

This article was downloaded by: [Yousef Khalifa Al-Yousef]

On: 10 November 2013, At: 09:06

Publisher: Routledge

Informa Ltd Registered in England and Wales Registered Number: 1072954 Registered office: Mortimer House, 37-41 Mortimer Street, London W1T 3JH, UK



Contemporary Arab Affairs

Publication details, including instructions for authors and subscription information:

<http://www.tandfonline.com/loi/rcaa20>

The United Arab Emirates at a crossroads

Yousef Khalifah Al-Yousef^a

^a UAE University, Al Ain, United Arab Emirates

Published online: 10 Oct 2013.

To cite this article: Yousef Khalifah Al-Yousef , Contemporary Arab Affairs (2013): The United Arab Emirates at a crossroads, Contemporary Arab Affairs

To link to this article: <http://dx.doi.org/10.1080/17550912.2013.837337>

PLEASE SCROLL DOWN FOR ARTICLE

Taylor & Francis makes every effort to ensure the accuracy of all the information (the "Content") contained in the publications on our platform. However, Taylor & Francis, our agents, and our licensors make no representations or warranties whatsoever as to the accuracy, completeness, or suitability for any purpose of the Content. Any opinions and views expressed in this publication are the opinions and views of the authors, and are not the views of or endorsed by Taylor & Francis. The accuracy of the Content should not be relied upon and should be independently verified with primary sources of information. Taylor and Francis shall not be liable for any losses, actions, claims, proceedings, demands, costs, expenses, damages, and other liabilities whatsoever or howsoever caused arising directly or indirectly in connection with, in relation to or arising out of the use of the Content.

This article may be used for research, teaching, and private study purposes. Any substantial or systematic reproduction, redistribution, reselling, loan, sub-licensing, systematic supply, or distribution in any form to anyone is expressly forbidden. Terms & Conditions of access and use can be found at <http://www.tandfonline.com/page/terms-and-conditions>

The United Arab Emirates at a crossroads[†]

Yousef Khalifah Al-Yousef^{*}

UAE University, Al Ain, United Arab Emirates

Although the creation of the United Arab Emirates (UAE) in 1971 was not an easy task given the geopolitics of the region, it nevertheless has given a strong push to the aspirations of the people of the region toward integration, which is a prerequisite for real development. However, these aspirations were shattered as soon as the founding fathers of the union passed from the scene and a new generation of leaders took up the helm. These new leaders not only failed to consolidate the progress that was made by the founding fathers, but also they have led the union in a new direction that proved to be detrimental to the long-run security and prosperity of its citizens, namely: more restrictions on individual freedoms and the adoption of a distorted model of development that have marginalized the role of citizens in the economy and have not reduced the country's dependence on oil. Therefore, the security and development of the country in the coming years will depend on the government's ability to open up politically and opt for a federal model of development and closer cooperation with both the Gulf states and the rest of the Arab world.

Keywords: United Arab Emirates (UAE); Gulf Cooperation Countries (GCC); economic growth; security; oil

This paper is an attempt to evaluate the United Arab Emirates' (UAE) experience at several levels, 40 years after its establishment, looking mainly at the development and security angles. The UAE's early experience had particularly won the admiration of the Arab brethren who hoped that it would serve as a successful example, and it laid the ground for a rapprochement and unity among the Arab countries, long divided and beset by underdevelopment, weakness and exploitation by the major powers. It became clear to this researcher, however, that although this experience had indeed won the admiration and interest of many in the region, these dreams were later crushed by the rulers' insistence on monopolizing the country's assets and decision-making process. These leaders prevented their people from taking active part in deepening this young country's progress, and insisted on country-specific development models that have no chance of success. This insistence on sidelining members of their own societies and singlehandedly managing the assets of their respective emirate, with no societal supervision whatsoever, not to mention the founding fathers' absence from the scene, meant that this country was incapable of pursuing an equitable and

*Email: subhanah@emirates.net.ae

[†]This paper is adapted from the author's most recent book, *The United Arab Emirates At Crossroads* (Beirut: Center for Arab Unity Studies, 2013) [in Arabic].

sustainable development plan. One of the worst outcomes of this distorted development model, which the UAE has been implementing since its foundation, is a population imbalance that marginalized the local population, culturally and economically, and is now threatening it in the political and security realms, and potentially its very survival. This internal weakness was accompanied by, or has given rise to, external challenges manifested by the increasing ambitions of certain regional countries, particularly Iran, to extend their hegemony over the region. Consequently, the UAE and others in the Gulf rely increasingly on foreign protection, a phenomenon that costs them dearly. This means that today the UAE is at a crossroads; either it adjusts its path in the next few years by introducing a number of internal reforms to deepen the federation's progress, and strengthen it by working towards unity and cooperation at all levels, among the Gulf Cooperation Council (GCC) states, chief among which is a joint defence pact that also involves all the Arab countries, or it is headed towards more squandered assets, a deeper population imbalance and increasing regional ambitions.

First: the union's establishment

The period that preceded the establishment of the UAE witnessed a number of developments that have had a considerable impact on the country's path in the subsequent years. These developments included Britain's decision to withdraw from the region, its attempt to form a nine-member union including Bahrain and Qatar as well as what is known today as the UAE, and the various border issues between the sheikhdoms and the major players in the region, like Saudi Arabia and Iran.

The British withdrawal and failure of the nine-member union

On 4 January 1968, for various reasons but mainly due to the domestic economic situation, the British government announced its intention to withdraw from the region East of Suez, including the Trucial Coast Sheikhdoms, as they were known at the time. The announcement had several repercussions, the most important being the sheikhs' apprehension about what this withdrawal would mean for their security, especially in relation to other countries in the region like Iran, Saudi Arabia and Iraq (Heard-Bey 2004, 337). This is why some of them tried to change Britain's mind, but in vain, since the colonial countries' decisions are based on their people's best interests rather than historic commitments or principles (*The Times* (London) January 22, 1968, 1). Britain encouraged the sheikhdoms' rulers, including Bahrain and Qatar's, to form a nine-member union to fill part of the void left behind by its withdrawal from the region, and the nine leaders began holding meetings in view of forging a union (Al-Rayes 2004, 37–38). However, documents from the four meetings held by the nine sheikhs, between May 1968 and October 1969, show wide gaps over several issues, many of them the result of long-standing disagreements between them. Some of these disagreements centred round border issues; others were the result of pressure from the regional powers, mainly Iran and Saudi Arabia who had designs on some of these sheikhdoms, and others yet were due to Britain's intervention in the talks, all of which eventually led to the failure of attempts to establish a nine-member union, despite its importance for security and development (Al-Rayes 2004, 91–117). Nevertheless, and despite this failure, an announcement was made on 2 December 1971 regarding the establishment of a union between six sheikhdoms; these were joined on 10 February 1972 by the

Sheikhdom of Ras al-Khaimah, making it a seven-member union; the entity that became the United Arab Emirates. It is worth mentioning that Ras al-Khaimah's delay in joining the union was due, among other things, to its displeasure at the way authority was apportioned among union members (Khalifa 1979, 34–35).

Obstacles on the way

After the failure of the nine-member union, efforts continued to establish a union without Bahrain and Qatar, i.e., a seven-member union; however, even this smaller-size union encountered three major obstacles, obstacles that cast their shadow on its path, and still do so today. These include the UAE islands that Iran occupied one day prior to the departure of British forces from the Gulf; the unresolved Buraimi Oasis issue between Abu Dhabi and Saudi Arabia; and the security and development legacy left behind by the British. Based on recently released documents, the author was able to ascertain that Iran's claim on the islands (Mobley 2003, 629) and Saudi Arabia's claim on Buraimi (Kelly 1980, 64) were not historically justified, but rather the result of shifts in the balance of power between the UAE, on the one hand, and Iran and Saudi Arabia, on the other. Britain's tendency to favour its relations with Iran and Saudi Arabia, due to their increasing power in the region, had a clear impact on the manner in which the islands and Buraimi issues were handled (Zahlan 1978, 129) making the UAE the loser on both counts. Thus, although British documents, especially those recently identified, substantiate the Emirate of Sharjah and Ras al-Khaimah's ownership of the three islands, the issue became a trump card used by all sides in the shadow of a balance of power dominated by the retreating British influence in the region, paralleled by the growing role of Iran and weak negotiating Arab and Gulf positions. The result was Iran's occupation of the Greater Tunb and Lesser Tunb Islands and the signing of an unfair agreement with the former ruler of Sharjah, one day prior to the establishment of the state, according to which control of Abu Musa would be shared by both parties (Al-Rayes 2004, 281–289). However, Iran even failed to abide by this unfair agreement since it announced its control of the entire above-mentioned island, in 1992, which only confirmed its intention to impose its hegemony over the region (Cordesman 1997, 301). The Buraimi issue is another example of a stronger party imposing its conditions on the weaker one. Although British documents confirm that Saudi Arabia's claim on Buraimi and some western areas of Abu Dhabi were neither historically nor legally justified, when one follows the evolution of the British position vis-à-vis this issue, especially during the Third Saudi State founded in 1932, it becomes clear that this position had shifted gradually in favour of the Saudi claim, in an attempt to win Ibn Saud's endorsement for certain issues in Britain's favour, as it did with Iran over the Islands issue (Abdullah 2007, 177–178). Thus, Britain departed the region leaving behind, as usual, areas of tension between the UAE, on the one hand, and Iran and Saudi Arabia, on the other, due to the uneven-handed settlement it engineered in both cases. In my opinion, however, the issue of the islands is the more serious of the two since any disagreement with Saudi Arabia could be potentially resolved within the context of a Gulf union, and in the shadow of political reforms that make the citizens of the Gulf and the Peninsula less keen on divisions between them, especially the ensuing crises and failure to ensure security and development. As for British legacy in the region, the study shows that Britain, which had imposed absolute tutelage over the coastal sheikhdoms, whether in matters of foreign policy or the exploitation of local resources, was not interested

in creating development projects except after the Arab League, influenced by the Arab nationalist wave, showed interest in providing different types of development assistance (Al-Badwawi 2009, 101–102). Nor did Britain pay much attention to domestic security, whether among the sheikhdoms themselves or between them and their neighbours, except after the discovery of oil. This is when it decided to establish the Trucial Oman Levies to protect the oil companies and excavation operations, a force that later became the nucleus of the UAE's Federal Force, established after the foundation of the State (Peck 1986, 44–46).

Second: the institutions

The UAE's federal institutions have been vulnerable and weak since the establishment of the state; they concentrate the country's decision-making processes and assets into the hands of the rulers and marginalize the role of the citizens, which negatively affects the state's performance at the security and development levels. This became especially the case after the founding generation's departure from the political scene. Below are a few examples that illustrate the weakness of these institutions.

Constitutional issues

The UAE Constitution continues to suffer from a number of problems that reflect negatively on the relationship between the government and its people, and among the emirates themselves. Chief among these problems is the management of the country's natural resources, unification of the armed forces, political rights of citizens and foreign affairs. Article 23 of the Constitution, which gives each emirate total sovereignty over its natural resources, allowed different emirates to adopt different development models, which caused much waste and corruption and created an income gap between the rich and poor emirates, a gap that became wider in recent years (Heard-Bey 1999, 137–138). The unification of the army took a long time to happen and engendered a series of crises between the rulers of different emirates, until an agreement was reached to unify the army, in 1996, based on the provisions of the constitution. The fact that some emirates could not afford to continue financing their local armies was a helping factor in this decision, yet military spending remained outside the scope of a unified federal vision. Military spending continued to account for the lion's share of oil revenues, which was always at the expense of more productive projects, such as education, health, training, etc. (Sate' al-Husari 1999, 628). At the time being, the issue of citizens' political rights does not appear in the constitution, because members of the National Council, who are supposed to represent popular sovereignty, are directly or indirectly chosen by the rulers. Moreover, the council does not have legislative or supervisory prerogatives but is simply a body that the rulers consult through the Council of Ministers, on certain issues, but are not bound by its opinion (Al-Jamal 1999, 584). In addition to the above, there are articles in the Constitution that allow each emirate to establish a wide range of relations with other countries, as long as they abide by federal laws. However, the fact that these articles were misused by more than one emirate has negatively affected the state's foreign relations, and cohesiveness of its internal front (Peck 1986, 133).

The political legitimacy crisis

If the observer can find an excuse for the founding generation's failure to earn political legitimacy from their own people, they would be at pains to find an excuse for the second generation's failure to do so. Only this kind of legitimacy can activate the citizen's role in development, by instilling a single citizenship concept that grants all citizens equal rights and responsibilities (Huntington 1968, 140). However, the new leaders' record shows that they have instead tried to marginalize members of their societies by institutionalizing hereditary systems, weakening the institutional environment, preventing the development of civil society institutions and prioritizing security, especially since the beginning of the Arab Spring. As far as hereditary systems are concerned, the ruling families continue to monopolize both decision-making and the country's assets without any attention to skill or ability. This has divided society into a ruling elite and those who turn in their orbit, including some intellectuals and businessmen, a group that singlehandedly decides the fate of the country's assets by giving here and withholding there, and another group of subjects made up of the rest of society, a group that has no say either in the way the country is run or in the management of its assets, except within the limits allowed by the first group (Zahlan 1999, 121). In turn, the country's institutions were reduced down to the rulers, their advisors and representatives. Moreover, the National Council is devoid of prerogatives; ministerial positions are granted based on loyalty; the judiciary is between a rock and a hard place, i.e., between the ruler's court and the security services; and the entire media either speaks in the government's name or is loyal to it thanks to the financial assistance it receives. Civil society institutions are not allowed to exist and, when they do so, are akin to nationalized institutions; their management is appointed by the state and their activities do not depart from official state policies. This fragile institutional situation is perhaps one of the reasons that compelled a number of prominent citizens to submit a petition to the head of state, in March 2011, requesting that the National Council become an elected body with legislative and supervisory powers, to help the state adjust its security and development paths (Malas 2011). Over and above institutionalizing hereditary systems, weakening the country's institutions and sidelining civil society, the country witnessed the imposition of security measures in tandem with the onset of the Arab Spring, measures unfamiliar and unacceptable to the founding generation of rulers. These included defaming in the media anyone who voices opposition, revoking some people's citizenship, arresting opposition members, interrogating women, and other practices that turned this and other GCC into police states with no civil or political rights. This was further confirmed by reports issued by different human rights organizations, including Freedom House (Human Rights Watch 2012).

Third: development

In light of the fragile institutional environment detailed above, it is not surprising to find that the state's performance is at a much lower level than its potential. A review of a number of development indicators makes it clear that this state still relies primarily on oil as the main source of income, and that its development efforts over the past 40 years have so far failed to develop alternatives to oil. This means that the prosperity enjoyed by this country's citizens is unsustainable, and could even retreat in the next few years due to the increase in population and the diminishing role of oil.

Growth without development

To begin with, it is necessary to underline the fact that the desired or sustainable development goal is essentially the process of transforming the finite oil resource into a human resource, with the requisite skills and abilities to produce goods and services with which to trade with the rest of the world, and generate an income. The creation of such a human resource requires a well-developed institutional environment, among whose mainstays is individual freedom and what this means in terms of transparency, accountability, the rule of law, access to information and a resource management system that benefits all social strata (Helpman 2004, 139–142). The pearl economy, which for long was the main resource of this and other countries in the region, teaches us many lessons. Among these is the harsh life that this region's people has had to endure once this finite resource's importance began to wane, in the early 1930s, due to the development of a manufactured alternative, compounded by the economic recession afflicting the world at that time. These lessons were obviously not learnt, judging by the way oil was managed later on (Lorimer 1915, 2252).

The fragile institutional environment, in which members of society have no effective role to play, allowed the political leaderships to monopolize decision-making and the country's assets, and use them to advance their own interests at the expense of society's interests, and those of future generations. Drawing maximum benefit from oil in the development process means securing the highest share of rent possible from this resource by pursuing clear and effective policies vis-à-vis the oil companies and their governments; it also means spending oil revenues wisely and fairly. As far as securing such a rent is concerned, this country's government and others in the region have continued to negotiate with the oil companies from a position of weakness, without the benefit of a political legitimacy that emanates from elected legislative councils which delineate the state's public policies. The fact that this is compounded by the absence of a well-developed civil society, which expresses the citizens' will, meant that the oil companies continued to reap large profits, and consumer governments continued to impose increasingly high taxes on oil consumption. The result was that a large part of the oil rent went into the Western countries' coffers instead of promoting development in the Arab region (Al-Otaiba 1982, 2). Moreover, the way these governments spend revenues involves much waste, squandering and corruption due to political leaders taking a personal cut, receiving commissions on arms purchases, delving in real estate speculation or establishing pro-forma projects that do not lead to real development. The situation became so bad that some sources estimate the gap between the actual value of the region's exported oil and what appears in these countries' budgets at over 30%, an amount whose ultimate destination is unknown (Byman and Green 1999, 4).

At the same time, the income gap among different emirates continues to grow. In 2007, for example, the per capita income of Abu Dhabi was six times that of 'Ajman, while in 2000 it was only five-and-a-half times as much (International Monetary Fund (IMF) 2009). According to the latest available data, this income gap has caused the rate of unemployment to increase to 20% in the northern emirates, compared with the state's average of 14% (Davidson 2012, 130). Another manifestation of development's failure is the fact that we are still witnessing erratic economic growth patterns fuelled by oil revenues, with no change in the country's productive infrastructure. Oil still plays a major role in the domestic product, accounting for the lion's share of public revenues and exports, and even the basic infrastructure projects that preceded the

development process, which have not yet been actualized, require large sums to maintain (Koren and Tenreyro 2012, 190–191, fig. 9. 1).

Sovereign wealth funds

Although, on the one hand, sovereign wealth funds are among the mechanisms that help diversify the UAE's income, they could, at the same time, be a reflection of a certain dysfunction in the country's oil policies. As has always been the case, it is still better for the UAE not to produce more than its absorption capacity because keeping the oil underground ensures increasing revenues from this resource, especially given its depletion in other regions of the world (Hotelling 1931, 137–175). However, transforming the oil resource into financial assets and investing these assets through sovereign funds does not seem like a successful development strategy, so far. These assets, estimated at hundreds of billions of dollars, are subject to the decisions of a handful of political leaders who are guided by personal interests rather than by the public interest, which renders them vulnerable to exploitation by Western countries and their financial institutions. The state's sovereign funds continue to operate in an environment that lacks transparency, especially regarding the size of these investments and the geography and manner of their distribution. There is also a lack of transparency regarding the selection of currencies in which these investments were denominated; estimates of Abu Dhabi's exploitable assets, prior to the financial crisis of 2008, ranged between US\$250 billion and US\$1 trillion (Seznec 2012, 79). Over the years, these investments have incurred huge losses as a result of changes in currency prices, inflation and successive financial crises. For example, some sources estimate the losses of the Gulf countries' sovereign funds, in 2008, at around US\$350 billion (Setser 2009, 1). Experience shows that the absence of transparency in the management of these funds is a doorway to corruption and the misuse of the country's wealth, and the Bank of Credit and Commerce International (BCCI) issue, whose liquidation cost the UAE no less than US\$20 billion in the 1990s, is a case in point. One should also mention the bad reputation this country's citizens have endured as a result of this debacle, given that the bank's directors had used every devious method possible, as indicated by an American congressional report on the matter (US Senate 1992, 102–140). Moreover, at a time when, under Western pressure, these sovereign wealth funds had hastened to save Western financial institutions from ruin, during the recent financial crisis (Lawson 2012, 13–14) they did nothing worth mentioning in return for developing local human resources or indigenizing technology. They also failed to establish real development projects in the Arab world; they established neither infrastructure and agricultural projects to ensure food security, industrial projects to help diversify the economy, armament projects to promote security in the region, nor educational and health projects to enhance people's abilities and allow them to produce goods and services that could eventually replace oil. Over and above that, around 50% of the small sums these funds have invested in some Arab countries went into real estate and tourism instead of genuine development projects (Burke and Bazoobandi 2012, 31).

The Dubai model and the financial crisis

Since some like to compare Dubai with Singapore, a simple comparison between the two models was performed and big differences between them were found, especially in the domains of human resource development, diversification of the economic

infrastructure and the institutional environment, particularly the judicial system's performance and levels of corruption (Hvidt 2009, 399). Although the Dubai model, based initially on trade, services and free zones, achieved some success up to the beginning of the third millennium (Hvidt 2009, 399), it later went down a negative track characterized by an unwarranted real estate boom fuelled by an increase in oil prices and inflow of speculative international funds (Theodoulou 2002). The model thus changed from one capable of further development and worthy of emulation elsewhere in the region to one that distorts the social culture (Runnette 2007), and marginalizes the citizens' role in the economy (Al-Shahabi 2012, 7–21), a model whose survival depends on further weakening of federal laws regarding the right of foreign nationals to reside and invest in the country (EIU 2000, 41). It also became a burden on the state, especially when the real estate bubble burst and revealed the extent of Dubai's indebtedness and its implications for the country's future stability and prosperity (Armistead 2008). This, of course, does not mean that the recent financial crisis is a fatal blow to the Dubai model; the model has its strong points such as trade and services, the management of ports, Emirate Airlines and a number of industries, including aluminium, that were not significantly affected by the crisis. In my opinion, the state should pay attention to these particular fields in future years, and indigenize and Arabize them to maximize their value added contribution to the local community, in the context of a federal model in tune with development efforts across the Gulf region (Eckart 2009, 4–5). On the other hand, the comparison shows that the Singapore model is superior to the Dubai model in promoting decision-making within an institutional environment that embraces the popular will, relies on the local workforce and has managed to increase industry's share of the national product and exports. Compared with Dubai, this had taken place in an environment with less financial and administrative corruption (Huff 1995, 737).

Fourth: human resources

Human resources are one of the mainstays of development, including personal skills, expertise and creativity. To tap such resources requires employment opportunities that allow the individual to discover his potential and put it to good use, in order to contribute to society's prosperity at all levels. However, the path that the UAE has chosen to pursue is lower than the required standard, judging by the effectiveness of the education system and labour market's ability to absorb the local workforce.

Education

By examining a number of educational indicators, the researcher found that the management of education in this country is still very highly centralized and that rote learning still prevails at the expense of creativity and critical thinking; the system also lacks well-defined criteria to gauge the performance of those involved in the educational process (Zellman, Constant, and Goodman 2011, 55). Furthermore, spending on education as a percentage of gross domestic product (GDP) has decreased over the years compared with other GCC states and the average in other Middle Eastern and North African countries. This has no doubt mitigated the state's ability to provide the right human environment for a knowledge-based economy that the state needs to rely on as an alternative to oil (The World Bank 2008, 11). Available figures show that the average enrolment at different academic levels has improved in the past few years,

particularly at the preparatory and secondary levels, although the average university enrolment level shows a drop in the enrolment of males compared with females. For example, the fact that in 2007 this average stood at 40% for females and 12% for males means that the contribution of males to the UAE economy will drop in the coming years if the situation is not rectified (Ridge 2009, 1–2). As to the quality of education, usually gauged through a variety of criteria such as years of academic enrolment; students' scores in international standardized tests that involve mathematics, sciences and languages; the percentage of students who specialize in mathematics and sciences and illiteracy rates, it does not call for optimism. As far as the years of enrolment are concerned, although there is some improvement in that domain, the average years of enrolment in the Middle East and North African (MENA) region is still below that of other regions, such as Latin America and East Asia (The World Bank 2008, 15). With regard to international tests, most Gulf countries do not take part in them. Other Middle Eastern countries that take part in these tests score lower than the world average (The World Bank 2008, 19) and the percentage of Middle Eastern students who specialize in mathematics and sciences does not exceed 22.6% (The World Bank 2008, 21). Finally, there is a tangible improvement in literacy rates throughout the region, including in the UAE, even if it ranks below Bahrain, Kuwait and Qatar, and ahead of Oman and Saudi Arabia (The World Bank 2008, 94–96). The last quality-of-education indicator looks at equity in education, especially between males and females, and the most recent indicators show that in the past few years there has been a marked improvement in the performance of girls compared to boys (The World Bank 2008, 30). This modest educational performance in a sparsely populated country such as the UAE prompts us to insist on radically reforming the education system in the next few years in three main areas: the quantity and quality of education inputs (Faour 2012, 26–27); instituting a comprehensive and integrated incentives system, both material and moral; and providing an environment of transparency and accountability not only in the education domain, but also in all government sectors, to draw maximum benefit from the country's human and material resources (Ulrichsen 2012, 122).

The citizens and the workforce

Human resources cannot be ideally exploited in the promotion of sustainable development except by providing the local workforce with productive employment opportunities. However, the UAE's record shows that the country-based development model that the state has adopted has not only failed to achieve the desired development objectives, by diversifying the productive infrastructure of the UAE economy, but also led to more dependency on foreign labour, which did not stop pouring into the country even during times of falling oil prices and financial crises (International Labour Organization (ILO) 2009, 19–21). This excessive inflow of foreign labour has marginalized the role of this country's citizens, who today account for only 20% of the population and 8% of the total workforce, which is mainly concentrated in the public sector, with no more than 1% in the private sector (Winckler 2009, tab 4.4). This imbalance in the local population and the workforce has had a negative impact on the country; the fact that no less than US\$10 billion flow out annually from the UAE economy to the labour-exporting countries no doubt adversely affects local demand levels and economic growth rates (IMF 2012, 9). Moreover, and according to certain estimates, the services that the state provides to this foreign workforce cost around US\$180 billion annually

(Aruyah 2011, on website <http://alroya.com/node/117101>). Seen from another angle, this large-scale inflow of foreign labour has distorted the UAE's culture in a manner whereby, today, the country's Arab-Islamic culture is threatened by the sheer number of foreign languages and cultures that dominate all sectors of the population, be it at the family, school or government level (Findlow 2000). On the political and security fronts, the huge numbers of foreign workers means that there is a good chance that the second and third generations of these workers could start asking for political rights enshrined in international labour laws. Moreover, the state has in recent years begun to witness various crimes associated with highly diversified societies (Janardhan 2012, 161). This population imbalance, which today threatens this country's long-run prosperity and stability, should be placed at the top of the challenges that the country needs to address. Solutions should be found as soon as possible, lest this imbalance turns into a time bomb which, if allowed to explode, will cause destruction and ruin on more than one front. Perhaps the first step is to develop a clear plan for naturalization by removing distortions in the labour market. The recent experiences of Bahrain and Oman in this domain could serve as an example (Hertog 2012, 100–102).

Fifth: security

In my opinion, the UAE's security emanates from a strong cohesive internal front and good relations with the wider Arab and Islamic milieus. This should be accompanied by less reliance on foreign powers, a reliance that allowed autocracy and dependency to continue, deepened the divisions in the region, and ignited wars that destroyed humans and material resources. This notion of security has two dimensions: one internal and the other external. Below is a brief analysis of each.

Internal security

The state's internal security depends on the nature of hereditary systems, the relationship between the ruler and his people, and the relationship between each of the seven emirates and the federal institutions. As far as the hereditary system is concerned, and after reviewing the hereditary system of each emirate, the author arrives at the conclusion that it is an unstable system because it concentrates political decision-making into the hands of a small group and lacks a transfer of power mechanism, which in the past has led to many conflicts over power and, consequently, caused instability and slowed down the economy (Peterson 2001, 173–186). Each of the seven emirates has witnessed conflicts over power involving members of the ruling family, many of them bloody (Zahlan 1978, 34). The hereditary systems have also led to tensions between the ruling families and their people, in the context of the latter's quest for more participation, including the reform movement of 1938 (Rush 1991, 368), and reform demands submitted by a number of citizens in March 2011. Not only does hereditary rule fail to ensure an agreed formula for the transition of power within the ruling family itself and build a close and legitimate relationship between the political leadership and the rest of society, they went further than that by stoking tensions between different emirates, which ultimately weakened the internal front and impeded efforts towards prosperity and progress, which would have made this federation a model worthy of emulation elsewhere in the region (Davidson 2005, 206).

External threats

On the external front, the UAE's security is affected by the type of relationship it maintains with other countries in the region and the world; however, in order to ensure its security and prosperity, the first group of countries to which it should turn its attention is no doubt its fellow GCC members. The group needs all the attention it can give in the next few years, on more than one front. First, the remaining border disputes that are still causing tensions between the GCC countries and others in the region, like Saudi Arabia, should be brought to an end, and forging a closer union will undoubtedly mitigate the impact of such border issues (Meulen 1997, 23). Second, the UAE and other GCC countries should better coordinate their foreign relations with other Arab states vis-à-vis regional powers such as Iran and Israel or with the major international powers. Not only will this coordination improve the GCC's negotiating position vis-à-vis the regional ambitions of neighbouring countries, but also it will promote their independence from the major world powers (Gause 2007). Third, the Peninsula Shield Force project is not yet defined by a unified vision, genuine cooperation or opportunities for development (Lippman 2012, 233). Resources are still being squandered on modern weapons beyond the operational capacity of the national forces; there is not even a minimum level of cooperation regarding the purchase of these weapons (Lippman 2012, 263) and the GCC countries are still bound to the major powers by individual security agreements, while shying away from an Arab security umbrella (Kostiner 1991, 617). Finally, although the monetary union between the GCC countries was supposed to be announced in 2010, as an advanced step towards the planned economic union, it has so far failed to materialize. Oman withdrew in 2006 saying that the target date for the union's announcement was not realistic and promising to join at a later date (Buitter 2005, 580–581), and the UAE followed suit, although its intention to withdraw became apparent only after the summit conference in Riyadh, on 5 May 2009 at which the UAE was represented by the prime minister instead of the head of state and during which the majority voted to locate the Central Bank in Saudi Arabia (Pantin 2009). However, regardless of the excuses given for not implementing it, such a union could generate huge developmental advantages, and the European Union's experience is a case in point. There should be no further delays on this project, no matter the obstacles.

Next to the GCC countries are the other Arab countries that make up the UAE's main strategic depth, whether on the level of security or opportunities for development. With this in mind, the UAE should learn from the lessons of history and avoid falling into the trap of an Arab–Arab war, as has happened in the 1950s between the progressive and conservative governments. To avoid such a scenario, the UAE should deal positively with the calls for reform in Egypt, Syria and other countries, and deal with each in the interests of a better future for all (Berman 2013, 73–74). It is also necessary to invite Yemen into the GCC, even if gradually, in order to help it develop, benefit from its human resources, and turn it into a factor of regional stability and prosperity instead of a hub of poverty and terrorism. The UAE should also try, together with the other Arab countries, to instil stability in Iraq and bring it back into the Arab fold, rather than allow it to revolve in the Iranian orbit. Instability in Iraq means that this country becomes a battlefield for regional and international conflicts rather than a force for Arab regional development and security. An Iraq that is allied with Iran means more regional polarization and a weaker Arab regional order (Gause 2010, 247–250). Moreover, achieving closer unity and integration with the Gulf and wider

Arab milieus will no doubt affect the balance of power with Iran which, over the years, has shown regional ambitions that know no bounds. And although we are not the promoters of war with anyone, we are certain that these Iranian ambitions, manifested in the occupation of three UAE islands (Caldwell 1996, 54), in levelling repeated threats against Bahrain (Lawson 1989, 125), and in its deep infiltration of the Arab region in recent years (Al-Yousef 2011, 261–304) are definite signs that Iran's ambitions can only be repelled by a strong Gulf union and an independent and equitable cooperation with other countries (Okruhlin and Conge 1999, 241). Although the relationship with both the West and East should be governed by interests, the fact remains that the relationship between the UAE and other GCC states with the West has never been equitable, because the Gulf countries never operated as a single Gulf or Arab bloc, which allowed most benefits from this relationship to accrue to the West. As such, the West receives oil at low prices, oil revenues return to it either in the form of payments for weapons (Stockholm International Peace Research Institute (SIPRI) 2012) or for other capital or consumer goods, or as investments in its financial markets (Eid 2008, 70). Moreover, although the West uses these countries as a base for launching its war on so-called terrorism (Jones 2013, 62–63), it never helped the Gulf countries develop their productive infrastructures, or help the UAE regain sovereignty over the islands occupied by Iran. Even earlier than that, although the West failed to find a fair solution to the Palestinian issue, it imposed on the Gulf countries more normalization with the Zionist entity (Loumi 2009, 113–114) and compelled some of them to take part in wars over issues they have no stake in, like the UAE forces' participation alongside US troops in Afghanistan (BBC News 2008). In turn, the Asian countries' interests in the Gulf region are increasing for the same reasons; they are looking for energy sources (Sasuya 2012, 96–97), markets for their products (Davidson 2012, 239–240), employment for their workforce (Sasuya 2012, 103–104), investments in their own economies (Sasuya 2012, 106), and, to a lesser extent, to sell their weapons. Despite that, the Gulf countries still deal with the Asian countries on an individual basis, meaning that most of the benefits accrue to the latter. This is why any efforts by the UAE to create a Gulf and an Arab bloc, albeit at different levels, will bring a myriad of economic and non-economic benefits in its future dealings with the Western and Asian blocs.

Conclusion

It can be concluded from the above that the UAE stands today at a crossroads where it faces a number of internal and external challenges. However, dealing with these challenges is no longer a matter of choice because the way they are addressed will determine the country's future security and development. The internal challenges include: first, the absence of the founding generation under the leadership of Sheikh Zayed bin Sultan Al Nahyan from the scene, and the ensuing vacuum due to his ability to unify the domestic front and wisdom in interacting with the outside world; second, the need radically to reform the political system to allow UAE citizens to take part in forging their future; third, the institution of a fair and sustainable development system that benefits all UAE citizens equally; and, fourth, the need to rectify the current demographic imbalance that jeopardizes the state's identity and which could threaten its very survival. The external challenges include: first, forging a conciliatory relationship with GCC members and other Arab countries, as an insurance policy to deter any ambitions Iran might have in

these countries and ultimately lead to the return of the UAE islands it occupies; and second, reducing the foreign presence in the region to avoid any more of the wars and conflicts that have plagued this region for far too long, and which impeded its prosperity and security.

References

- Abdullah, M. Morsy. 2007. *The United Arab Emirate*. Abu-Dhabi: Makarem Trading and Real Estate LLC.
- Armistead, Louise. 2008. "Dubai Reveals Debt Levels to Dispel Fears Over Growth." *Daily Telegraph*, November 24.
- Al-Badwawi, Seif bin 'Abboud. 2009. *Council of Trucial Emirate Leaders*. Ras al-Khaimah: Centre for Studies and Documentation.
- BBC News. 2008. BBC News, March, 28.
- Berman, Sheri. 2013. "The Promise of the Arab Spring: In Political Development, No Gain without Pain." *Foreign Affairs* January–February: 73–74.
- Buiter, Willem H. 2005. "Economics, Political and Institutional Prerequisites for Monetary Union among the Members of the Gulf Cooperation Council." *Open Economies Review* 19 (5): 580–581.
- Burke, Edward and Sara Bazoobandi. 2012. "The Gulf Takes Charge: The GCC in the MENA Region." In *The GCC in the Global Economy*, edited by Richard Youngs, 31. London: Gerlach.
- Byman, Daniel L. and Jerold D. Green. 1999. "The Enigma of Political Stability in the Persian Gulf Monarchies." *Middle East Review of International Affairs* 3 (3): 4.
- Caldwell, Dan. 1996. "Flashpoints in the Gulf: Abu Musa and the Tunb Islands." *Middle East Policy* March: 54.
- Cordesman, Anthony. 1997. *Bahrain, Oman, Qatar and the UAE*. Boulder, CO: Westview.
- Davidson, Christopher M. 2005. *The United Arab Emirate: A Study in Survival*. Boulder, CO: Lynne Rienner.
- Davidson, Christopher M. 2012. *After the Sheikhs: The Coming Collapse of Gulf Monarchies*. London: Hurst.
- Eckart, Woertz. 2009. *Implications of Dubai Debt Troubles* (Gulf Research Center Reports December). Dubai: Gulf Research Center.
- Eid, Florence. 2008. "The New Face of Arab Investment." In *The Gulf Region: A New Hub of Global Financial Power*, edited by John Nuge and Paola Subacchi, 70. London: Royal Institute of International Affairs.
- EIU. 2000. *United Arab Emirate*. London: EIU.
- Faour, Muhammad. 2012. "The Arab World's Education Report Card: School Climate and Citizenship Skills." *Carnegie Papers* February: 26–27.
- Findlow, Sally. 2000. *The UAE: Nationalism and Arab Islamic Identity* (ECSSR Occasional Paper No. 39). Abu Dhabi: Emirate Centre for Strategic Studies and Research.
- Gause, F. Gregory. 2007. "Saudi Arabia: Iraq, Iran, the Regional Power Balance and the Sectarian Question." *Strategic Insights* 6 (2).
- Gause, III, F. Gregory. 2010. *The International Relations of the Persian Gulf*. Cambridge, MA: Cambridge University Press.
- Heard-Bey, Frauke. 1999. "The UAE: A Quarter Century of Federation." In *Middle East Dilemma: The Politics and Economics of Arab Integration*, edited by Michael Hudson, 137–138. London: I. B. Tauris.
- Heard-Bey, Frauke. 2004. *From Trucial States to United Arab Emirate*. London: Motivate.
- Helpman, Elhanan. 2004. *The Mystery of Economic Growth*. Cambridge, MA: Belknap/Harvard University Press.
- Hotelling, Harold. 1931. "The Economics of Exhaustible Resources." *Journal of Political Economy* 39 (2): 137–175.
- Huff, W. G. 1995. "What is the Singapore Model of Economic Development?" *Cambridge Journal of Economics* 19: 737.
- Human Rights Watch. 2012. "US, UK Should Criticize Dissidents' Arrest". <http://www.hrw.org.proxy.lib.umich.edu/news/2012/088/01/uae-us-uk-should-criticize-dissident-arrests/>.

- Huntington, Samuel P. 1968. *Political Order in Changing Societies*. New Haven, CT and London: Yale University Press.
- Hvidt, Martin. 2009. "The Dubai Model: An Outline of Key Development-Process Elements in Dubai." *International Journal of Middle East Studies* 41: 399.
- International Labour Organization (ILO). 2009. "International Labour Migration and Employment in the Arab Region." Thematic paper prepared for the Arab Employment Forum, ILO, Beirut, Lebanon, October, 19-21, 2009.
- International Monetary Fund (IMF). 2009. *United Arab Emirate: Statistical Appendix*. (October 2007), Table 5 and (April 2009), Table 3. Washington, DC: IMF.
- International Monetary Fund (IMF). 2012. *International Monetary Fund, UAE: IMF Country Report No. 12/116 (May 2012)*. Washington, DC: IMF.
- Al-Jamal, Yahya. 1999. "Al-Dustour Wasilalil-Takamol fi Dawlat al-Imarat" [The constitution as a means of contact in the United Arab Emirate]. Paper presented at Contemporary Arab Attempts at Unification: The United Arab Emirate' Experience: Research and Discussions at the Intellectual Seminar Organized by the Centre for Arab Unity Studies. Symposium, 4th ed. Beirut: Centre for Arab Unity Studies.
- Janardhan, N. 2012. "External Influences on GCC Labor Market Policies." In *National Employment, Migration and Education in the GCC*, edited by Steffen Hertog, 161. London: Gerlach.
- Jones, Seth G. 2013. "The Mirage of the Arab Spring." *Foreign Affairs* January-February: 62-63.
- Kelly, J. B. 1980. *Arabia, the Gulf, and the West*. New York: Basic Books.
- Khalifa, Ali Mohammad. 1979. *The United Arab Emirate: Unity in Fragmentation*. Boulder, CO: Westview.
- Koren, Miklós and Silvana Tenreyro. 2012. "Volatility, Diversification and Development in the Gulf Cooperation Council Countries." In *The Transformation of the Gulf: Economics and the Global Order*, edited by David Held and Kristian Ulrichsen, 190-191. London: Routledge.
- Kostiner, Joseph. 1991. "Saudi Arabia." In *Middle East Contemporary Survey*, 20 vols, edited by Ami Ayalon, vol. 15. Tel Aviv: Moshe Dayan Center for Middle Eastern and African Studies.
- Lawson, Fred H. 1989. *Bahrain: The Modernization on Autocracy*. Boulder, CO: Westview.
- Lawson, Fred H. 2012. "The Persian Gulf in the Contemporary International Economy." In *The Political Economy of the Persian Gulf*, edited by Mehran Kamarava, 13-14. New York: Columbia University Press.
- Lippman, Thomas. 2012. *Saudi Arabia on the Edge: The Uncertain Future of an American Ally*. Washington, DC: Potomac.
- Lorimer, J. G. 1915. *Gazetteer of the Persian Gulf, Oman and Central Arabia*, Vol. 1. London: Ithaca.
- Loumi, Mari. 2009. "Abu Dhabi's Alternative Energy Initiatives: Seizing Climate Change Opportunities." *Middle East Policy* 16 (4): 113-114.
- Malas, Nour. 2011. "UAE Citizens Petition Rulers for Elected Parliament." *Wall Street Journal* March, 9.
- Meulen, Henrik van der. 1997. "The Role of Tribal and Kinship Ties in the Politics of the United Arab Emirate." PhD dissertation, Fletcher School of Law and Diplomacy.
- Mobley, Richard A. 2003. "The Tunbs and Abu Musa Islands." *Middle East Journal* 57 (4): 629.
- Okruhlin, Gwen and Patrick J. Conge. 1999. "The Politics of Border Disputes on the Arabian Peninsula." *International Journal Spring*: 241.
- Al-Otaiba, Mana Saeed. 1982. *The Petroleum Concession Agreements of the United Arab Emirate*. Vol. 1 (2 vols). London: Croom Helm.
- Pantin, Travis. 2009. "GCC Leaders to Decide on Site of Gulf Central Bank." *The National* May, 4.
- Peck, Malcolm C. 1986. *The United Arab Emirate: Adventure in Unity*. Boulder, CO: Westview.
- Peterson, Jon E. 2001. "Succession in the State of the Gulf Cooperation Council." *Washington Quarterly* Autumn.

- Al-Rayes, Riyad Najib. 2004. *Sira' al-Wahatwal Naft: Humum al-Khaleej al-Arabibayna 1968–1971* [The Struggle of the Oases and Oil: Arab Gulf Concerns 1968–1971]. Beirut: Riyad al-Rayes.
- Ridge, Natasha. 2009. *The Hidden Gender Gap in Education in the UAE* (Dubai School of Government Policy Brief No. 12, August). Dubai School of Government Policy.
- Runnette, Charles. 2007. “Confessions on a Dubai Dance Floor.” *New York Times* March, 25.
- Rush, Alan, ed. 1991. *Ruling Families of Arabia: The United Arab Emirate*. Slough: Archive Editions.
- Sasuya, John. 2012. “The Emerging and the Difficult Road towards Asia–Gulf Transregionalism: Motivation and Future Challenges.” In *The GCC in the Global Economy*, edited by Richard Youngs, Berlin: Gerlach Press.
- Sate' al-Husari, Khaldoun. 1999. “Itihadiyat Dawlat al-Imarat: al-Nas al-Dustouriyal Mumarasa” [The Emirate' Federal System: The Constitutional Text and Practices]. Paper presented at Contemporary Arab Attempts at Unification: The United Arab Emirate' Experience: Research and Discussions at the Intellectual Seminar organized by the Centre for Arab Unity Studies. Symposium, 4th ed. Beirut: Centre for Arab Unity Studies.
- Setser, Brad. 2009. “How Badly Were the Gulf's Sovereign Funds Hurt by the 2008 Crisis?” Council on Foreign Relations. <http://blogs.cfr.org/setser/category/sovereign-wealth-funds/>.
- Seznec, Jean-François. 2012. “The Sovereign Wealth Funds of the Persian Gulf.” In *The Political Economy of the Persian Gulf*, edited by Mehran Kamarava, 79. New York: Columbia University Press.
- Al-Shahabi, Omar Hisham. 2010. “Iqtila' al-Juthour: Al-Masharee' al-'Aqariyawa Tafaqom al-Khalal al-Sukkani fi Majles al-Taawon li-Duwal al-Khaleej al-Arabiya” [Pulling Out the Roots: Real Estate Projects and Exacerbation of the Population Imbalance in the GCC Countries]. *Al-Mustaqbal al-Arabi* year 35 (no. 400, June).
- Stockholm International Peace Research Institute (SIPRI). 2012. *The SIPRI Military Expenditure Database*. Stockholm: SIPRI. <http://milexdata.sipri.org/result.php4/>.
- Hertog, Steffen. 2012. “A Comparative Assessment of Labor Market Nationalization Policies in the GCC.” In *National Employment, Migration and Education in the GCC*, edited by Steffen Hertog, 100–102. London: Gerlach.
- The World Bank. 2008. *The Road Not Travelled: Education Reform in the Middle East and North Africa*. Washington, DC: The International Bank for Reconstruction and Development, tab. 1.
- Theodoulou, M. 2002. “Biggest Man-Made Isles Rise from the Gulf.” *The Times* January, 5.
- Ulrichsen, Kristian Coates. 2012. “Knowledge Based Economies in the GCC.” In *The Political Economy of the Persian Gulf*, edited by Mehran Kamarava, 122. New York: Columbia University Press.
- US Senate. 1992. *Report to the Committee on Foreign Relations in the United States Senate by Senators John Kerry and Hank Brown* (102nd Session, Senate Print, December).
- Winckler, Onn. 2009. *Arab Political Demography*. Brighton: Sussex Academic Press.
- Al-Yousef, Yousef Khalifah. 2011. *Majles al-Taawon al-Khalijy fi Muthalath al-Wirathawal Naftwal Quwah al-Ajnabiya* [The Gulf Cooperation Council Countries, Triangle of Hereditary Succession, Oil and Foreign Powers]. Beirut: Centre for Arab Unity Studies.
- Zahlan, Rosemarie Said. 1978. *Origins of the United Arab Emirate*. London: Macmillan.
- Zahlan, Rosemarie Said. 1999. “Al-Wehdahwal Hukum al-Britany: Halat al-Imarat al-Arabiya al-Muttahida” [Unity and British Rule: The Case of the United Arab Emirate]. Paper presented at Contemporary Arab Attempts at Unification: the United Arab Emirates' Experience: Research and Discussions at the Intellectual Seminar organized by the Centre for Arab Unity Studies. Symposium, 4th ed. Beirut: Centre for Arab Unity Studies.
- Zellman, Gail, Louay Constant, and Charles A. Goodman. 2011. “K-12 Reform in Qatar.” *Orient: German Journal for Politics, Economics and Culture of the Middle East* 52 (1): 55.