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The United Arab Emirates (UAE): Issues for U.S. Policy

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Summary

The United Arab Emirates (UAE), under new leadership upon the November 2, 2004 death of its president, Shaykh Zayid bin Sultan al-Nuhayyan, has undergone a smooth transition, but it remains weak militarily and surrounded by several powerful and ambitious neighbors. Political reform has been minimal, but its relatively open economy and borders, particularly in the emirate of Dubai, have caused problems in proliferation, terrorism, and human trafficking. The United States has announced it will open negotiations with UAE on a free trade agreement (FTA). This report will be updated as developments warrant. See also CRS Report RL31533, *The Persian Gulf States, Post-War Issues for U.S. Policy, 2003*.

Overview

The UAE is a federation of seven emirates (principalities): Abu Dhabi, the political capital of the federation; Dubai, its free-trading commercial hub; Sharjah; Ajman; Fujayrah; Umm al-Qawayn; and Ras al-Khaymah. The federation formed in 1971, after Britain announced that it would no longer be able to ensure security in the Gulf, and six of these states, at the time called the “Trucial States,” decided to merge. Ras al-Khaymah joined the federation in 1972. Each of the seven maintains substantial autonomy and has its own ruler, although Sharjah and Ras al-Khaymah share a ruling family. The leaders are Khalifa bin Zayid Al Nuhayyan (newly selected, Abu Dhabi); Maktum bin Rashid Al Maktum (Dubai); Sultan bin Muhammad Al Qassimi (Sharjah); Saqr bin Muhammad Al Qassimi (Ras al-Khaymah); Humaid bin Rashid Al Nuaimi (Ajman); Hamad bin Muhammad Al Sharqi (Fujayrah); and Rashid bin Ahmad Al-Mu’alla (Umm al-Qawayn). The population of the UAE is about 2.5 million, which includes about 1.6 million foreign nationals, reflecting the UAE’s heavy reliance on foreign labor, mostly from South Asia.

Shaikh Zayid bin Sultan Al Nuhayyan, longtime ruler of Abu Dhabi, died on November 2, 2004, at age 86 after serving as president of the federation for all of its 33 years of existence (since December 2, 1971). His son, Shaykh Khalifa bin Zayid al-Nuhayyan, 56 years old, immediately became ruler of Abu Dhabi upon his father’s death

and was selected two days later by all seven emirates as new UAE president. The ruler of Dubai serves as Vice President of the UAE; that position has been held since October 8, 1990, by Shaykh Maktum, who had succeeded his father, Shaykh Rashid (co-founder of the UAE), upon his death. The dynamic third son of Zayid, Shaykh Mohammad bin Zayid al-Nuhayyan, was named to the line of succession behind Shaykh Khalifa in November 2003, apparently meaning he is now Abu Dhabi Crown Prince/heir apparent behind Khalifa. The highest decision-making body of the UAE is the Federal Supreme Council, on which all seven leaders sit, and which meets formally four times per year to establish general policy guidelines. In practice, the Supreme Council is dominated by the two most powerful emirates, Abu Dhabi and Dubai,¹ and the leaders of the seven emirates consult frequently with each other between formal meetings.

Although the UAE is considered one of the wealthiest of the Gulf states — with a gross domestic product (GDP) per capita of about \$22,000 per year, comparable to that of Western Europe — the UAE is surrounded by several powers that dwarf it in size and strategic capabilities. These include Iran, Iraq, and Saudi Arabia, which has a close relationship with the UAE but views itself as the unchallenged leader of the Gulf monarchy states.

Political Transition and Reform

The UAE had been in transition from the ailing Shaikh Zayid for several years. Shaykh Khalifa, his eldest son, had long been heir apparent, and he had been assuming a higher profile in the UAE over the past few years. Some had been concerned that Khalifa's formal succession could become clouded if the rulers of the other six emirates of the UAE federation, or even factions within Abu Dhabi itself, were to unexpectedly oppose him as leader, but no such opposition seemed to materialize. The UAE has been well placed to weather a transition because it has faced little unrest.

As stated in repeated U.S. reports on human rights practices worldwide, most recently for 2003, the UAE has “no democratically elected institutions,” and citizens “do not have the right to form political parties.”² There are no general elections, although citizens are able to express their concerns directly to the leadership through traditional consultative mechanisms, such as the open majlis (council) held by many UAE leaders. Freedom of assembly is forbidden by law, but in practice small demonstrations on working conditions and some other issues have been tolerated.

Of the six Gulf monarchy states (Gulf Cooperation Council, GCC states: Saudi Arabia, Kuwait, Qatar, Bahrain, and Oman, and UAE), the UAE has been the least active on political reform. It has a 40-seat Federal National Council, composed of appointed representatives of all seven emirates, weighted in favor of Abu Dhabi and Dubai (the two together hold 16 out of the 40 seats [eight each] with the remainder divided among the other five emirates). However, even though several of the other GCC states are moving toward elected parliaments with powers to check some of the prerogatives of their ruling

¹ Central Intelligence Agency World Factbook, 2003. Updated Dec. 18, 2003.

² Information in this section taken from U.S. Department of State. Country Reports on Human Rights Practices — 2003: UAE. Released Feb. 25, 2004; available online from the State Department website at [<http://www.state.gov/g/drl/rls/hrrpt/2003>].

families, the UAE's Council remains unelected and almost purely advisory, and the UAE has not moved to broaden its authority or give it true legislative authority. It can review, but not enact or veto, federal legislation, and it can question, but not impeach, federal cabinet ministers. On the other hand, its sessions are open to the public.

An area in which the UAE has progressed is on women's rights. In January 1999, the wife of Shaykh Zayid said that women would be given a role in the political life of the UAE in the future, and Zayid subsequently appointed a woman to be undersecretary of the Ministry of Labor and Social Affairs, the first woman to hold a high-ranking post. In early 2003, Sharjah emirate appointed five women to its own 40-seat "consultative council" — an advisory body for that emirate, but no women have been appointed to the federation-wide Federal National Council. Also in 2003, the Ministry of Foreign Affairs swore in eight women, doubling the number of women in the diplomatic corps. Just before his death, Shaykh Zayid appointed the first female minister, Shaykha Lubna al-Qassimi, to head a combined economy and planning ministry. Other press accounts say that UAE education minister Shaykh Nuhayyan bin Mubarak al-Nuhayyan is promoting positive change by building colleges and centers that emphasize entrepreneurship and women's education, often at the risk of angering Islamic conservatives in the UAE.³

The State Department's report on human rights practices for 2003 cites numerous human rights restrictions such as restrictions on free assembly, freedom of speech, and workers' rights. However, the report states that "the Government's respect for human rights improved in a few areas." For example, foreign journalists operating out of Dubai Free Media Zone report few or no restrictions on the content of print and broadcast material produced for use outside the UAE. Al Arabiyyah, the jointly Saudi-UAE owned satellite news network, is based in the UAE. Non-Muslims in UAE are free to practice their religion; several churches, but no Jewish synagogues or Buddhist temples, exist there. In August 2003, the government closed down the Zayed Center for Coordination and Follow-Up, a local think-tank accused by observers worldwide of publishing anti-Jewish literature and sponsoring anti-Jewish lectures.

An April 2004 State Department report, *Supporting Human Rights and Democracy*, outlines steps the Bush Administration is taking to promote democracy, rule of law, and civil society worldwide, including in the Gulf. A number of U.S. initiatives are under way in several of the Gulf states. However, the 2004 report does not contain a section on the UAE, apparently reflecting official UAE reluctance to support U.S. efforts to promote reform there.⁴

Another social problem might be a result of the relatively open economy of the UAE, particularly Dubai emirate. The State Department human rights practices report for 2003 says that "Trafficking in women and girls used as prostitutes and domestic laborers ... continues to be a problem." The report also identifies trafficking in young boys used as camel jockeys, a problem also present in other Gulf states, where camel racing is popular. However, the UAE appears to be taking steps to curb this activity. The State Department report on human trafficking, released June 2003, places the UAE as a "Tier 1" (best

³ Ignatius, David. "Wave of Change in the Persian Gulf." *Washington Post*, Jan. 13, 2004.

⁴ U.S. Department of State. *Supporting Human Rights and Democracy: The U.S. Record 2003-2004. Middle East and North Africa*. Apr. 2004.

rating) country, saying the UAE “demonstrated clear commitment to eradicate trafficking ... and made great strides to strengthen its efforts throughout the year. It now complies with minimum standards.”⁵

Cooperation Against Terrorism and Proliferation

The UAE was one of only three countries (Pakistan and Saudi Arabia were the others) to have recognized the Taliban as the legitimate government of Afghanistan, after the movement captured Kabul in September 1996. During Taliban rule (1996-2001), the UAE continued to allow Ariana Afghan airlines to operate service to UAE, and many U.S. officials believed that Al Qaeda activists might have spent time in UAE.⁶ Two of the hijackers in the September 11, 2001 attacks were UAE nationals, and there were reports that the hijackers had used financial networks based in the UAE in the plot. Since then, the UAE has publicly acknowledged assisting in the 2002 arrest of at least one senior Al Qaeda operative in the Gulf, Abd al-Rahim al-Nashiri.⁷ The State Department report on international terrorism for 2003 (*Patterns of Global Terrorism: 2003*, released April 2004), says “In 2003, the UAE continued to provide outstanding assistance and cooperation” against terrorism. The reports says the UAE Central Bank has “continued to aggressively enforce” anti-money laundering regulations, and that UAE has “investigated financial transactions and frozen accounts in response to U.N. resolutions and internal investigations, as well as begun registering *hawala* (informal money exchange networks) dealers.”

The UAE record on assisting U.S. anti-proliferation efforts may be of somewhat greater concern. In connection with recent revelations of illicit sales of nuclear technology to Iran, Libya, and North Korea by Pakistan’s nuclear scientist A.Q. Khan, Dubai has been named as a key transfer point for shipments of nuclear components sold by Khan. Two Dubai-based companies have been alleged to be involved in trans-shipping such components: SMB Computers and Gulf Technical Industries.⁸ The involvement of Dubai companies, if confirmed, could reflect Dubai’s relative lack of commercial restrictions, a product of Dubai’s decision to turn itself into a regional free-trading hub.

Defense and Foreign Policy Cooperation

The UAE did not have close defense relations with the United States prior to the 1991 Gulf war to oust Iraqi forces from Kuwait. After that war, the UAE, whose armed forces number about 61,000, determined that it wanted a closer relationship with the United States, in part to deter and balance out Iranian naval power. On July 25, 1994, the UAE announced it had signed a defense pact with the United States. During the years of U.S. “containment” of Iraq (1991-2003), the UAE allowed U.S. pre-positioning, as well as U.S. ship port visits at its large man-made Jebel Ali port, and it hosted (at al-Dhafra air base) U.S. refueling aircraft participating in the southern no fly zone enforcement operation over Iraq. These operations required the stationing of about 500 U.S. military

⁵ U.S. Department of State. *Trafficking in Persons* Report. Released June 11, 2003.

⁶ CRS conversations with executive branch officials, 1997-2000.

⁷ U.S. Embassy to Reopen on Saturday After UAE Threat. *Reuters*, Mar. 26, 2004.

⁸ Milhollin, Gary and Kelly Motz. “Nukes ‘R’ US.” *New York Times* op.ed. Mar. 4, 2004.

personnel in UAE. The UAE, which receives no U.S. foreign assistance, contributed about \$15 million per year in mostly in-kind services (fuel, facilities) to these U.S. operations from 1992 until 2003.

Generally seeking to remain consistent with prevailing Arab opposition, the UAE did not host additional U.S. forces in the run-up to the March 2003 war against Iraq (Operation Iraqi Freedom). However, the UAE did allow the United States to upgrade airfields in the UAE that were used for U.S. air operations, mainly combat support flights, during the war.⁹ Since the war, the UAE has provided transportation for Iraqi officials and other airlift services for humanitarian supplies and equipment.¹⁰ It is providing facilities for Germany to train Iraqi police.¹¹ As one possible signal of the UAE desire to remain aligned with the United States on Iraq policy despite the difficulties with the U.S. occupation, an heir apparent of one emirate, Ras al-Khaymah, was removed in June 2003, probably because he orchestrated anti-U.S. demonstrations in Ras al-Khaymah before the war.¹²

The UAE has been somewhat less cooperative with U.S. efforts to resolve the Israeli-Palestinian dispute. In 1994, it joined with the other Gulf monarchies in announcing an end to enforcement of most aspects of the Arab League boycott of Israel — the ban on companies doing business with Israel and on companies that deal with companies that do business with Israel. However, the UAE did not agree to host an Israeli trade liaison office, a measure that neighboring Oman and Qatar agreed to, nor did UAE host sessions of multi-lateral Arab-Israeli working groups on major regional issues when those talks took place during 1994-1998.

U.S. Arms Sales.¹³ The UAE historically purchased its major combat systems from France, but it now believes that arms purchases from the United States enhance the U.S. commitment to UAE security. In March 2000, the UAE signed a contract to purchase 80 U.S. F-16 aircraft, equipped with the Advanced Medium Range Air to Air Missile (AMRAAM), the HARM (High Speed Anti-Radiation Missile) anti-radar missiles, and the Harpoon anti-ship missile system. The total sale value is estimated at over \$8 billion, including over \$2 billion worth of weapons, munitions, and services.¹⁴ The aircraft are in the process of being delivered. Congress did not formally object to the agreement, although some Members initially questioned the inclusion of the AMRAAM (475 are to be provided under the contract) as a first introduction of that system into the

⁹ Jaffe, Greg. "U.S. Rushes to Upgrade Base for Attack Aircraft." *Wall Street Journal*, Mar. 14, 2003.

¹⁰ CRS conversation with U.S. officials in Abu Dhabi. Sept. 2003.

¹¹ Bernstein, Richard and Mark Landler. "German Leader to Oppose Sending NATO Troops to Iraq." *New York Times*, May 21, 2004.

¹² Henderson, Simon. *Succession Politics in the Conservative Arab Gulf States: The Weekend's Events in Ras al-Khaimah*. Washington Institute Policywatch 769, June 17, 2003.

¹³ Information in this section provided by the Defense Security Cooperation Agency in May 2004.

¹⁴ See CRS Report 98-436, *United Arab Emirates: U.S. Relations and F-16 Aircraft Sale*. Updated June 15, 2000, by Kenneth Katzman and Richard F. Grimmett. Transmittal notices to Congress, No. DTC 023-00, April 27, 2000; and 98-45, Sept. 16, 1998.

Gulf region. The Clinton Administration satisfied that objection by demonstrating that France had already introduced a similar system in an arms deal with Qatar.

On July 18, 2002, the Administration notified Congress it might upgrade the UAE's 30 AH-64 Apache helicopter gunships (bought during 1991-1994) with the advanced "Longbow" fire control radar. However, the project has been held up by UAE indecision over additional equipment to be outfitted on them. The UAE is also considering purchasing the Army Tactical Missile System (ATACM), which was approved for release to UAE by the Defense Department in March 2003. Because of the missile nature of the weapon, sales of the system to Bahrain have been approved under a system of "dual control" by U.S. and Bahraini military personnel.

Relations With Iran

UAE fears of Iran escalated in April 1992, when Iran asserted complete control of the largely uninhabited Persian Gulf island of Abu Musa, which it and the UAE shared under a 1971 bilateral agreement. (In 1971, Iran, then ruled by the U.S.-backed Shah, seized two other islands, Greater and Lesser Tunb, from the emirate of Ras al-Khaimah, as well as part of Abu Musa from the emirate of Sharjah.) The UAE wants to refer the dispute to the International Court of Justice (ICJ), but Iran insists on resolving the issue bilaterally. Iran-UAE tensions have eased on the issue; but both sides insist they have sovereignty over the islands. The United States, which is concerned that Iran's military control over the islands could give Iran the ability to operate against U.S. or international shipping in the Gulf, supports UAE proposals but takes no position on sovereignty. The UAE, particularly Abu Dhabi, has long feared that the large Iranian-origin community in Dubai emirate could pose a "fifth column" threat to UAE stability, particularly at times of heightened tensions with Iran.

Economic Issues

The UAE has developed a free market economy; Dubai's Jebel Ali Free Trade Zone, begun in 1994, has become the fifth largest such zone in the world, and has attracted over 900 major international companies to it. On November 15, 2004, U.S. Trade Representative Robert Zoellick said the Bush Administration had notified Congress it intends to negotiate with UAE on a free trade agreement (FTA). While Dubai has thrived economically on its liberal trading climate — many U.S. consumer goods are re-exported through Dubai to South Asia and Asia — Abu Dhabi continues to rely on oil exports. Abu Dhabi has 80% of the federation's proven oil reserves of about 100 billion barrels, and oil accounts for about one-third of the UAE's GDP of about \$58 billion. That is enough for well over 100 years of oil exports at the current production rate of 2.2 million barrels per day (mbd). Of that amount, about 2.1 mbd are exported. Of its approximately 10 mbd of total oil imports, the United States imports negligible amounts of UAE oil. The UAE does not have ample supplies of natural gas, and it has entered into a deal with neighboring major gas exporter Qatar to construct pipeline that will bring Qatari gas to UAE (Dolphin project). The UAE is a member of the World Trade Organization (WTO).