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

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Summary

The United Arab Emirates (UAE) has undergone a major leadership transition over the past year after the deaths of the leaders of the two main emirates, and it is beginning to undertake political reform. Its relatively open economy and borders have produced social tolerance and political stability but have also contributed to proliferation, terrorist transiting, and human trafficking, particularly in the emirate of Dubai. Since March 2005, the United States and UAE have been negotiating a free trade agreement (FTA), although the outcome of it and other relations with the United States might be affected by the outcome of the U.S. debate over whether to permit a Dubai-owned port operations company to take over management of six major U.S. ports. This report will be updated. See also CRS Report RL31533, *The Persian Gulf States, Post-War Issues for U.S. Policy, 2006*, by Kenneth Katzman.

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 December 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 in 1972. Each emirate has its own leadership, although Sharjah and Ras al-Khaymah have a common ruling family (Al Qawasim tribe). Although Abu Dhabi and Dubai dominate the federation, all seven leaders sit on the Federal Supreme Council, the highest decision-making body of the UAE. It meets formally four times per year to establish general policy guidelines, although the leaders of the seven emirates consult frequently with each other. The other leaders are 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 UAE federation has just completed a major leadership transition. Shaykh 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 since its founding. His son, Crown Prince Shaykh Khalifa bin Zayid al-Nuhayyan, 56 years old, immediately became ruler of Abu Dhabi upon his father's death and, keeping with tradition, was subsequently selected as new UAE president. In expectation of transition, Shaykh Khalifa had been assuming a higher profile in the UAE over the past few years. The third son of Zayid, Shaykh Mohammad bin Zayid al-Nuhayyan, is Abu Dhabi Crown Prince and heir apparent. The ruler of Dubai traditionally serves concurrently as Vice President of the UAE; that position was held by Shaykh Maktum bin Rashid Al Maktum (son of and successor to UAE co-founder Shaykh Rashid bin Sa'id Al Maktum) from October 8, 1990, until his death on January 5, 2006. He was succeeded as Dubai ruler and UAE Prime Minister by his younger brother, Mohammad bin Rashid Al Maktum, architect of Dubai's modernization drive. Shaykh Mohammad also retained his position as UAE Defense Minister in the new cabinet he announced on February 9, 2006.

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 — and has seen almost no unrest. However, it is surrounded by several powers that dwarf it in size and strategic capabilities, including Iran, Iraq, and Saudi Arabia, which has a close relationship with the UAE but views itself as the leader of the Gulf monarchy states. 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.

Political Reform and Human Rights¹

Most observers have long considered the UAE to be the slowest of the Persian Gulf states to enact political reform, although the federation, and the individual emirates, are now beginning to move forward. Even with the planned reforms, the UAE still would have no fully elected institutions, and citizens would not have the right to form political parties. However, UAE 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.

The most significant reform, to date, was announced in November 2005, when the UAE government decided to open up the process of selecting the 40-seat Federal National Council (FNC), the mostly advisory representative body. To date, the FNC members have been 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. According to the announcement, FNC delegates are to be selected by a limited "electorate" in each emirate. The size of the

¹ Information in this section taken from several U.S. Department of State reports: Country Reports on Human Rights Practices, 2005 (Mar. 8, 2006); *Supporting Human Rights and Democracy: The U.S. Record 2004-2005* (Mar. 28, 2005); the *International Religious Freedom Report* (Nov. 8, 2005); and the *Trafficking in Persons* report for 2005 (June 3, 2005). All are available at [<http://www.state.gov>].

electorate is to be 100 times the number of seats each emirate has. The UAE constitution permits males or females to sit on the FNC (although no women have been on it to date), indicating that women might be selected to the FNC in the new selection process. Plans are to expand the size of the FNC and then to broaden its powers, the new Minister of State for FNC Affairs Anwar Gargash told CRS on February 25, 2006. Currently, it can review, but not enact or veto, federal legislation, and it can question, but not impeach, federal cabinet ministers. Its sessions are open to the public. In addition to the FNC, each emirate has its own consultative councils.

Progress on women's political rights has been more rapid. In 2004, Sharjah emirate appointed seven women to its 40-seat consultative council, up from five previously. In cabinet changes after the November 2004 death of Shaykh Zayid, the government appointed its first woman cabinet member (Shayha Lubna al-Qassimi, Minister of Economy and Planning). Another woman was added in the new cabinet announced in February 2006: Marian al-Roumi heads a new Ministry of Social Affairs. Other major changes in the new cabinet signal commitment to accelerating reform. The first was the appointment of the reform-minded Shaykh Abdullah bin Zayid al-Nuhayyan as Foreign Minister and the abolition of his former post of Information Minister in favor of allowing full independence for media organizations.

In other areas of human rights, the UAE record is less positive. The State Department human rights report for 2005 cites numerous human rights restrictions such as restrictions on free assembly, freedom of speech, and workers' rights, and flogging penalties imposed by some courts. Foreign journalists operating out of Dubai Free Media Zone report no restrictions on the content of print and broadcast material produced for use outside the UAE. On religious freedom, non-Muslims in UAE are free to practice their religion. There are 24 Christian churches built on land donated by the ruling families of the various emirates, but there are no Jewish synagogues or Buddhist temples. The Shiite Muslim minority (about 15% of the population) is free to worship and maintain its own mosques, but Shiite mosques receive no government funds. In 2003, the UAE closed down its Zayed Center for Coordination and Follow-Up after the think-tank was criticized for publishing anti-Jewish literature and sponsoring anti-Jewish lectures.

According to the State Department, the Bush Administration is promoting democracy, rule of law, and civil society in the Persian Gulf region. However, the 2005 democracy promotion report, as did the previous year's report, does not contain a section on the UAE, apparently reflecting official UAE reluctance to support U.S. efforts to promote reform there. Some student and women's political participation and entrepreneurship training programs are funded by the State Department's Middle East Partnership Initiative (MEPI).

Another social problem might be a result of the relatively open economy of the UAE, particularly Dubai emirate. The Trafficking in Persons report for 2005 states that the UAE is has become a "Tier 3" (worst rating) country on trafficking because it is not making significant efforts to comply with the minimum standards for the elimination of trafficking. UAE is considered a "destination country" for women trafficked from Asia and the former Soviet Union. However, since this report was issued, the human rights report for 2005 (March 8, 2006) has said that the UAE has made "steady progress" in addressing the problem of trafficking of women in the sex trade and children in the camel

ancing industry. The UAE has repatriated 1,200 children out of a suspected 5,000 trafficked for camel racing, and it has begun using robot jockeys at camel races.

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. 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.² 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.³ The State Department report on international terrorism for 2004 (Country Reports on Terrorism: 2004, released April 26, 2005), says “In 2004, the UAE continued to provide staunch assistance and cooperation” against terrorism” and that “the UAE Central Bank continued to enforce anti-money laundering regulations aggressively.” The report adds that in December 2004, the United States and the emirate of Dubai signed a Container Security Initiative Statement of Principles, aimed at screening U.S.-bound containerized cargo transiting Dubai ports. Possibly on the strength of this record, an inter-agency “Committee on Foreign Investment in the United States” approved the takeover by the Dubai-owned “Dubai Ports World” company of a British firm that now manages port facilities in New York, New Jersey, Baltimore, New Orleans, Miami, and Philadelphia. After several Members of Congress expressed opposition to the \$9 billion takeover on the grounds that the company might not be as vigilant on port security as is required, the company agreed to a 45-day review of its takeover of operations at those ports. However, bi-partisan opposition remains strong, judging in part from a March 9 vote in the House Appropriations Committee (62-2) on a provision to block the deal, contained in a bill to provide FY2006 supplemental funding for Iraq and Afghanistan war operations and other costs.

The UAE record on assisting U.S. anti-proliferation efforts may be of 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 was named as a key transfer point for shipments of nuclear components sold by Khan. Two Dubai-based companies were apparently involved in trans-shipping such components: SMB Computers and Gulf Technical Industries.⁴

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

² CRS conversations with executive branch officials, 1997-2000.

³ U.S. Embassy to Reopen on Saturday After UAE Threat. *Reuters*, Mar. 26, 2004.

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

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. equipment pre-positioning, as well as U.S. ship visits, at its large man-made Jebel Ali port (next to the Jebel Ali Free Zone), which is capable of handling U.S. aircraft carriers. U.S. forces also have been allowed to use Al Dhafra air base (KC-10, U-2 flights, other aircraft) and naval facilities at Fujairah. The UAE, which receives no U.S. foreign assistance, contributed about \$15 million per year in mostly in-kind services (fuel, facilities) to U.S. Iraq containment operations. Although it publicly opposed the U.S. invasion of Iraq and argues that it paved the way for Shiite Islamists to take power in Iraq, the UAE allowed, and continues to allow, the use of the above-mentioned military facilities in support of U.S. military operations in Iraq and Afghanistan. As of October 2005, about 1,800 U.S. forces, mostly Air Force, were in UAE, up from 800 in January 2002 and 1,500 at the time Operation Iraqi Freedom (OIF) began. The UAE also allowed the United States to upgrade airfields in the UAE that were used for U.S. air operations, mainly combat support flights, during OIF.⁵ The UAE is providing facilities for Germany to train Iraqi police.⁶

On the Israeli-Palestinian dispute, the UAE generally stays within a GCC consensus and largely defers to Saudi initiatives and Saudi back-channel diplomacy. 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 formally maintains the primary boycott, and it 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 regional issues when those talks took place during 1994-1998. On the other hand, UAE companies including Dubai Ports World, by the accounts of many observers, routinely do business with Israeli companies.

U.S. Arms Sales.⁷ 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 missile, and, subject to a UAE purchase decision, the Harpoon anti-ship missile system. The total sale value, including weapons and services, is estimated at over \$8 billion.⁸ Deliveries began in May 2005. Congress did not formally object to the agreement, although some Members questioned the AMRAAM sale as a first introduction of that weapon into the Gulf. The Clinton Administration satisfied that objection when it showed that France had

⁵ Jaffe, Greg. “U.S. Rushes to Upgrade Base for Attack Aircraft.” *Wall Street Journal*, Mar. 14, 2003.

⁶ Bernstein, Richard and Mark Landler. “German Leader to Oppose Sending NATO Troops to Iraq.” *New York Times*, May 21, 2004.

⁷ Information in this section provided by the Defense Security Cooperation Agency in May 2004.

⁸ See CRS Report 98-436, *United Arab Emirates: U.S. Relations and F-16 Aircraft Sale*, by Kenneth Katzman and Richard F. Grimmett. Transmittal notices to Congress, No. DTC 023-00, Apr. 27, 2000; and 98-45, Sept. 16, 1998.

introduced a similar system in a sale to 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. On November 17, 2004, DSCA notified Congress of a potential sale to UAE of 100 JAVELIN anti-tank missile launchers (plus 1,000 JAVELIN missile rounds) at a potential cost of \$135 million.

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. According to UAE Air Force Commander Maj. Gen. Khalid Al Bu-Ainain in November 2005, the UAE is might buy an anti-ballistic missile system.

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-Khaymah, 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.

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 that Congress was notified that the Administration intends to negotiate a free trade agreement (FTA) with the UAE. Four rounds of talks have been held, although progress has been slower than expected, U.S. officials in Dubai told CRS during a CRS visit to Dubai on February 25, 2006. Although 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 11 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).