Iranian nuclear standoff with the world, and the preservation of Gulf waters as an open international trade zone and the Strait of Hormuz as an open maritime passageway.

The UAE has participated in the GCC attempt to propose an initiative to resolve the ongoing political crisis in Yemen. It also calls for dialogue and reform as ways to resolve the standoff between Syrian protestors and the regime. It played a pivotal role in the lead-up to UN Security Council Resolutions 1970 and 1973 dealing with Libya and, within the Libya Contact Group

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and other forums, in alleviating the monumental humanitarian crisis caused by the brutal repression of innocent civilians by the deposed regime of the late Colonel Muammar al-Qadhafi. It also played a stabilizing role during the Bahrain crisis, providing police forces within a GCC-sanctioned plan to bring peace to the island nation and counseling the government and opposition forces to pursue a national strategy for dialogue.

Since the Israel–Hezbollah war of 2006, the UAE has sponsored the rebuilding of hospitals and schools in southern Lebanon. In 2001, it joined over 60 countries in Afghanistan in providing military assets on the ground in a humanitarian, educational and security mission that continues today. Prior to this, the UAE participated in a peace-keeping mission in Kosovo in the 1990s. It is also among the largest contributors of international aid assistance to countries in need of improving economic and other conditions, giving over \$10 billion since 2001.<sup>17</sup> In 2009, UAE external assistance amounted to 1 percent of the country’s GDP — higher than the target of 0.7 percent set by the United Nations and the highest in the world in relation to GDP.<sup>18</sup> UAE foreign policy is predicated upon humanitarianism as a moral imperative that needs to be exercised and nourished.

As a small “emerging regional and global player,” the UAE is dealing with challenges on many fronts and at different levels, largely in cooperation with a diversified pool of friends and allies in the GCC, the Arab League, the Organization of the Islamic Conference, and the United Nations and its diverse organizations. UAE foreign policy emphasizes the strong relationship and mutual interests the country has with the United States and Western

countries. Formal relations with the United States began in 1971, when Washington recognized the new state upon its independence. A resident ambassador has been in Abu Dhabi since 1974, but relations saw a dramatic shift after the Iraqi invasion of Kuwait in 1990. The two countries signed a Defense Cooperation Agreement in 1994, according to which the United States was able to position equipment to help in containing Iraq between 1991 and 2003. In 2002, the two countries began a Strategic Partnership Dialogue.<sup>19</sup>

The UAE has bought over \$33 billion in military hardware from the United States, the largest deals having been signed in 2000, for 80 F-16 fighter aircraft (\$6.4 billion); in 2007, for United States Patriot missiles and munitions (\$10.4 billion); in 2008, for air-defense systems and Stinger missiles (\$9 billion); and in 2009, for Chinook helicopters and Hellfire missiles (\$3.4 billion).<sup>20</sup> The UAE is still considering whether to replace a potential purchase of the French Rafale aircraft with the American F-18, a deal worth \$5 to \$6 billion.<sup>21</sup> It also assisted disaster-relief efforts in response to Hurricane Katrina in New Orleans in 2005, when it donated \$100 million.<sup>22</sup>

Moreover, the diplomatic, military and strategic relationship was augmented by an agreement for nuclear cooperation in 2009, when the United States helped the UAE to establish a peaceful nuclear-energy program to boost electricity production. Dubbed the 1-2-3 Agreement, in reference to the corresponding section of the U.S. Atomic Energy Act of 1954, the accord allowed the UAE to pursue an open and transparent program but required congressional approval. The UAE committed itself to ensuring the peaceful nature of its program, abiding fully by International

Atomic Energy Agency (IAEA) protocols, and guaranteeing that it will not reprocess or store fuel. The agreement is a model for nuclear cooperation, to be emulated by countries aspiring to develop their own programs. It stands in contrast to Iran's example of confrontation and covert enrichment.<sup>23</sup>

Although not a member of NATO, the UAE has chosen to join the coalition's Istanbul Cooperation Initiative (ICI). It has also diversified security relations with South Korea and France. The Republic of Korea has provided 130 military experts to help in counterterrorist training, since a South Korean firm, the Korea Electric Power Corporation (KEPCO), won a \$20 billion contract in 2010 to build nuclear reactors at Baraka on the Gulf coast.<sup>24</sup> Similarly, a contingent of 500 French soldiers is stationed in Abu Dhabi as part of a strategic-partnership initiative with France, which in 2009 established a maritime base in the country.<sup>25</sup>

The UAE faces a continuing challenge in its foreign policy represented by Iran's occupation of three UAE islands in the Arabian Gulf: Abu Musa and the Greater and Lesser Tunbs. Although historically governed by the rulers of the emirates of Sharjah and Ras al-Khaimah, they were forcibly occupied by Iran days before independence in December 1971. Their continued occupation will always be a source of instability for the region. Since the time of the shah, Iran has been unwilling to seek a mutually agreeable solution, while the UAE has called for negotiations and a peaceful settlement pursuing international mediation, including referring the issue to the International Court of Justice. Iran, however, has refused arbitration or any other possibility of ending its occupation.<sup>26</sup>

## ECONOMY

Since its inception, the UAE has followed an economic vision based upon market principles, with an emphasis on achieving a competitive business environment hospitable to foreign investors and attractive to skilled expatriates. While the oil and gas sector has always played a dominant role in the economy, diversification efforts are diligently pursued to transform the UAE into a regional and international leader in essential fields such as financial services, renewable energy, tourism and technology. Special emphasis within the diversification and development strategies has been placed on national human capital through modernizing education and health services and on participation in global efforts toward a cleaner environment by investing intensively in renewable energy sources.

Economic policy in the UAE is predicated upon a three-pronged approach. First, it seeks to achieve economic stability through adopting a fixed-exchange-rate regime based on the U.S. dollar. Second, it follows sound fiscal policies aimed at maintaining a balanced budget within a tax-free environment. Third, it invests oil and gas revenues for the benefit of future generations in infrastructural projects domestically and in sound real and financial assets internationally through the use of sovereign wealth funds.

Sound economic policies and development strategies have allowed the UAE to achieve a prominent status in the world economy. Recently, the UAE ranked twenty-seventh among 142 countries in the Global Competitiveness Index,<sup>27</sup> where it was the only Arab economy categorized as innovation-driven; fortieth among 183 countries in the ease of doing business,

according to the International Finance Corporation,<sup>28</sup> forty-seventh among 183 countries in the Heritage Foundation's Index of Economic Freedom;<sup>29</sup> twenty-eighth among 178 countries in transparency and accountability;<sup>30</sup> and thirty-second among 169 countries in human development.<sup>31</sup>

In the shadow of the global financial crisis and economic slowdown of 2009, recent experience has shown the resilience of the UAE economy. While the initial impact on the UAE of the global financial crisis was negative, particularly on Dubai because of debt problems relating to the real-estate sector, the UAE economy achieved a faster recovery than expected. Solidarity among the emirates and a combination of sound policies and economic foundations all played a role. The real GDP growth rate, which had reached 6.5 percent in 2007 and 5.3 percent in 2008, and fallen by 3.2 percent in 2009, showed significant improvement in 2010, estimated at 3.2 percent, and is expected to grow by 3.3 percent in 2011, according to the International Monetary Fund.<sup>32</sup> Meanwhile, the high levels of inflation witnessed before the crisis — due to higher international food prices and housing costs — subsided dramatically, falling from an average of 11.7 percent in 2007–08 to 1.6 percent in 2009 and 0.9 percent in 2010. Meanwhile, flexibility in the labor market led to a stabilization of the unemployment rate at around 4 percent for the period 2008–09.<sup>33</sup>

As for economic reform and development, the UAE is working on a number of coordinated strategies, at both the federal and local levels, in order to maintain a competitive edge in the knowledge- and innovation-based world economy. On the federal level, the UAE is pursuing the “2021 Vision,” which aims to achieve major landmarks by the time of the golden

jubilee of the federation. The economic objectives include these:

- Harnessing the full potential of national human capital by maximizing the participation of Emiratis, encouraging entrepreneurship, and nurturing home-grown public and private sector leaders while attracting and retaining the best talent from around the world
- Benefiting from a sustainable and diversified economy, flexible in adopting new economic models, and capitalizing on global economic partnerships to guarantee long-term prosperity for current and future generations of Emiratis
- Innovation, research, science and technology to form the pillars of a knowledge-based, highly productive and competitive economy, driven by entrepreneurs in a business-friendly environment where public and private sectors form effective partnerships.<sup>34</sup> On the local level, both Abu Dhabi and Dubai have their own visions that are consistent with that of the federation.<sup>35</sup>

Moreover, the UAE has repeatedly reaffirmed its commitment to economic stability through maintaining the fixed peg of the dirham to the U.S. dollar and to its competitive edge through maintaining a free-market economy with minimal restrictions on private-sector activities and international trade and capital movements. On the fiscal front, the UAE is implementing a number of reforms at the federal level, including the adoption of a medium-term framework and a switch to program budgeting and zero-based budgeting.<sup>36</sup> In this regard, the implementation of sound economic policies allowed the UAE to achieve a remarkable eleventh place ranking in terms of its macroeconomic environ-

ment among 142 countries in the Global Competitiveness Index 2011–2012.<sup>37</sup> At the same time, having an almost tax-free and trade-barrier-free environment allowed the UAE to achieve a ranking of fifth among 183 countries in the area of tax collection and of third in the area of cross-border trading, two criteria covered in the Doing Business Rankings 2011.<sup>38</sup> These achievements, associated with rising world oil and gas prices, allowed the UAE to more than double its per capita income in the last decade, from \$21,801 in 2000 to \$50,070 in 2009.<sup>39</sup>

There have also been shifts in economic activity at the sector level. Although the UAE had the sixth-largest oil reserves in the world in 2010, and is the eighth-largest oil producer,<sup>40</sup> the importance of the oil and gas

sector is declining as the country moves ahead with diversification. The sector's contribution as a ratio of GDP declined from 34 percent in 2005 to 29 percent in 2009. Meanwhile, sectors such as trade, tourism, construction and real estate, and finance gained ground to become major drivers of economic growth, rising from 41 percent to 45 percent of GDP over the same period.<sup>41</sup>

A few recent developments highlight the ongoing changes in the UAE economy. First, the country is paying special attention to environmental issues and investing heavily in renewable energy. Masdar is an Abu Dhabi-funded commercial enterprise dedicated to the development of renewable

energy through the building of a city that relies entirely on solar and wind energy.<sup>42</sup> The UAE also hosts the International Renewable Energy Agency (IRENA) and funds its activities.<sup>43</sup> Second, the Dubai experience has been instructive for the UAE and all countries seeking rapid growth and modernization. While, at the beginning, Dubai gained international attention as a success story for modernization, innovation and diversification, it became a cautionary tale of the risks of real-estate investment, finally to become a textbook case in how to deal with financial problems successfully. The Dubai debt problem began in November 2009, when Dubai World

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requested a standstill on its obligations for six months. This led to severe shocks to the Dubai economy as a whole and to its real-estate

sector, in particular. In the end, however, the handling of the debt problem became a successful model for debt restructuring and coordination within a federal system.

Moreover, the UAE's outstanding economic environment assisted the development of innovative and fast-growing businesses that have become regional and global leaders. For example, the Emirates Group (famous for its world-class Emirates Airlines) achieved its twenty-third consecutive year of profitability in 2010–11, with a gross income of \$15.6 billion.<sup>44</sup> Similarly, the UAE-based telecommunications company, Etisalat, is one of the largest in the world and the leading provider in the Middle East and Africa,

operating in 18 countries.<sup>45</sup> Furthermore, the UAE in general, and Abu Dhabi in particular, are well-known for sovereign wealth funds, established to secure and maintain the future welfare of Emiratis. Abu Dhabi Investment Authority (ADIA) is a world leader that invests in a wide range of assets, from equities and fixed-income securities to infrastructure. It also plays a leading role in the development and governance of the industry. In 2008, it participated in the development of policy principles for international investments with the U.S. Department of the Treasury and was appointed co-chair with the IMF of the International Working Group of Sovereign Wealth Funds.<sup>46</sup> Mubadala is another example of Abu Dhabi's efforts to diversify. It was established in 2002 with a mandate to facilitate the diversification of Abu Dhabi's economy by focusing on managing long-term, capital-intensive investments that deliver strong financial returns and tangible social benefits for the emirate. The company has partnered with world-class industry leaders and had total assets of approximately \$46 billion by mid-2011.<sup>47</sup> Among other corporate relationships, Mubadala is a major sponsor of Formula-1 races in the UAE and has a growing interface with Ferrari.<sup>48</sup>

Internationally, the UAE's robust economy allows it to be an important trade hub in the Middle East, attracting substantial foreign direct investment (FDI) and human capital. The UAE is ranked nineteenth among the world's largest exporters and twenty-fifth among importers.<sup>49</sup> A combination of solid economic and structural policies and strategies, together with favorable oil prices and rising consumer and business confidence, are paving the way to a more influential role for the UAE in the world economy.

## **SOCIAL CONDITIONS**

The political and economic accomplishments that have accompanied the UAE's development since 1971 have been augmented by a long list of achievements in terms of social indicators. The list is impressive for a young country that, only 40 years ago, was in relative isolation but began an ambitious program for modernization and better standards of living. What is also impressive is the degree to which the country and the population in general have been able to incorporate modernism and benefit from what globalization has made available in all aspects of life.

### **Education**

The UAE has come a long way in the field of education, which has been well-established since the turn of the twentieth century, when the Ahmadiya School in Dubai was founded (it now stands as a museum).<sup>50</sup> The first modern and structured school was established in the emirate of Sharjah in 1953 with assistance from Britain and Kuwait. Sharjah was also the first emirate to establish a school for girls.<sup>51</sup> Abu Dhabi established its own schools in the 1960s. By 1966, there were four elementary schools for boys and one for girls, accommodating 528 pupils. By 1974, the number of schools, including private ones, had increased and accommodated more than 40,000 students, 30 percent of whom were females.<sup>52</sup>

Today, about 700,000 students attend the country's 1,400 public schools and hundreds of private ones. Public schools are free for nationals but can be attended by expatriate Arab residents for a low fee. Tertiary education is also free for nationals, many of whom choose to attend universities in the United States, Europe, Australia and elsewhere. In 2007, over



14,000 students attended the national UAE University.<sup>53</sup> Thousands of others now receive their education in 65 branches of internationally acclaimed higher-education institutions such as New York University, the Sorbonne, Michigan State and business-education leader INSEAD (Institut Européen d'Administration des Affaires). Many nationals are also sponsored by the government to seek university and post-graduate education overseas. In the 2009–10 academic year, 1,019 were admitted to international universities worldwide, while 301 returned with BAs, MAs, and PhDs.<sup>54</sup> The UAE has also succeeded in reaching an adult literacy level of 90 percent, matching that of the industrialized world.<sup>55</sup>

Much emphasis is being placed on teacher training and development, focusing on the nationalization of the teaching pool and lessening the dependence on foreign skills. In its education strategy of 2010–20, the Ministry of Education emphasizes the development of a recruitment system, more rigorous evaluation tools, educational research for teachers and leadership skills. The number of nationals in the pool is steadily rising, especially among males. The ministry hopes to recruit and train 10,000 public-school teachers by 2020.<sup>56</sup>

The state has been aggressive in mainstreaming girls and women in education and they have made great achievements over a short period of time. According to the last census, in 2005, the ratio of literate women to men aged 15–24 years stood at 110. Moreover, the ratio of females to males in secondary education stood at 106.7, and in tertiary education at 181.0.<sup>57</sup>

## Health

Health is another priority for UAE officials, with special attention paid to nutrition, immunization and access to clean

water. Health care is currently free for all UAE nationals, and in 2009, total health expenditure was 2.8 percent of GDP, equal to \$1,756 per capita. Life expectancy is 77 for males and 79 for females, with an under-five mortality rate of 7 per 1,000 (down from 17 in 1990).<sup>58</sup> Access to clean water in urban and rural areas is assured for 100 percent of the population, and close to 100 percent use modern sanitation facilities. Available figures on immunization ratios for the different categories of vaccines show that they are administered uniformly to over 90 percent of newborns.<sup>59</sup>

There are 26 public hospitals in the UAE with a capacity of almost 4,000 beds, over 2,000 doctors in all specializations, and over 1,000 public and private clinics. Free health coverage is universal for nationals, and laws have been instituted to ensure mandatory health insurance for non-nationals.<sup>60</sup> Hundreds of UAE nationals seek medical attention and treatment overseas, with the costs underwritten by the government.<sup>61</sup> In addition, there are partnerships with internationally renowned medical institutions such as that between the Abu Dhabi-based Sheikh Khalifa Medical Center and the Cleveland Clinic (which is also building a medical facility of its own), and between the Corniche Hospital and the Johns Hopkins University Medical Center, among others.<sup>62</sup>

## Population Concerns

In 1975, the UAE national population was estimated at 558,000 and made up more than a third of total residents. By 2005, the total population rose to 4.1 million, of whom Emirati nationals accounted for about 20 percent.<sup>63</sup> This points to an obvious fact: the size and composition of the country's population are driven more by its economic development activities

than the usual demographic forces of fertility and mortality.

In 2005, the sex ratio (number of males for every 100 females) among Emirati nationals stood at 103. In contrast, the corresponding figure for the expatriate population in the UAE stood at 268.<sup>64</sup> The gender and even age compositions of the expatriate population are strongly determined by the structure of the economy at a given time. The numerical dominance of males among

the expatriates reflects the relative economic importance of construction,

manufacturing and transportation.

The dominance of foreign labor presents many challenges as the country moves forward with its development plans. One such challenge is the sheer fact that the overwhelming majority of residents are non-nationals, a reality that has political, economic, social and identity-related repercussions. Another is the sociological impact of dependence on foreign labor. This may become problematic as the country's leaders seek to develop a native work ethic, a diversified knowledge base and a spirit of independence.

### **The Labor Market**

The size of the labor force in the UAE was estimated at 2.6 million in 2005. Of these, Emirati nationals accounted for only 8.4 percent, or about 214,000 workers, 22 percent of whom were female.<sup>65</sup> Such under-representation of Emirati nationals in the labor force has become and continues to be raised as one of the main social issues the government is addressing through its employment nationalization program, known as "emiratization." Policy makers

are seeking to enhance the hiring, presence and retention of nationals in the public and private sectors. In a sense, this is no different from similar programs launched by other Gulf Cooperation Council countries that have all had difficulties absorbing and integrating laborers into their different economic activities.

The emiratization program was instituted in the 1990s as more educated youth entered the local labor market. But

the rapid growth in the economy and its diversification allowed for, and

indeed necessitated, the hiring of a greater number of expatriates. This resulted in a rise of unemployment among Emirati youth as private-sector employers avoided hiring them for reasons that ranged from expected high wages (which private-sector bottom-line concerns did not allow) to working conditions (holidays, hours, etc.) to skills and experience.<sup>66</sup> Thus, emiratization efforts were, and continue to be, exercised by government institutions, despite hiring regulations put in place for observance by the private sector.<sup>67</sup>

### **Human Rights**

The number of expatriate workers in the UAE who are sponsored by private-sector employers has presented some human-rights concerns since the very beginning of the federation. Related concerns include withholding of passports, contract substitution and delayed or non-payment of wages. Today, the UAE prides itself as a member of the International Labor Organization (ILO) and the Arab Labor Organization (ALO), among other labor-focused multilateral organizations. As a member of

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these organizations the UAE works transparently to pursue its obligations. Sweeping reforms to improve working conditions and workers' rights dominate the concerns of federal and emirate-level institutions. Many firms are regularly inspected by the Ministry of Labor to ensure compliance with labor regulations, including the enforcement of mandatory employment contracts to protect the rights of workers in relation to salary, accommodations, health-care and working hours.

Moreover, the UAE has collaborated with a number of labor-exporting countries and established consultations at the multilateral level. These efforts include a pilot project jointly conducted with a number of countries to ascertain the problems faced by workers from the point of job recruitment in their respective countries until they return home after employment in the UAE.<sup>68</sup>

The UAE has ratified the UN Convention against Transnational Organized Crime and is committed to ratifying the accompanying protocol to prevent, suppress and punish trafficking in persons, especially women and children. In support of this, Federal Law 51 was enacted in 2006, requiring strong punitive measures against all forms of human trafficking. Moreover, the National Committee to Combat Human Trafficking was established in 2007 to coordinate anti-human-trafficking efforts at all levels. Efforts were coordinated with UNICEF, source-country embassies, and nongovernmental organizations to identify, rescue, rehabilitate and repatriate former child camel jockeys.<sup>69</sup> The UAE has also taken initiatives in fighting human trafficking and was instrumental in the establishment of a program known as the United Nations Global Initiative to Fight Human Trafficking (UN.GIFT).<sup>70</sup>

### **Housing Projects**

The UAE has worked to build an integrated infrastructure composed of roads, bridges, airports, seaports, cultural facilities and other edifices that have made it the most modern country in the region. It boasts five international airports, of which Dubai International is the largest and the fourth-busiest in the world, with passenger traffic of over 24 million for the year ending in June, 2011.<sup>71</sup> It has also instituted a number of housing programs, both public and private, that have provided shelter and amenities to a large number of people in the different emirates.

The UAE has three types of housing programs at the federal and local levels. The first provides home loans and grants to nationals who own a piece of land, itself granted by the state. The second advances interest-free, long-term loans for nationals who can repay them. The third provides free housing for low-income nationals. The Ministry of Public Works oversees housing programs, but the Sheikh Zayed Housing Program is the premier organization for funding. Emirate-specific and private organizations also provide assistance.<sup>72</sup>

### **CONCLUSION**

The UAE has come a long way since its founding in 1971. It has a legitimate governing system that has taken political development in stride, emphasizing a gradual building of institutions, norms and mechanisms. Its moderate and unaligned foreign policy has ensured friendly relations around the world and a place at any international forum concerned with peace, security and prosperity. While originally a rentier state dependent on natural resources, it has been able to diversify and modernize its economy for the benefit of its citizens and the world at large. Its social

development has left almost nothing to be desired, emphasizing modernity while preserving traditions and benefiting from globalization but preventing it from supplanting its own history.

These achievements and the attendant benefits, however, have not come without signs of possible social problems at important junctures in the country's multifaceted development history. Indeed, accomplishments have their own downsides, and plans are underway to ameliorate them. UAE decision makers are first and foremost concerned about the country's population imbalance and its possible negative impact on national identity. No nation can continue to depend on foreign labor for its development. Thus, the UAE is taking major steps in education and training to prepare a labor force that would be skilled enough to take over economic and other activities. Not that all importation of labor will be proscribed in the near future, but there are no illusions as to the continued problems facing the country's development in this regard.

The second important challenge is to encourage the country's youth to become involved in running the institutions of the state, the government and the private sector. Emiratisation has been successful in

the public sector, where government and independent state agencies have worked to train and hire nationals to be the official managers of development. It has yet to take root, however, in the private sector, where day-to-day concerns such as salaries and working hours are not easy to deal with.

UAE leaders are also concerned about the possible, although remote, adverse outcomes of the invasion of foreign goods and attitudes into their society and its different institutions. While the country has benefited greatly from economic globalization, the social effects of the phenomenon are worrying. So far, people have been able to integrate modernity and globalization with their traditions and family values. But no one can know when this accommodation might become a danger to social cohesion.

With these caveats, the UAE forges ahead with its development, which can be described as both normal and abnormal. The UAE is quite normal, in that it has worked hard to get where it is. The abnormality stems from factors including its young age and the speed with which development has been accomplished. The judgment on these two seemingly contradictory aspects of its development is still in the making, but, for now, the project continues.

<sup>1</sup> The State of Qatar and the Kingdom of Bahrain (an emirate in 1971) were slated to be part of the federation in 1971, but opted to stay out for their own domestic reasons.

<sup>2</sup> There also were Saudi and Iraqi concerns about the unification efforts of the Trucial States regarding: 1) the degree to which the unified state would be friendly with, or antagonistic to, the established order of the Gulf region; and 2) in the Saudi and Omani cases, border delineations and sovereignty over certain oases.

<sup>3</sup> See Christopher M. Davidson, *The United Arab Emirates: A Study in Survival* (Lynne Rienner Publishers, 2005). For a short and incisive treatise on the formation of the UAE, see John Duke Anthony, *The United Arab Emirates: Dynamics of State Formation*, Emirates Lecture Series 35 (The Emirates Center for Strategic Studies and Research, 2002).

<sup>4</sup> The strongest bond helping centripetal forces for integration were those of Abu Dhabi and Dubai. See Edmund O'Sullivan, *The New Gulf: How Modern Arabia Is Changing the World for Good* (Motivate Publishing, 2008).

<sup>5</sup> Adopted and applied by Thomas Jefferson, widely considered to be the father of the American constitution.

<sup>6</sup> It is essential to note that while political legitimacy in its “legal” sense is widely accepted in the monarchical systems of the Arabian Peninsula, it is the combination of politics, ethnicity, and religious standing that forms an overarching framework governing the rulers’ ability to claim a right to government in Islamic societies.

<sup>7</sup> This is not to deny the existence of some criticism of modernization that is seen by some conservative elements in society as threatening traditions and religious authority. Indeed, much resistance in this matter combines such issues as threats to national identity, the weakening of the family, divorce, the influx of foreign labor, and others. See Paul Dresch, “Debates on Marriage and National Identity in the United Arab Emirates,” in ed., Paul Dresch and James Piscatori, *Monarchies and Nations: Globalization and Identity in the Arab States of the Gulf* (I.B. Tauris, 2005). See also Fred Lawson and Hasan al-Naboodah, “Heritage and Cultural Nationalism in the United Arab Emirates,” in Alanoud Alsharekh and Robert Springborg, ed., *Popular Culture and Political Identity in the Arab Gulf States* (Middle East Institute, SOAS, 2008).

<sup>8</sup> Davidson cites theorists such as Karl Deutsch, Daniel Lerner and Samuel Huntington, who predicted an inescapable “king’s dilemma” regarding the inability of traditional societies’ leaders to cope with groups created by modernization. Davidson, *The United Arab Emirates*, 66.

<sup>9</sup> *Ibid.*, 70

<sup>10</sup> *Ibid.*, 70–103.

<sup>11</sup> For more information on the UAE’s Federal National Council and the elections of 2011, see the UAE’s National Election Commission’s website at <http://www.uaenec.ae/>. The UAE was not fully immune to calls for political reforms at the time of the then-ongoing upheavals in Tunisia, Egypt, Libya, and Yemen. A group of about 130 academics, rights activists, and opinion-makers respectfully wrote a letter to UAE President Shaikh Khalifa bin Zayed and the rulers of the other emirates asking for comprehensive changes to the electoral law to allow for the direct election of the Federal National Council and for making it a fully legislative institution that could check the executive. See *Al-Ittihad* Newspaper, March 10, 2011, accessed March 10, 2011, <http://www.alittihad.ae/>.

<sup>12</sup> Joseph Samuel Nye, *Soft Power: The Means to Success in World Politics* (Public Affairs, 2004). In reality, much of the soft power of foreign policy can also be seen as exercising “smart power,” since the UAE does not exclude protecting itself and its interests through certain instruments of high power such as economic weight or military power (for example, when it participates in anti-piracy activities in the Arabian Sea and the Gulf of Aden).

<sup>13</sup> The U.S. State Department credits the UAE with being an important player in the fight against terrorism and terrorist financing. See Kenneth Katzman, “The United Arab Emirates (UAE): Issues for U.S. Policy,” Congressional Research Service, No. RS21852, June 23, 2011, 7. On the tenth anniversary of the September 11, 2001, attacks, UAE Foreign Minister Shaikh Abdullah bin Zayed published an opinion piece re-committing the country to a long-term strategy for fighting international terrorism. See Abdullah bin Zayed, “Ten Years On: A World United against Terrorism,” *Gulf News*, September 11, 2011, accessed September 11, 2011, <http://gulfnews.com/opinions/>.

<sup>14</sup> Established in 1981 and includes the UAE, Saudi Arabia, Kuwait, Oman, Bahrain and Qatar.

<sup>15</sup> A committee of Arab states (UAE, Saudi Arabia, Jordan and Egypt) that parallels the Quartet on the Middle East (the United States, Russia, the United Nations and the European Union) concerned with peace between Israel and the Palestinians.

<sup>16</sup> The initiative for Arab–Israeli peace proposed in the 2002 Summit of Arab Heads of State in Beirut, Lebanon.

<sup>17</sup> Shaikh Abdulla bin Zayed, “Ten Years On.”

<sup>18</sup> See report by the UAE Office for the Coordination of Foreign Aid, 2009, accessed September 29, 2011, <http://ocfa.gov.ae/EN/Pages/home.aspx>.

<sup>19</sup> Katzman, “The United Arab Emirates,” 10.

<sup>20</sup> Arms Control Association for 2001 (“U.S. Continues to Lead in World Arms Exports”), 2007 (“Proposed U.S. Arms Export Agreements from January 1, 2007 to December 31, 2007”), 2008 (“Proposed U.S. Arms Export Agreements from January 1, 2008 to December 31, 2008”), and 2009 (“Proposed U.S. Arms Export Agreements from January 1, 2009 to December 31, 2009”), accessed December 30, 2010, <http://www.arm-scontrol.org/>.

<sup>21</sup> Not much has been heard since 2009 about the outcome of the debate. For the specifics, see Ivan Gale,

“UAE Wants Its Fighters Its Own Way,” *The National*, September 29, 2009, accessed September 20, 2011, <http://www.thenational.ae/business/>.

<sup>22</sup> “Fact Sheet: The United States–UAE Bilateral Relationship,” Office of the Press Secretary, The White House, Washington, DC, February 22, 2006, accessed October 5, 2011, <http://georgewbush-whitehouse.archives.gov/news/releases/>.

<sup>23</sup> See a full study of UAE nuclear program development in Christopher Blanchard and Paul K. Kerr, “The United Arab Emirates Nuclear Program and Proposed U.S. Nuclear Cooperation,” Congressional Research Service, no. R40344, December 20, 2010.

<sup>24</sup> Daniel Bardsley, “South Korea Sends More Troops to Train UAE in Counter-Terrorist Skills,” *The National*, July 12, 2011, accessed September 21, 2011, <http://www.thenational.ae/news/>.

<sup>25</sup> “French President Sarkozy Opens UAE base,” *BBC News*, May 26, 2009, accessed September 21, 2011, <http://news.bbc.co.uk/>.

<sup>26</sup> For a detailed study of the issue see Thomas R. Mattair, *The Three Occupied UAE Islands: The Tunbs and Abu Musa* (The Emirates Center for Strategic Studies and Research, 2005).

<sup>27</sup> *The Global Competitiveness Report 2011–2012* (World Economic Forum, 2011).

<sup>28</sup> *Doing Business 2011: Making a Difference for Entrepreneurs* (World Bank, 2010).

<sup>29</sup> See [www.heritage.org/index/Ranking](http://www.heritage.org/index/Ranking), for the Heritage Foundation; and *Wall Street Journal* Index of Economic Freedom, 2011.

<sup>30</sup> Corruption Perceptions Index 2010 (Transparency International, 2010).

<sup>31</sup> *Human Development Report 2010: The Real Wealth of Nations: Pathways to Human Development* (United Nations Development Program, 2010).

<sup>32</sup> *United Arab Emirates: 2011 Article IV Consultation*, IMF Country Report no. 11-111 (International Monetary Fund, May 2011).

<sup>33</sup> National Bureau of Statistics, *United Arab Emirates*, accessed September 9, 2011, [www.uaestatistics.gov.ae](http://www.uaestatistics.gov.ae).

<sup>34</sup> “Vision 2021: United in Ambition and Determination, United Arab Emirates,” accessed September 9, 2011, [www.vision2021.ae/downloads/UAE-Vision2021-Brochure-English.pdf](http://www.vision2021.ae/downloads/UAE-Vision2021-Brochure-English.pdf).

<sup>35</sup> Currently, Abu Dhabi has “The Abu Dhabi Economic Vision 2030,” and Dubai has “Dubai Strategic Plan 2015.”

<sup>36</sup> See the website of the Ministry of Finance for the details of the reforms at [www.mof.gov.ae](http://www.mof.gov.ae).

<sup>37</sup> *The Global Competitiveness Report 2011–2012*, 19.

<sup>38</sup> *Doing Business 2011*, 202.

<sup>39</sup> Measured as GDP per capita in current U.S. dollars, from World Data Bank of the World Bank, accessed September 9, 2011, <http://databank.worldbank.org/ddp/home.do>.

<sup>40</sup> *BP Statistical Review of World Energy*, June 2011, accessed September 9, 2011, [www.bp.com/statisticalreview](http://www.bp.com/statisticalreview).

<sup>41</sup> See “The Annual Statistical Report for Economic, Social, Agricultural, and Environmental Indicators 2010,” (in Arabic) for the details of economic activities (National Bureau of Statistics, United Arab Emirates, March 2011).

<sup>42</sup> See the Masdar website for more information on the project at <http://www.masdar.ae/en/Menu/index.aspx>.

<sup>43</sup> On Abu Dhabi’s hosting of IRENA, see Abbas al-Lawati, “UAE to Host IRENA HQ,” *Gulf News*, June 29, 2009, accessed September 22, 2011, <http://gulfnews.com/news/>. On IRENA, see <http://www.irena.org/Menu/index.aspx>.

<sup>44</sup> Emirates website, accessed October 4, 2011, <http://www.emirates.com/>.

<sup>45</sup> Etisalat website, accessed October 4, 2011, <http://www.etisalat.com/>.

<sup>46</sup> ADIA Review 2010, accessed October 4, 2011, <http://www.adia.ae/En/home.aspx>.

<sup>47</sup> Mubadala Development Company PJSC, “Review Report and Interim Financial Information,” June 30, 2011, accessed October 4, 2011, <http://www.mubadala.com>.

<sup>48</sup> “Mubadala Revs Up Sponsorship of Ferrari F1 Team to 2010,” AMEInfo.com, accessed October 5, 2011, <http://www.ameinfo.com/150198.html>.

<sup>49</sup> *World Trade Report 2011*, “The WTO and Preferential Trade Agreements: From Co-existence to Coherence” (World Trade Organization, 2011).

<sup>50</sup> Dubai FAQ’s, accessed September 29, 2011, <http://www.dubaiFAQs.com/al-ahmadiya-school.php>.

- <sup>51</sup> K. G. Fenelon, *The United Arab Emirates: An Economic and Social Survey*, Second Edition (Longman, 1976), 98–99.
- <sup>52</sup> Ragaei El Mallakh, *The Economic Development of the United Arab Emirates* (Croom Helm, 1981), 64.
- <sup>53</sup> “Country Profile: United Arab Emirates (UAE),” Library of Congress, Federal Research Division, July 2007, 7.
- <sup>54</sup> See “Emirates by the Numbers, 2010,” National Bureau of Statistics, United Arab Emirates, accessed September 29, 2011, <http://www.uaestatistics.gov.ae/>.
- <sup>55</sup> UNICEF, United Arab Emirates Statistics, accessed September 28, 2011, [http://www.unicef.org/infoby-country/uae\\_statistics.html](http://www.unicef.org/infoby-country/uae_statistics.html).
- <sup>56</sup> See the UAE Ministry of Education website at: <http://www.moe.gov.ae/English/Pages/default.aspx>.
- <sup>57</sup> Millennium Development Goals, United Arab Emirates Report (Second Report), March 2007, 14.
- <sup>58</sup> World Health Organization, United Arab Emirates: Health Profile. Available at: <http://www.who.int/countries/are/en> (accessed September 28, 2011).
- <sup>59</sup> UNICEF, United Arab Emirates Statistics.
- <sup>60</sup> Compiled from Ministry of Health information for 2008 and Abu Dhabi Statistics Center for 2009.
- <sup>61</sup> See, for example, Alison McMeans, “Health Begins at Home,” *The National*, November 15, 2008, accessed September 29, 2011, <http://www.thenational.ae/news/uae-news/health/health-begins-at-home>.
- <sup>62</sup> See Abu Dhabi Health Services Company, <http://www.seha.ae/>; and Cleveland Clinic Abu Dhabi, accessed September 29, 2011, <http://www.clevelandclinic.org/abu-dhabi/default.aspx>.
- <sup>63</sup> Data may be downloaded from or viewed at the website of the UAE National Bureau of Statistics: [http://www.uaestatistics.gov.ae/ReportPDF/DSS\\_CENSUS\\_Population%20by%20Emirates%201975-2005.xls](http://www.uaestatistics.gov.ae/ReportPDF/DSS_CENSUS_Population%20by%20Emirates%201975-2005.xls).
- <sup>64</sup> Computed from the table found at [http://www.uaestatistics.gov.ae/ReportPDF/DSS\\_CENSUS\\_Population%20by%20Emirates%201975-2005.xls](http://www.uaestatistics.gov.ae/ReportPDF/DSS_CENSUS_Population%20by%20Emirates%201975-2005.xls).
- <sup>65</sup> Data may be downloaded from or viewed at the website of the UAE National Bureau of Statistics: [http://www.uaestatistics.gov.ae/ReportPDF/DSS\\_CENSUS\\_Labor%20Force%20by%20Emirates%201975-2005.xlsx](http://www.uaestatistics.gov.ae/ReportPDF/DSS_CENSUS_Labor%20Force%20by%20Emirates%201975-2005.xlsx).
- <sup>66</sup> Amelia Naidoo, “Salaries for Emiratis Can Be a Career Road Block,” *Gulf News*, April 27, 2011, accessed September 27, 2011, <http://gulfnews.com/news/gulf/uae/employment/salaries-for-emiratis-can-be-a-career-road-block-1.799599>; Sarmad Khan, “Wary of a ‘Gold Dust’ Opportunity,” *The National*, June 25, 2009, accessed September 27, 2011, <http://www.thenational.ae/business/wary-of-a-gold-dust-opportunity>; Neeloo Mashood, Helen Verhoeven, and Bal Chansarkar, “Emiratisation, Omanisation and Saudisation — Common Causes: Common Solutions?” a paper presented at the Tenth International Business Research Conference, “Research for Change,” April 16–17, 2009, Crowne Plaza Hotel, Dubai, UAE, accessed September 27, 2011, <http://www.wbiconpro.com/17.%20Helen-UAE.pdf>; Ingo Forstenlechner, “Workforce Localization in Emerging Gulf Economies: The Need to Fine-Tune HRM,” United Arab Emirates University, accessed September 27, 2011, [http://uae.academia.edu/ingo/Papers/220816/Workforce\\_localization\\_in\\_emerging\\_gulf\\_economies\\_the\\_need\\_to\\_fine-tune\\_HRM](http://uae.academia.edu/ingo/Papers/220816/Workforce_localization_in_emerging_gulf_economies_the_need_to_fine-tune_HRM).
- <sup>67</sup> “Minister Urges Priority for Emiratisation,” *Gulf News*, September 21, 2011, accessed September 27, 2011, <http://gulfnews.com/news/gulf/uae/employment/minister-urges-priority-for-emiratisation-1.870635>.
- <sup>68</sup> *Universal Periodic Review: United Arab Emirates*, Human Rights Council, United Nations, Tenth Session, a HRC/10/75, January 12, 2009, accessed September 27, 2011, <http://daccess-ods.un.org/access.nsf/Get?Open&DS=A/HRC/10/75&Lang=E>.
- <sup>69</sup> *Ibid.*
- <sup>70</sup> See UN.GIFT, at <http://www.ungift.org/knowledgehub/en/about/index.html>.
- <sup>71</sup> See: “Year to Date International Passenger Traffic,” Airports Council International, September 16, 2011, accessed October 5, 2011, available at: <http://www.aci.aero/cda/>.
- <sup>72</sup> See, for example, the Shaikh Zayed Housing Program at <http://www.szhp.gov.ae/>; the Mohammad bin Rashed Housing Establishment at <http://www.mrhe.gov.ae/>; and the Shaikh Saoud Housing Program in Ras al-Khaimah at <http://www.iskan.gov.ae/>, among others.