



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

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## Summary

The UAE's relatively open borders and economy have won praise from advocates of expanded freedoms in the Middle East while producing financial excesses, social ills such as human trafficking, and relatively lax controls on sensitive technologies acquired from the West. Moreover, the social and economic freedoms have not translated into significant political opening; the UAE government remains under the control of a small circle of leaders, even as it allows informal citizen participation and traditional consensus-building. Members of the elite (the ruling families of the seven emirates and clans allied with them) also routinely obtain favored treatment in court cases and lucrative business opportunities. However, economic wealth—coupled with some government moves against political activists—have enabled the UAE to avoid widescale popular unrest that have erupted elsewhere in the Middle East since early 2011.

Political reform has been limited, both before and since the Arab uprisings began in the region. Lacking popular pressure for elections, the UAE long refrained from following other Gulf states' institution of electoral processes. It altered that position in December 2006 when it instituted a selection process for half the membership of its consultative body, the Federal National Council (FNC). Possibly to try to ward off the unrest sweeping the region, the government significantly expanded the electorate for the September 24, 2011, FNC election process. However, turnout was only about 25%, suggesting that the clamor for democracy in UAE remains limited or that the citizenry perceived the election as unlikely to produce change. And, the government has not announced a major expansion of the FNC's powers, which many intellectuals and activists seek.

On foreign policy issues, the UAE—along with fellow Gulf state Qatar—has become increasingly and uncharacteristically assertive in recent years. This assertiveness is probably a product of the UAE's ample financial resources and drive for more influence in Gulf state deliberations. It has joined the United States and U.S. allies in backing and then implementing most international sanctions against Iran, causing friction with its powerful northern neighbor. It has deployed troops to Afghanistan since 2004. In 2011, it sent police to help the beleaguered government of fellow Gulf Cooperation Council (GCC) state Bahrain, supported operations against Muammar Qadhafi of Libya, joined a successful GCC diplomatic effort to broker a political solution to the unrest in Yemen, backed the Arab League suspension of Syria, and appointed an Ambassador to NATO. It gives large amounts of international humanitarian and development aid, for example for relief efforts in Somalia. The UAE's growing assertiveness on foreign policy marks its emergence from the 2008-2010 global financial crisis and recession. That downturn hit Dubai emirate particularly hard and called into question its strategy of rapid, investment-fueled development, especially of luxury projects.

For the Obama Administration and many in Congress, there are concerns about the UAE oversight and management of a complex and technically advanced initiative such as a nuclear power program. This was underscored by dissatisfaction among some Members of Congress with a U.S.-UAE civilian nuclear cooperation agreement. The agreement was signed on May 21, 2009, submitted to Congress that day, and entered into force on December 17, 2009. However, expert concerns about potential leakage of U.S. and other advanced technologies through the UAE to Iran, in particular, remain.

## Contents

Governance, Human Rights, and Reform.....	1
Political Opposition, Reforms, and 2011-12 Regional Unrest .....	3
Arab Uprisings Increase Focus on September 24, 2011, FNC Election.....	4
But, Substantial Political Unrest Avoided To Date.....	5
U.S. Democracy Promotion Efforts/NDI Closing.....	6
General Human Rights-Related Issues .....	6
Press and Research Institute Freedoms .....	7
Justice/Rule of Law .....	7
Women’s Rights .....	7
Religious Freedom .....	8
Labor Rights.....	8
Human Trafficking .....	8
Cooperation Against Terrorism and Proliferation.....	8
Record on Proliferation Cooperation .....	9
Nuclear Agreement.....	11
Foreign Policy and Defense.....	12
Regional Security Cooperation With the United States.....	12
U.S. and Other Arms Sales.....	13
Defense Relations with Other Nations and Alliances .....	14
Other Cooperation on Iran.....	15
Cooperation on Iraq.....	16
Cooperation on Afghanistan and Pakistan.....	17
Other Regional Issues: Response to 2011 Unrest in the Middle East.....	17
Other Regional Issues: Arab-Israeli Dispute.....	18
Border Issues.....	19
UAE Provision of Foreign Aid.....	19
Economic Issues .....	20
Oil and Gas Sector/Dedication to Future Clean Energy.....	20
U.S.-UAE Free Trade Agreement Negotiations .....	21

## Figures

Figure 1. Map of United Arab Emirates.....	3
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## Tables

Table 1. Some Basic Facts About UAE .....	2
Table 2. Recent U.S. Aid to UAE .....	22

## Contacts

Author Contact Information.....	22
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## **Governance, Human Rights, and Reform<sup>1</sup>**

The United Arab Emirates (UAE) is a federation of seven emirates (principalities): Abu Dhabi, the oil-rich capital of the federation; Dubai, its free-trading commercial hub; and the five smaller and less wealthy emirates of Sharjah, Ajman, Fujayrah, Umm al-Qaywayn, and Ras al-Khaymah. After Britain announced in 1968 that it would no longer ensure security in the Gulf, six “Trucial States” decided to form the UAE federation in December 1971; Ras al-Khaymah joined in 1972. The UAE federation has completed a major leadership transition since the death of its key founder, Shaykh Zayid bin Sultan Al Nuhayyan, long-time ruler of Abu Dhabi and UAE president, on November 2, 2004.

Shaykh Zayid’s son, Shaykh Khalifa bin Zayid al-Nuhayyan, born in 1948, was at that time Crown Prince and was named ruler of Abu Dhabi upon Zayid’s death. In keeping with tradition, although not formal law, Khalifa was subsequently selected by all seven emirates (Federal Supreme Council) as UAE president. 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 and prime minister of the UAE; that position has been held by Mohammad bin Rashid Al Maktum, architect of Dubai’s modernization drive, since the death of his elder brother Maktum bin Rashid Al Maktum on January 5, 2006. Shaykh Mohammad bin Rashid also continued as defense minister. The crown prince of Dubai is his son, Hamdan bin Mohammad Al Maktum, who heads the “Dubai Executive Committee,” the equivalent of a cabinet for Dubai emirate. Under a Dubai-level reorganization announced in January 2010, five committees were set up to help the Executive Committee on various major issues.

The federation president and vice president serve five-year terms, but they technically owe their positions to the UAE’s highest body, the Federal Supreme Council, which is composed of the leaders of each of the seven emirates of the UAE. Two emirates, Sharjah and Ras al-Khaymah, have a common ruling family: the Al Qawasim tribe. The Federal Supreme Council meets four times per year to establish general policy guidelines, although the leaders of the seven emirates consult frequently with each other. At the latest “review” of senior leadership posts, on November 3, 2009, it decided that Shaykh Khalifa and Shaykh Mohammad would continue in their presidential and prime ministerial posts. The review was mostly a formality; in practice, the leadership posts change only in the event of death of an incumbent.

A UAE cabinet reshuffle in May 2009 resulted in a change in two new deputy prime ministers, one of whom serves concurrently as interior minister (the lead agency on internal security). The shift was viewed by observers as strengthening the hand of Crown Prince Mohammad bin Zayid because the new deputy prime ministers are close to him. However, there are no evident rifts between him and his brother, the UAE president.

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<sup>1</sup> Information in this section is from the following State Department reports: Country Reports on Human Rights Practices-2010 (April 8, 2011); Trafficking in Persons Report for 2011 (June 27, 2011); and International Religious Freedom report for July-December 2010 (September 13, 2011).

**Table I. Some Basic Facts About UAE**

Population	5.3 million, of which about 1 million are citizens. Expatriates are 85% of the work force.
Religions	96% Muslim, of which 16% are Shiite; 4% Christian and Hindu
Ethnic Groups	19% Emirati (citizenry); 23% other Arab and Iranian; 50% South Asian; 8% Western and other Asian expatriate
Size of Armed Forces	About 50,000
Inflation Rate (2011)	About 2.5%
GDP Growth Rate for 2011	3.3%
GDP (purchasing power parity, ppp, 2011)	\$261 billion. Per capita is \$48,500 ppp
Oil Exports	About 2.7 million barrels per day
Foreign Exchange and Gold Reserves	About \$67 billion, but some estimates of the value of its sovereign wealth fund investments run into the several hundreds of billions of dollars.
U.S. Exports to the UAE (2011)	\$15.9 billion, making UAE the largest U.S. export market in the Arab world. Goods sold to UAE are mostly machinery, aircraft, industrial materials, and other high value items.
Imports from UAE by the United States (2011)	\$2.44 billion. About 10% of that amount half of the total was crude oil, but about 30% was aluminum. Other major categories include clothing and diamonds.
U.S. citizens resident in UAE	About 30,000
Major Projects	Dubai inaugurated 2,000+ foot "Burj Khalifa," world's tallest building, on January 4, 2010. Dubai metro has begun operations and is expanding service. Burj al Arab hotel in Dubai bills itself as "world's only 7-star hotel." UAE participating in Gulf country-wide railroad network to become operational by 2017. Abu Dhabi has built local branches of Guggenheim and Louvre museums.

**Sources:** CIA, *The World Factbook*; U.S. Census Bureau, Foreign Trade Statistics.

The leaders of the other individual emirates are Dr. Sultan bin Muhammad Al Qassimi (Sharjah); Saud bin Saqr Al Qassimi, (Ras al-Khaymah, see below); Humaid bin Rashid Al Nuaimi (Ajman); Hamad bin Muhammad Al Sharqi (Fujayrah); and Saud bin Rashid Al-Mu'alla (Umm al-Qaywayn). Shaykh Saud of Umm al-Qaywayn, who is about 60 years old, was named leader of that emirate in January 2009 upon the death of his father, Shaykh Rashid Al-Mu'alla.

In Ras al-Khaymah, there was a brief leadership struggle upon the October 27, 2010, death of the ailing longtime ruler, Shaykh Saqr bin Mohammad Al Qassim. He was succeeded by Shaykh Saud bin Saqr, who was the crown prince since 2003 when the ruler replaced Saud's elder brother, Shaykh Khalid bin Saqr, as crown prince. During 2003-2010, often using public relations campaigns in the United States and elsewhere, Shaykh Khalid had claimed to remain as crown prince even though the UAE federal government had repeatedly stated that his removal was legitimate and that he held no official position in the UAE. Shaykh Khalid's home in Ras al-Khaymah was surrounded by security forces the night his father died, enforcing the rulership rights of Shaykh Saud.

Figure I. Map of United Arab Emirates



Source: CRS Graphics.

## Political Opposition, Reforms, and 2011-12 Regional Unrest

The UAE is not considered by any outside organization to be a democracy, but its perceived social openness and tolerance, coupled with ample wealth, have rendered the overwhelming bulk of the population unwilling to challenge the political system. Prior to an upsurge of youth and intellectual-led activism inspired by the Arab uprisings of 2011, there had been little, if any, signs of opposition to the UAE rulers. UAE residents of Iranian origin tend to oppose the UAE government's criticisms of Iran, but this community does not constitute an organized opposition.

A long-term potential source of opposition, the Islamist movements in the UAE, including those linked to the Muslim Brotherhood, have been generally non-violent and limited their activities to social and relief work. However, perceiving that Islamist movements have become more active since 2011, the government has arrested at least eight members of an Brotherhood affiliated Islamist group, Islah (Reform) since the beginning of 2012. One is Dr. Sultan al-Qasimi, a member of the royal family of Ras al-Khaymah. Five others are missing and suspected of being in custody.

UAE leaders have argued that Western-style democracy, including elections for the country's leadership, is not needed in UAE because Emiratis are able to express their concerns directly to the leadership through traditional consultative mechanisms, such as the open *majlis* (councils) held by many UAE leaders, including Shaykh Khalifa. UAE leaders long argued that any elections, even those for a legislature or other representative body, would inevitably aggravate long dormant schisms among tribes and clans and potentially cause Islamist factions to become more radical. Formal political parties are not permitted.

This view in the leadership prevailed until 2006, even as electoral processes began to expand in the other Gulf states. Despite the absence of public agitation for major political opening, the UAE leadership decided it had fallen too far behind its Gulf neighbors and, in December 2006, it instituted a limited and controlled electoral process for half of the 40-seat Federal National Council (FNC). The other 20 seats would still be appointed. Previously, all 40 members of the FNC were appointed by all seven emirates. The seat distribution of the FNC remains weighted in favor of Abu Dhabi and Dubai (eight seats each). Sharjah and Ras al-Khaymah have six each, and the others have four seats each.

The electorate was to be limited to a "local council," convened by the rulers of each emirate, numbering 100 persons per FNC seat. So, for example, the Abu Dhabi electoral council would be  $100 \times 8 = 800$  electors, and the total UAE-wide electorate would be 4,000 persons. However, the Election Commission approved a slightly larger 6,595-person electorate, or about 160 persons per FNC seat. Of this total, 1,162 electors were women (less than 20%). Out of the total of 452 candidates for the 20 FNC elected seats, there were 65 female candidates. Only one woman was elected (from Abu Dhabi), but another seven women were appointed to the remaining 20 seats. The "election" process was spread over three different days—December 16, 18, and 20, 2006.

### **Arab Uprisings Increase Focus on September 24, 2011, FNC Election**

Even before the 2011 Middle East unrest, UAE plans were to gradually expand the size of the FNC and to broaden its powers, according to the Minister of State for FNC Affairs (also Minister of State for Foreign Affairs) Anwar Gargash and the FNC speaker Abdul Aziz al-Ghurair. Currently, the FNC can review, but not enact or veto, federal legislation, and it can question, but not impeach, federal cabinet ministers. It has questioned government ministers mostly on economic and social issues although, in April 2009, the government prohibited the FNC from discussing the economic ramifications for the UAE of the global financial downturn. Its sessions are open to the public. According to the State Department, in 2008 the government accepted 80% of the FNC's recommendations on legislation. Each emirate also has its own consultative council.

No specific expansion of powers or time frames for such expansions have been announced, to date. However, in an effort to address the 2011 Middle East unrest and demonstrate that it is aware of popular calls for more political rights, on March 8, 2011, the government said the size of the electorate will expand greatly to more than 300 times the total number of FNC seats—a total of 129,000 electors, or "voters"—when the next FNC election process is held on September 24, 2011. The announcement did not prevent the March 9, 2011, presentation to the leadership of a petition signed by 160 UAE intellectuals for free elections to a body that would have powers similar to those of a Western-style parliament.<sup>2</sup>

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<sup>2</sup> Al Jazeera News Network, March 9, 2011.

A total of 468 candidates filed to run for the 20 seats up for election on September 24. Of those, 85 were women. The total is little more than the number of candidates who filed to run in the 2006 process, but the 2011 electorate was nearly half female, in contrast to the fewer than 20% electors in the 2006 process. There was a restriction that no candidate spend more than about \$545,000 on their campaigns. The election campaign began September 4.

### ***September 24, 2011 Election Results***

There was widespread press reporting of citizen apathy about the election, with little information about the election or campaigns in the media, little evidence of any campaigning, and reportedly little enthusiasm. Those reports proved accurate on election day when turnout averaged about 25%, a figure that Minister of State Gargash called below government expectations. Turnout was higher than that in the five smallest emirates, but the 21% turnout in the largest emirate, Abu Dhabi, pulled the overall average down to the 25% level. It was almost exactly 25% in Dubai emirate. The turnout was being watched by UAE leaders as an indicator of public attitudes toward participation in governance, and the low turnout was likely to reduce the government's impetus to further empower the FNC.

Of the 20 winners, only one was female (Sheika Isa Ghanem); she is from Umm Al Quwain, one of the more conservative emirates. It was believed that female candidates would have the best chance of winning in Dubai, considered the most liberal of the emirates. Other winners were elected along tribal lines; in Abu Dhabi, three of the four who were elected are from the Al Amiri tribe. The FNC as a whole—the election winners and the other twenty to be appointed—began their sessions in mid-November. Upon the FNC's convening, the government selected one of the appointed members, well-know writer Mohammad al-Murr, as Speaker. A woman and another appointed member (of the eight appointed women), Amal al-Qubaisi, was selected deputy speaker, making her the first women to hold so high a position in any GCC legislative body.

### **But, Substantial Political Unrest Avoided To Date**

The relatively minor reforms in the September 2011 FNC election process did not satisfy some UAE activists. However, in the aggregate, the UAE has not to date, and is unlikely to, face the widespread popular unrest that has spread throughout the Middle East since the beginning of 2011. There have not been demonstrations in UAE in 2011 or 2012, although early in 2011 some UAE youth, on social networking outlets such as Facebook and Twitter, discussed holding protests. Their call for a protest on March 25, 2011, failed to produce a significant demonstration. The UAE government reportedly tried to block some of these social media sites to prevent the protest call word from spreading, although most experts attributed the failure of the demonstration to insufficient public support for opposition activities.

The government has made some selected arrests of political activists. On April 8, 2011, a prominent Dubai blogger and activist, Ahmad Mansour Al Shehi, was arrested; his detention came two months after another activist made a speech in Sharjah emirate in support of Egyptian protesters. Four other critics and online activists were arrested later in April 2011, charged with violating the penal code that prevents publicly humiliating senior officials; they appeared in court on June 15 and again on October 2, 2011. Human rights organizations said their trial violated the most basic defense of the rights of the accused, and called on UAE leaders to release the five. Those calls were heeded on November 28, 2011, when federation President Khalifa commuted



the jail sentences of the “UAE-5” that were announced by the Federal Supreme Court the previous day.

During April and May 2011, the government dissolved the elected board of directors of the Jurist Association and the Teachers Association, leading civil society groups, after members of their boards signed petitions for political reforms. In December 2011, the government revoked the citizenship of a Muslim Brotherhood figure, who headed an institution called the “Innovative Thinking Center” in Dubai emirate. The arrests of several Islah members was discussed above, and probably represents a government effort to prevent Islamist groups in UAE from adding strength to youth and intellectual-led activism.

In addition to arrests, the government has sought to use its ample financial resources to reduce domestic unrest. In early March 2011, the government announced it would invest about \$1.5 billion in utilities infrastructure of the poorer, northern emirates. It also raised military pensions by 70% and introduced subsidies for some foodstuffs.

### **U.S. Democracy Promotion Efforts/NDI Closing**

The United States has sought to promote democracy, rule of law, and civil society in the Persian Gulf region, including in UAE. Some State Department programs to promote student and women’s political participation, entrepreneurship, legal reform, civil society, independent media, and international trade law compliance are funded by the State Department’s Middle East Partnership Initiative (MEPI). The U.S. Embassy in Abu Dhabi houses a MEPI office/staff that runs the MEPI programs throughout the Gulf region.

In April 2012, U.S. and other country support for civil society and democratization in the UAE drew an adverse response from the government, which suggests perhaps increasing government nervousness about a potential increase in opposition activities. On April 5, 2012, the government detained two employees of the National Democratic Institute (NDI), closed its office in Dubai, and briefly barred its American director from leaving the country. The deputy director, a Serbia national, was barred from leaving. NDI had been working for four years, with license from the UAE government, to promote women’s rights and to advise on municipal governance. At the same time, the government also shut down a German democracy-promotion organization, the Konrad Adenauer Foundation, which was performing work similar to that of NDI.

### **General Human Rights-Related Issues**

Although the government’s reaction to the few acts of opposition discussed above may color future assessments, previously the human rights record of the UAE has been assessed by U.S. and outside organizations as relatively positive on most issues. The State Department human rights report for 2010 was as critical of the UAE’s human rights practices as the 2009 report, asserting that there are unverified reports of torture, government restrictions of freedoms of speech, and lack of judicial independence. Some human rights problems in UAE, such as human trafficking, are caused in part because the government is relatively lax in some cases, not because it is too strict. Political rights and democratization are discussed above; among other specific measures, freedom of assembly is forbidden by law, but in practice small demonstrations on working conditions and some other issues have been tolerated.

## **Press and Research Institute Freedoms**

The UAE has generally been praised for allowing a free-wheeling media. The post of Information Minister was abolished in 2006 to allow for full media independence. However, in April 2009, a media law drew opposition from some human rights groups who said it allows for penalties against journalists who personally criticize UAE leaders. Provisions governing media licensing do not clearly articulate the standards the government will apply in approving or denying licenses for media organs to operate. The UAE government says the law does not apply to the “Free Zones” in UAE in which major foreign media organizations operate.

As of 2010, some UAE residents have reported increasing restrictions on the ability of research institutes to operate. Several such institutes have opened in UAE since the 1990s because of the perceived openness to free expression and ideas. However, during 2010-2011, the government applied increasingly strict criteria to licensing research institutes and some, such as the Gulf Research Center, left the UAE entirely.

## **Justice/Rule of Law**

In terms of process, there is a dual court system. Sharia (Islamic law) courts adjudicate criminal and family law matters. Civil courts adjudicate civil law matters. There is a Federal Supreme Court that exercises judicial review over the civil court system, but its writ does not extend to Abu Dhabi, Dubai, or Ras al-Khaymah.

Many observers note that justice in UAE is selective. For example, on January 10, 2010, a UAE court acquitted the UAE president’s brother, Shaykh Issa bin Zayid Al Nuhayyan, on charges of torturing an Afghan merchant. He was acquitted even though there was a video available of Shaykh Issa beating the Afghan and driving over his legs with a sport vehicle, and even though three others involved in the incident, all non-royals, were convicted. The UAE court ruled that Shaykh Issa was not liable because he was taking prescription drugs that affected his actions.

The UAE justice system has often come under criticism when expatriates are involved. Many reports indicated that arrests of expatriates and non-citizens increased during the 2008-2009 financial crisis, possibly out of citizen frustration that globalization and dramatic economic expansion have led to bursting of the economic “bubble” in UAE. In 2007, human rights groups criticized the conservative-dominated justice system for threatening to prosecute a 15-year-old French expatriate for homosexuality, a crime in UAE, when he was raped by two UAE men; the UAE men were later sentenced for sexual assault and kidnapping. In May 2011, a UAE judge sentenced an American to one month in jail for possessing police handcuffs.

## **Women’s Rights**

Progress on women’s political rights has been steady—as exemplified by the November 2011 appointment of a woman as deputy FNC Speaker. Observers say the UAE is perhaps the only country in the Middle East where expatriate women are fully accepted working in high-paying professions such as finance and banking. There are four women in the cabinet: Shayha Lubna al-Qassimi, minister of foreign trade and planning; Mariam al-Roumi, minister of social affairs; and two ministers without portfolio—Reem al-Hashimi and Maitha al-Shamsi. Nine women are in the Federal National Council, and seven women serve on the 40-seat consultative council in Sharjah emirate. About 10% of the UAE diplomatic corps is now female; none served prior to 2001. In

November 2008, Dubai emirate appointed 10 female public prosecutors. The UAE Air Force has four female fighter pilots. The percentage of female voters in the September 2011 FNC election process was expanded to nearly 50%, as discussed above. As of December 2011, UAE women are allowed to pass on their citizenship to their children—the first GCC state to allow this.

## **Religious Freedom**

The September 13, 2011, State Department report on international religious freedom, covering July-December 2010, repeated the previous year's assessment that there was "no change" in the status of respect for religious freedom by the government during the reporting period." The constitution provides for freedom of religion but also declares Islam as the official religion of the country. In practice, non-Muslims in UAE are free to practice their religion; there are 35 Christian churches built on land donated by the ruling families of the various emirates, but there are no Jewish synagogues or Buddhist temples. There is a Sikh temple that shares a building with one of two existing Hindu temples. The Shiite Muslim minority is free to worship and maintain its own mosques, but Shiite mosques receive no government funds and there are no Shiites in top federal posts.

## **Labor Rights**

On several occasions, foreign laborers working on the large, ambitious construction projects in Dubai have conducted strikes to protest poor working conditions and non-payment of wages. Some of these concerns have been addressed by the Labor Ministry's penalizing of employers, and a process, formulated in June 2008, to have workers' salaries deposited directly in banks.

## **Human Trafficking**

Other social problems might be a result of the relatively open economy of the UAE, particularly in Dubai. The UAE is still considered a "destination country" for women trafficked from Asia and the former Soviet Union. The Trafficking in Persons report for 2011, released June 27, 2011, again placed the UAE in "Tier 2"—the same level as in the 2010 report and an upgrade from the "Tier 2: Watch List" placement in 2009. The 2010 upgrade was made on the grounds that the UAE is taking steps to eliminate trafficking in persons, particularly against sex trafficking offenders. This assessment was largely repeated in the report for 2011. The recent reports note that UAE has made progress in curbing trafficking of young boys as camel jockeys; it has repatriated at least 1,050 children out of a suspected 5,000 trafficked for camel racing, provided \$3 million for their care and repatriation, and it now uses robot jockeys at camel races. The 2011 report credits the government with sustained law enforcement efforts against sex trafficking, but with failure to take measures against or punish labor offenses.

## **Cooperation Against Terrorism and Proliferation**

These issues are of particular concern to the United States because of a pattern of lax UAE enforcement of export and border controls, with respect particularly to the leakage of U.S. or other technology to Iran. The relatively small sums of U.S. aid to UAE are generally for programs to improve UAE performance on enforcing export control laws.

The UAE was one of only three countries (Pakistan and Saudi Arabia were the others) to have recognized the Taliban during 1996-2001 as the government of Afghanistan, even though the Taliban was harboring Osama bin Laden and other Al Qaeda leaders during that time. During Taliban rule, the UAE allowed Ariana Afghan airlines to operate direct service, and Al Qaeda activists reportedly spent time there.<sup>3</sup> Two of the September 11 hijackers were UAE nationals, and they reportedly used UAE-based financial networks in the plot.

Since then, the UAE has been credited in State Department “Country Reports on Terrorism,” including the one for 2010 released August 18, 2011, with assisting in the arrests of senior Al Qaeda operatives;<sup>4</sup> denouncing terror attacks; improving border security; prescribing guidance for Friday prayer leaders to criticize extremist ideology; investigating suspect financial transactions; criminalizing use of the Internet by terrorist groups, and strengthening its bureaucracy and legal framework to combat terrorism. The UAE Central Bank is credited in that State Department report for providing training programs to UAE financial institutions on money laundering and terrorism financing, although actions against informal financial transmittals (*hawala*) require “further vigilance.” It was reported in September 2009 that earlier in 2009, UAE security officials had broken up an Al Qaeda plot to blow up targets in Dubai emirate.<sup>5</sup> UAE authorities assisted in foiling an October 29, 2010, Al Qaeda in the Arabian Peninsula plot to send bombs to the United States.

The UAE has signed on to several U.S. efforts to prevent proliferation and terrorism. These include the Container Security Initiative Statement of Principles, aimed at screening U.S.-bound containerized cargo transiting Dubai ports. Under it, three U.S. Customs and Border Protection officers are co-located with the Dubai Customs Intelligence Unit at Port Rashid in Dubai. The program results in about 20 ship inspections per week of U.S.-bound containers, many of them apparently originating in Iran, according to the State Department terrorism report for 2008 (published April 30, 2009). The UAE is a party to the Proliferation Security Initiative, the Megaports Initiative designed to prevent terrorist from using major ports to ship illicit material, and the Customs-Trade Partnership Against Terrorism.

## **Record on Proliferation Cooperation**

The UAE record on preventing the re-export of advanced technology, particularly to Iran, is mixed, although said to be improving as of mid-2010. Taking advantage of geographic proximity and the high volume of Iran-Dubai trade (\$10 billion per year), numerous Iranian entities involved in Iran’s energy sector and its WMD programs have offices in the UAE that are used to try to procure needed technology and equipment. However, the UAE has enhanced its cooperation at times when U.S. officials or outside experts have questioned its performance. In connection with 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 Khan’s shipments of nuclear components. Two Dubai-based companies were apparently involved in transshipping components: SMB Computers and Gulf Technical Industries.<sup>6</sup> On April 7, 2004, the Administration sanctioned a UAE firm, Elmstone Service and Trading FZE, for allegedly selling

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<sup>3</sup> Department of State. Office of the Coordinator for Counterterrorism. Country Reports on Terrorism 2010. August 18, 2011. Author conversations with executive branch officials, 1997-2011.

<sup>4</sup> “U.S. Embassy to Reopen on Saturday After UAE Threat.” *Reuters*, March 26, 2004.

<sup>5</sup> Lake, Eli and Sarah Carter. “UAE Kept Tight Lid on Disrupted Terror Plot.” *Washington Times*, September 17, 2009.

<sup>6</sup> Milhollin, Gary and Kelly Motz. “Nukes ‘R’ US.” *New York Times* op.ed. March 4, 2004.

weapons of mass destruction-related technology to Iran, under the Iran-Syria Non-Proliferation Act (P.L. 106-178). In June 2006, the Bureau of Industry and Security (BIS) released a general order imposing a license requirement on Mayrow General Trading Company and related enterprises in the UAE. This was done after Mayrow was implicated in the transshipment of electronic components and devices capable of being used to construct improvised explosive devices (IED) used in Iraq and Afghanistan.<sup>7</sup>

In January 2009, the Institute for Science and International Security issued a report entitled “Iranian Entities’ Illicit Military Procurement Networks,” published January 12, 2009. The report asserted that Iran has used UAE companies to obtain technology from U.S. suppliers, and that the components obtained have been used to construct improvised explosive devices (IEDs) shipped by Iran to militants in Iraq and Afghanistan. Other UAE companies the report alleges were involved in this network included not only Mayrow but also Majidco Micro Electronics, Micatic General Trading, and Talinx Electronics.

In February 2007 the Administration threatened to form a new category of control called “Destinations of Diversion Control” with UAE as the intended designee country. A 2010 Iran sanctions law, the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA, P.L. 111-195) set up a provision for a category of countries similar to that, which would be sanctioned (restrictions on dual use U.S. exports) for a determination of non-cooperation. Earlier, in September 2007, the FNC headed off U.S. penalties by adopting a law strengthening export controls (April 2007). In September 2007, the UAE used the new law to shut down 40 foreign and UAE firms allegedly involved in dual use exports to Iran and other countries. On July 22, 2010, Deputy Assistant Secretary of State for International Security and Nonproliferation Vann Van Diepen testified before the House Foreign Affairs Committee (Subcommittee on Terrorism, Nonproliferation and Trade) that the UAE had augmented the staff of the office that implements the 2007 law. He added that the UAE’s enforcement bodies—customs, law enforcement, and intelligence services—are functioning to that end.<sup>8</sup>

The issue of leakage of technology has sometimes caused U.S. criticism or questioning of UAE investment deals. In December 2008 some Members of Congress called for a review by the inter-agency “Committee on Foreign Investment in the United States” (CFIUS) of a proposed joint venture between Advanced Micro Devices and Advanced Technology Investment Co. of Abu Dhabi for the potential for technology transfers. In February 2006, CFIUS approved the takeover by the Dubai-owned “Dubai Ports World” company of a British firm that manages six U.S. port facilities. Members, concerned that the takeover might weaken U.S. port security, opposed it in P.L. 109-234, causing the company to divest assets involved in U.S. port operations (divestment completed in late 2006 to AIG Global Investments). Little opposition was expressed to a September 2007 Borse Dubai plan to take a 20% stake in the NASDAQ stock market, or to a November 2007 investment of \$7.5 billion in Citigroup by the Abu Dhabi Investment Authority (ADIA).

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<sup>7</sup> BIS, “General Order Concerning Mayrow General Trading and Related Enterprises,” 71 *Federal Register* 107, June 5, 2006.

<sup>8</sup> Testimony of Mr. Vann Van Diepen before the House Foreign Affairs Committee. July 22, 2010.

## **Nuclear Agreement<sup>9</sup>**

It is the concern about the leakage of technology to Iran, via the UAE, that underpins much of the concern about a U.S.-UAE agreement, signed January 15, 2009, to help the UAE develop a nuclear power program. The government of the United Arab Emirates (UAE) announced in 2008 an ambitious plan to acquire its first nuclear power reactors to satisfy projected increases in domestic electricity demand.<sup>10</sup>

Policymakers and advisers in the government of Abu Dhabi, in consultation with representatives from the other six emirates, are guiding the program's implementation. A number of U.S. and European firms have secured administrative and financial advisory contracts with the program. The agreement for the United States to assist the program, subject to conditions specified in Section 123 of the Atomic Energy Act of 1954 [42 U.S.C. 2153(b)], was signed by the Obama Administration on May 21, 2009 (and submitted to Congress that day). It required congressional approval in the form of passage of a joint resolution of approval or non-passage of a joint resolution of disapproval within 90 days of continuous legislative session following the May 21 submission). In the 111<sup>th</sup> Congress, concerns were encapsulated in H.R. 364, which would require the President to certify that the UAE has taken a number of steps to stop illicit trade with Iran before any agreement would take effect. Several congressional resolutions of approval of the agreement (S.J.Res. 18 and H.J.Res. 60) were introduced, compared to only one disapproving (H.J.Res. 55). No measure blocking the agreement was enacted, and the "1-2-3 Agreement" entered into force on December 17, 2009.

In January 2010, the UAE announced that it had chosen the Korea Electric Power Corporation (KEPCO of South Korea) to construct the first of four APR1400 nuclear reactors that would sell electricity to the Abu Dhabi Water and Electricity Authority. The first plant is expected to start operating in 2017 and the other three are scheduled to be completed and operational by 2020, according to the UAE.<sup>11</sup> The plant construction is to take place at Baraka, near Abu Dhabi's western border with Saudi Arabia, pending final approval by the UAE Federal Authority for Nuclear Regulation.<sup>12</sup>

The Emirates Nuclear Energy Corporation (ENEC) announced in July 2011 that it has begun a "procurement competition" to obtain fuel supplies for the four proposed reactors.<sup>13</sup> "The final contracts are expected to be signed in the first quarter of 2012," according to the ENEC. No specific decisions have been made regarding the disposition of spent reactor fuel. The UAE has committed to refrain from domestic uranium enrichment and reprocessing spent nuclear reactor fuel. Enrichment and reprocessing are considered to be the most sensitive parts of the nuclear fuel cycle because they can both produce fissile material for nuclear weapons.

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<sup>9</sup> This section was prepared by Paul Kerr, Analyst in Weapons of Mass Destruction Nonproliferation, CRS. See CRS Report R40344, *The United Arab Emirates Nuclear Program and Proposed U.S. Nuclear Cooperation*, by Christopher M. Blanchard and Paul K. Kerr.

<sup>10</sup> UAE officials estimate that their country must expand its power generation and transmission capacity from the current level of 16 gigawatts to 40 gigawatts by 2020 in order to meet projected demand increases

<sup>11</sup> <http://enec.gov.ae/our-nuclear-energy-program/prime-contractor/>.

<sup>12</sup> <http://enec.gov.ae/our-nuclear-energy-program/preferred-site/>.

<sup>13</sup> <http://www.enec.gov.ae/media-centre/news/content/emirates-nuclear-energy-corporation-begins-nuclear-fuel-procurement-co>.

The International Atomic Energy Agency announced December 14, 2011, that a group of experts had completed a review of the UAE's "regulatory framework for nuclear safety and radiation protection." The review both "noted good practices" and provided suggestions to the Federal Authority for Nuclear Regulation, the UAE's nuclear regulatory authority.<sup>14</sup>

## Foreign Policy and Defense

Following the 1990 Iraqi invasion of Kuwait and the 1991 U.S.-led war to oust Iraqi forces from Kuwait, the UAE determined that it needed a closer security relationship with the United States. The UAE did not necessarily fear a direct threat from Saddam Hussein's Iraq, which is at the north end of the Persian Gulf, but the UAE saw the United States as the key actor in any successful effort to balance out Iranian power—a primary UAE concern. That cooperation has taken on numerous dimensions, including purchase of advanced missile defense capabilities designed to counter Iranian ballistic missiles, as well as U.S. military deployments intended to demonstrate resolve to Iran. Beyond the Gulf, UAE actions and responses to the 2011 unrest in the Middle East suggest that the UAE is more assertive on foreign policy posture than it has been in the past.

## Regional Security Cooperation With the United States

The framework for U.S.-UAE defense cooperation is a July 25, 1994, bilateral defense agreement, the text of which is classified, including a "status of forces agreement" (SOFA).<sup>15</sup> Under the pact, during the years of U.S. "containment" of Iraq (1991-2003), the UAE allowed U.S. equipment pre-positioning and U.S. warship visits at its large Jebel Ali port, capable of handling aircraft carriers, and it permitted the upgrading of airfields in the UAE that were used for U.S. combat support flights during Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom (OIF).<sup>16</sup> Currently, according to Secretary of Defense Leon Panetta in November 2011, there are about 3,000 U.S. forces, mostly Air Force, in UAE. That is up from 800 before OIF. They use Al Dhafra air base (mostly KC-10 refueling) and naval facilities at Fujairah to support U.S. operations in Iraq and Afghanistan, even though UAE officials say that OIF benefitted Iran strategically.

In the wake of the U.S. withdrawal from Iraq that was completed on December 15, 2011, U.S. officials said there were no plans to increase these numbers, either in UAE or elsewhere in the Gulf. However, in late April 2012, possibly to signal additional resolve over Iran's nuclear program, the United States reportedly deployed several "Stealth" F-22 Raptor combat aircraft to Al Dhafra air base.<sup>17</sup>

The U.S.-UAE defense pact has also reportedly included U.S. training of UAE armed forces. These forces are relatively small—about 51,000, but are considered to have benefitted extensively from U.S. and other training. U.S. military officers say that UAE operators of HAWK surface-to-

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<sup>14</sup> <http://www.iaea.org/press/?p=2572>.

<sup>15</sup> Some provisions are discussed in Sami Hajar, *U.S. Military Presence in the Gulf: Challenges and Prospects* (U.S. Army War College: Strategic Studies Institute), March 2002, p. 27.

<sup>16</sup> Jaffe, Greg. "U.S. Rushes to Upgrade Base for Attack Aircraft." *Wall Street Journal*, March 14, 2003.

<sup>17</sup> Washington Post, April 28, 2012.

air missile batteries are on par with U.S. operators of that system, and that UAE fighter pilots are “combat ready.” This was proved in operations in Libya in 2011, discussed below, where pilots proved capable tacticians. At the Air Warfare Center near Al Dhafra Air Base, UAE and U.S. forces conduct extensive exercises on early warning, air and missile defense, and logistics. In FY2010, 359 UAE military students trained in the United States, mostly through the Foreign Military Sales program through which the UAE buys most of its U.S.-made arms.

## **U.S. and Other Arms Sales**

The UAE views arms purchases from the United States as enhancing the U.S. commitment to UAE security. The United States views these sales as a means to enhance the U.S.-led security architecture for the Gulf in which the Gulf partners take on increased responsibilities. From 2007-2010, the UAE agreed to acquire more U.S. defense articles and services through the Foreign Military Sales program—\$10.4 billion worth—than any other country in the world except Saudi Arabia.<sup>18</sup> Until 2008, the most significant buy was the March 2000 purchase of 80 U.S. F-16 aircraft, equipped with the Advanced Medium Range Air to Air Missile (AMRAAM) and the HARM (High Speed Anti-Radiation Missile), a deal exceeding \$8 billion. Congress did not try to block the aircraft sale, but some Members questioned the AMRAAM as an introduction of the weapon into the Gulf. Among other sales with the potential to enhance the UAE’s offensive capability, a sale of High Mobility Artillery Rocket Systems (HIMARS) and Army Tactical Missile Systems (ATACMs), valued at about \$750 million, announced on September 21, 2006.

### ***THAAD and Other Major Missile and Air Defense Systems***

More recent sales to UAE, some with offensive potential, have been in concert with the U.S.-led “Gulf Security Dialogue,” intended to help the Gulf states contain Iran. The UAE is a key participant in U.S. efforts to build a missile defense shield for the Gulf, in order to deter or contain Iran. That effort was discussed extensively in two State Department visits to the region—on March 31, 2012, Secretary Clinton attended the first ministerial meeting of the U.S.-GCC Strategic Cooperation Forum in Riyadh, Saudi Arabia, which focused on the integrated Gulf missile defense plan. Subsequently, deputy Assistant Secretary of State Frank Rose spoke in Abu Dhabi on April 12, 2012,<sup>19</sup> on the missile defense issue, saying:

As our partners acquire greater missile defense capabilities, the United States will work to promote interoperability and information sharing among the GCC states. This will allow for more efficient missile defenses and could lead to greater security cooperation in the region.

For the UAE, the most significant missile defense purchase is of the Terminal High Altitude Air Defense System (THAAD), the first sale ever of that sophisticated missile defense system (announced September 9, 2008, valued at about \$7 billion). The main manufacturer, Lockheed Martin, said in June 2010 that a firm agreement for three THAAD fire units with 147 THAAD missiles and four radar sets might be signed in the next few months, although the firm said in August 2011 that the UAE might reduce the buy somewhat.<sup>20</sup> That prediction proved accurate when, on December 31, 2011, the Defense Department announced the two countries had reached

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<sup>18</sup> CRS Report: U.S. Arms Sales: Agreement with and Deliveries to Major Clients, 2003-2010.

<sup>19</sup> U.S. Department of State Daily Digest Bulletin, April 12, 2012.

<sup>20</sup> Jim Wolf. “UAE Said to Trim Planned US Missile-Defense Purchase.” Reuters, August 24, 2011.



a final deal to sell the UAE 96 of the THAAD missiles, along with the firing units, with a total estimated value of the sale at \$3.48 billion, about half of what was first envisioned.

Among significant other recent missile defense sales are the advanced Patriot anti-missile systems (PAC-3, up to \$9 billion value, announced December 4, 2007). Also announced on September 9, 2008, were sales to UAE of a surface launched AMRAAM (\$445 million value) and vehicle mounted “Stinger” anti-aircraft systems (\$737 million value).

### ***Other Major Recent Sales Include Joint Direct Attack Munitions***

In conjunction with the international defense exhibit in Abu Dhabi in March 2009, the UAE signed agreements with Boeing Co. and Lockheed Martin Corp. to buy \$3 billion worth of military transport aircraft (C-17 and C-130, respectively). On November 4, 2010, the Defense Security Cooperation Agency notified Congress of two potential sales: \$140 million worth of ATACMs (see above) and associated support; and a possible \$5 billion worth of AH-64 Apache helicopters (30 helicopters, remanufactured to Block III configuration).<sup>21</sup> In 2011, a notification was made for \$300 million worth of support for UAE’s F-16 fleet and AIM-9X missiles. On September 22, 2011, there was notification to Congress of a possible sale of 500 “Hellfire” missiles and related equipment and services, a total estimated cost of \$65 million. There was a December 14, 2011 notification of a potential sale to the UAE of 260 JAVELIM anti-tank guided missiles and associated equipment and support at a total value of \$60 million.

Congress was notified by DSCA on November 30, 2011, of a potential sale that has caused discussion (transmittal number 10-56). The sale is for 4,900 Joint Direct Attack Munitions (JDAM) kits with an estimated value of \$304 million. The widespread perception was that the munitions could potentially be used to strike hard targets, such as nuclear facilities in Iran, although there are no indications the UAE would contemplate such a strike on its own, no matter its concerns about Iran. The United States had previously sold the UAE JDAM kits worth \$326 million value, announced January 3, 2008.

The United States is hoping to sell the UAE additional F-16’s, according to press reports.

### **Defense Relations with Other Nations and Alliances**

In addition, in recent years, perhaps deciding it cannot rely solely on the United States, the UAE has sought to broaden its defense relationships. 2004, the UAE joined NATO’s “Istanbul Cooperation Initiative,” which was launched that year by NATO as an effort to bolster bilateral security with Middle Eastern countries. The UAE has “observer” status in NATO and, in May 2011, the UAE requested to send an Ambassador to NATO under a new alliance policy approved by the organization in April 2011.

France is a major defense partner for the UAE. In January 2008 the UAE signed an agreement with then French President Nicolas Sarkozy to allow a French military presence. The facilities were inaugurated during a visit by Sarkozy to UAE on May 27, 2009, and include (1) a 900-foot section of the Zayid Port for use by the French navy; (2) an installation at Dhafra Air Base to be used by France’s air force; and (3) a barracks at an Abu Dhabi military camp that will house about

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<sup>21</sup> DSCA transmittal number 10-52. <http://www.dscamil>.

400 French military personnel. On the other hand, in October 2010, the UAE reportedly threatened to ask Canada to evacuate a UAE base, Camp Mirage, used by Canada as a staging point for its forces to deploy to Afghanistan, when Canada refused additional landing slots in Canada for Emirates Air.<sup>22</sup> The two countries subsequently negotiated a solution to the mutual concerns.

France is hoping that, as part of the facilities basing agreement discussed above, the UAE will buy about 60 Rafale combat aircraft, which could be valued at about \$10 billion. That deal could be signed when President Nicolas Sarkozy visits the UAE later in March or in April 2012. The UAE has already bought 380 French-made Leclerc tanks and 60 Mirage 2000 warplanes.

The UAE has also looked to the private sector to augment its security. The UAE confirmed on May 15, 2011, that it had retained the U.S. private firm Reflex Responses, to provide “operational, planning, and training support,” to the UAE military. The statement followed a *New York Times* report that the UAE had hired the firm, which is run by the founder of the well-known Blackwater Worldwide security contractor, to a \$529 million contract to build a foreign mercenary battalion to help defend the UAE from internal revolt or related threats—an account based partly on observations of foreign nationals entering the UAE to undergo training at a UAE base.<sup>23</sup> The State Department stated subsequently that it is investigating the reports to determine whether it violates any U.S. laws controlling the export of U.S. defense technology and expertise.

### **Other Cooperation on Iran**

Acting to address the potential threat from Iran—the highest priority foreign policy issue for the UAE—the UAE has cooperated with non-military related U.S. efforts to counter Iranian power and capabilities. However, seeking to deny Iran any justification for aggression or adverse action, the UAE preserves most commercial ties with Iran, and it continues to allow many Iranian firms (primarily import-export companies) and individuals to operate there.

The Iranian involvement in the UAE economy has also given the United States the opportunity to enlist the UAE in a multilateral effort to stiffen international sanctions on Iran—the so-called “coalition of like minded countries.” In October 2009, Foreign Minister Abdullah bin Zayid was uncharacteristically public in expressing support for “political and diplomatic pressure on Iran to stop it from acquiring nuclear technology.” The 2010 GCC summit, held in Abu Dhabi and concluded December 7, 2010, called for a peaceful resolution of the Iran nuclear issue, although expressing “utmost concern” about Iran’s program; similar language was repeated following the GCC summit that ended December 20, 2011. These comments add to UAE statements that reflect GCC backing for more aggressive U.S. action to set back Iran’s program.

In terms of concrete action, in October 2010, the UAE government directed its banks to fully comply with the restrictions on dealing with Iranian banks outlined in U.N. Security Council Resolution 1929, adopted June 9, 2010. The move caused a 15% drop in the value of Iran’s currency, the rial. In advance of UAE attendance at a “coalition of like minded countries” meeting in Rome on December 21, 2011, rumors swept Iran that UAE-Iran trade was being halted, and the rial fell dramatically. At that meeting, the United States continued its efforts to

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<sup>22</sup> Chase, Steven and Brent Jang. “UAE Threatens to Kick Canada Out of Covert Military Base Camp Mirage.” *Toronto Globe and Mail*, October 8, 2010.

<sup>23</sup> [http://www.nytimes.com/2011/05/15/world/middleeast/15prince.html?\\_r=1&partner=rss&emc=rss](http://www.nytimes.com/2011/05/15/world/middleeast/15prince.html?_r=1&partner=rss&emc=rss).

convince the UAE and other Gulf oil producers to ramp up oil production to make up for any shortfall in the event the European Union adopted a voluntary ban on buying Iranian oil (which the EU did on January 23, 2012, with the move to take full effect by the end of June 2012). The UAE is believed willing to ramp up oil production to sell additional oil to buyers who cut their purchases from Iran.

A major UAE step to shut Iran out of the banking system came in late February 2012, when a Dubai bank, the Noor Islamic Bank, announced it would no longer handle transactions with Iranian banks; Iran has used that bank to process much of its receipts of hard currency for its oil sales internationally.<sup>24</sup> Still, reflecting the UAE's free and open trading regimen and unwillingness to antagonize Iran outright, there continue to be reports that some small firms in the UAE continue to supply gasoline to Iran even though such activity is potentially sanctionable under CISADA, referred to earlier.

Some Iranian actions may account for the UAE's strategic closeness to the United States and other Western powers. UAE fears of Iran have been elevated since 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 has called for peaceful resolution of the issue through direct negotiations, the International Court of Justice, or another agreed international forum. In October 2008, the UAE and Iran signed an agreement to establish a joint commission to resolve the dispute; that agreement came two months after the UAE protested Iran's opening in August 2008 of administrative and maritime security offices on Abu Musa. Iran has allowed Sharjah to open power and water desalination facilities on the island. The 2010 GCC summit in Abu Dhabi, referenced above, nodded to UAE concerns by demanding Iran return the UAE islands. The issue was inflamed significantly on April 11, 2012, when Iranian President Mahmoud Ahmadinejad visited Abu Musa and spoke to the inhabitants there, mostly Iranian fishermen. The UAE withdrew its ambassador from Tehran. Consistent with its past positions, on April 17, 2012, State Department spokesperson Mark Toner said the United States supports the UAE's call to negotiate the dispute. The U.S. statement, as have past U.S. statements on this issue, took no position on the legal sovereignty of the islands, but it criticized the Ahmadinejad visit as a step that complicates efforts to settle the issue.

The UAE, particularly Abu Dhabi, has long feared that the large Iranian-origin community in Dubai emirate (estimated at 400,000 persons) could pose a "fifth column" threat to UAE stability. Illustrating the UAE's attempts to avoid antagonizing Iran, in May 2007, Iranian President Mahmoud Ahmadinejad was permitted to hold a rally for Iranian expatriates in Dubai when he made the first high-level visit to UAE since UAE independence in 1971. Reflecting the underlying tensions of UAE-Iran relations, the two countries issued mutual recriminations in January 2009 over the UAE decision in late 2008 to begin fingerprinting Iranian visitors to UAE.

## **Cooperation on Iraq**

Aside from allowing U.S. use of UAE military facilities, the UAE has undertaken several initiatives to support U.S. efforts to stabilize Iraq since the fall of Saddam Hussein. The UAE has provided facilities for Germany to train Iraqi police. Agreeing with the U.S. view that Sunni Arab

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<sup>24</sup> Alan Cowell. "Dubai Bank Reduces Ties With Iran, It Reports." *New York Times*, March 1, 2012.

states need to engage the Shiite-dominated government in Baghdad, in June 2008, the UAE appointed an Ambassador to Iraq, Abdullah Ibrahim al-Shehi, the first Arab country to do so. The following month it wrote off \$7 billion (including interest) in Iraqi debt. Abu Dhabi Crown Prince Shaykh Mohammad bin Zayid visited Iraq in October 2008. The UAE tended to defer to Saudi Arabia in its efforts to encourage inclusion of high profile Sunni Arabs in the new Iraqi government formed in late 2010. In October 2011, the UAE announced it intends to open a consulate in the Kurdish region of Iraq which comprises three northern provinces and is administered by the Kurdistan Regional Government (KRG), a legally constituted region within Iraq.

In humanitarian efforts, the UAE has provided about \$215 million for Iraq reconstruction but has provided the funds not in cash but in the form of humanitarian contributions. Some of the funds have been used to rebuild hospitals in Iraq and to provide medical treatment to Iraqi children in the UAE. Bilateral trade is estimated at about \$5 billion, and UAE companies reportedly are considering new investment in housing and other projects in Iraq.

### **Cooperation on Afghanistan and Pakistan**

In addition to placing some of its military facilities at U.S. and allied disposal for use in Afghanistan (and Iraq), the UAE is assisting the U.S. and international mission to stabilize Afghanistan. Despite the small size of its military force, a 250-person contingent of UAE troops has been serving in Afghanistan since 2004. The UAE forces, the only Arab combat forces in Afghanistan, are operating in the restive southern part of Afghanistan, particularly Uruzgan Province, where they appear to be welcomed by the Muslim population there.

The UAE has pledged a total of \$323 million in economic aid for Afghanistan since the fall of the Taliban. Among the projects funded with UAE aid include “Zayed University,” a college serving over 6,000 Afghan students per year; six medical clinics; a major hospital with a capacity of 7,000 patients; the building of “Zayed City” that houses 200 Afghan families displaced by violence; 160 drinking wells; and 38 mosques.<sup>25</sup>

In related aid for U.S. regional policy, Abu Dhabi hosted the November 2008 meeting of the “Friends of Pakistan” donors group that is attempting to help Pakistan through its financial difficulties. The UAE provided about \$100 million to aid victims of a major earthquake in Pakistan in October 2005, and substantial amounts in 2010 to help victims of flooding there. The UAE also appointed a direct counterpart to the Obama Administration’s Special Representative for Afghanistan and Pakistan (SRAP), the position held by Ambassador Marc Grossman.

### **Other Regional Issues: Response to 2011 Unrest in the Middle East**

In reacting to the uprisings in the Arab world, the UAE leadership has sought to tamp down unrest in Bahrain, a fellow GCC state, but it has supported rebel movements in other states, such as Libya and to some extent Syria as well. The UAE joined other GCC states in supporting the Al Khalifa regime in Bahrain during its confrontations with protesters and, on March 14, 2011, it sent 500 UAE police to join a 1,000 troop Saudi force that deployed to Bahrain to help the regime protect key locations. The UAE, Saudi Arabia, Kuwait, and Qatar, the wealthiest of the GCC

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<sup>25</sup> Information provided to CRS by the UAE Embassy in Washington, DC, December 2009.

states, also have pledged financial help to Bahrain and Oman, the two GCC states where substantial protests have taken place in 2011. The UAE police pulled out of Bahrain in concert with a broader withdrawal of the GCC country forces in late June 2011, after the state of emergency in Bahrain ended on June 1, 2011.

On Libya, the UAE played a significant role in supporting the opposition to Muammar Qadhafi, which succeeded in ending his regime in late August 2011. It sent six (a squadron) of its U.S.-made F-16s and six Mirage fighters (a squadron) to participate in the NATO-led no-fly zone enforcement and ground target strike operations in Libya. On May 10, 2011, Abu Dhabi hosted a major meeting of Libyan dissidents, including representatives of cities and towns still formally under the Qadhafi regime control. In June 2011, in the context of its hosting a meeting of the international Libya Contact Group, the UAE formally recognized the Benghazi-based Transitional National Council (TNC) as the sole representative of the Libyan people and pledged financial support to the TNC. In March 2012, the UAE announced it would transfer its 58 aging Mirage 2000 combat aircraft to the fledgling post-Qadhafi government.

In Yemen, the UAE has joined a high-profile GCC mediation effort that reached an agreement for President Ali Abdullah Saleh to step down in favor of a political transition. President Saleh was injured in an assassination attempt in June 2011 and recuperated in Saudi Arabia, but he returned to the country in November 2011 with intentions that were unclear. He later signed the transition agreement and departed Yemen on January 22, 2012.

The UAE did not initially take a clear position against President Bashar Al Assad of Syria's crackdown against burgeoning dissent, apparently fearing that Assad's downfall could cause his close ally, Iran, to increase its meddling in the Gulf to compensate for a loss of influence in the Levant. Still, UAE leaders see Assad's fall as key to weakening Iran in the Middle East and, in line with the other GCC states, the UAE shifted more decisively against Assad when opposition in Syria increased in mid-2011. In November 2011, after the Arab League suspended Syria's membership because of its crackdown, the UAE embassy in Damascus was attacked, among other embassies. It closed its embassy there, along with the other GCC states, in February 2012, after the U.N. Security Council failed to act on a resolution demanding President Bashar al-Assad yield to a transition of power. The UAE joined its GCC allies in early April 2012, during a multinational conference on Syria in Istanbul, in offering about \$100 million in funds to Syrian rebels, to be used as salaries and also presumably to buy weapons and services useful to their cause.

### **Other Regional Issues: Arab-Israeli Dispute**

On most regional issues, including the Arab-Israeli dispute, the UAE does not follow U.S. policy strictly or uncritically, but it does generally agree with most U.S. assessments of regional threats, and it supports U.S. diplomatic efforts to resolve regional issues. On the Arab-Israeli issue, the UAE wants to ensure that any settlement between Israel and the Palestinians is "just," and, like other Gulf and Arab states, it criticizes the United States as excessively supportive of Israel. UAE leaders have publicly backed the Palestinian Authority's bid for statehood recognition at the United Nations General Assembly, launched in September 2011—a proposal the United States opposes as premature and preemptive of Israeli-Palestinian negotiations.

The UAE has not advanced its own far-reaching proposals to resolve the Israeli-Palestinian dispute, as has King Abdullah of Saudi Arabia. Nor has UAE tried to directly mediate between Palestinian factions, as have Saudi Arabia, Qatar, or Egypt. In 1994 the UAE joined with the

other Gulf monarchies in ending enforcement of the Arab League's boycott of companies doing business with Israel and on companies that deal with companies that do business with Israel. The UAE formally bans direct trade with Israel, although UAE companies reportedly do business with Israeli firms and some Israeli diplomats have attended multilateral meetings in the UAE. Unlike Qatar and Oman, the UAE did not host multilateral Arab-Israeli working groups on regional issues when those talks took place during 1994-1998. In 2007, the UAE joined a "quartet" of Arab states (the others are Saudi Arabia, Egypt, and Jordan) to assist U.S. diplomacy on Israeli-Palestinian issues, and it attended the Annapolis summit on the issue that year.

The UAE publicly supports the Palestinian cause and has sometimes put its considerable financial resources to work on behalf of the Palestinians. One major UAE action has been to fund a housing project in Rafah, in the Gaza Strip, called "Shaykh Khalifa City." It also has given economic aid to Lebanon, perhaps in part to counter Iranian and Syrian influence there—an objective that UAE shares with Saudi Arabia and the other GCC states. In December 2008 and January 2009, the UAE government permitted street demonstrations in support of Hamas during its war with Israel. In February 2009, the UAE denied a visa to an Israeli tennis player who was to participate in a Dubai tennis tournament, earning the UAE some international criticism. It also aggressively investigated and, based on evidence developed, formally accused Israel in the killing of Hamas leader at a Dubai hotel in January 2010.

### **Border Issues**

The UAE cooperates with virtually all GCC-wide development and economic initiatives, although some past border disputes and other disagreements with Saudi Arabia occasionally flare. A 1974 "Treaty of Jeddah" with Saudi Arabia formalized Saudi access to the Persian Gulf via a corridor running through UAE, in return for UAE gaining formal control of villages in the Buraymi oasis area.

### **UAE Provision of Foreign Aid**

The UAE asserts that it has provided billions of dollars in international aid through its government and through funds controlled by royal family members and other elites. Among the foreign aid activities reported are \$100 million to aid victims of the December 2004 tsunami in the Indian Ocean and \$100 million to help victims of Hurricane Katrina in the United States in 2005. Among other initiatives:

- The Abu Dhabi Fund for Development (ADFD), established in 1971, has distributed about \$3.5 billion to 207 projects in 53 countries. Of this amount, about \$240 million was distributed in 2010.
- In 2010, the Zayid Foundation provided \$10 million to the education and social services sectors of various Middle Eastern countries, including the Palestinian territories, Lebanon, Yemen, Egypt, and Afghanistan.
- In July 2011, UAE foundations responded to a U.N. appeal for aid to the victims of a drought in East Africa.
- In February 2012, the UAE announced an additional \$2 million donation to the Local Stability Fund that provides relief to victims of conflict in Somalia.

## **Economic Issues**

The UAE, a member of the World Trade Organization (WTO), has developed a free market economy, widely considered weakly regulated. Partly as a result, the UAE, particularly Dubai emirate, whose strategy was built on attracting investment to construct large numbers of opulent and futuristic projects, built up a “bubble” in real estate prices and other assets. The UAE, particularly Dubai, was therefore hurt significantly by the global economic downturn. At the height of the financial crisis, there were widespread layoffs in UAE and the departure of thousands of foreign workers, who often abandoned cars and properties that were financed, leaving UAE banks with additional non-performing loans.<sup>26</sup> During 2008-2009, real estate prices fell about 40%-50% from the 2007 levels. The downturn in real estate prices also affected regional investors, such as those in Afghanistan, who bought into high-end housing such as on the Palm Islands. The fall in value nearly caused a collapse of a major Afghan bank, Kabul Bank, in September 2010; the bank had made large loans to prominent Afghan power brokers and officials to buy property there.

To address the crisis, the federal government took on some public debt and drew upon used some of the country’s purported \$700 billion invested in “sovereign wealth funds” to inject into Dubai banks to help them ride out the downturn. The largest such fund, called Mubadala, is owned and run by Abu Dhabi. Among the cash injections, in late 2009, Abu Dhabi pledged about \$10 billion to help Dubai World (major real estate developer) avert outright default on about \$26 billion in debt repayment. As a result of its efforts to deal with the financial crisis, the overall public debt level stands at over \$230 billion, according to the IMF in May 2011. At the end of 2011, economic analysts said that the UAE’s worst economic problems are behind it and its growth improved substantially to about 3.3% for all of 2011, somewhat lower than the 3.9% expected. Growth is expected to be only about 2.5% growth for 2012, in part because of the European debt crisis, but levels probably still sufficient for the UAE to manage its debt obligations.<sup>27</sup>

## **Oil and Gas Sector/Dedication to Future Clean Energy**

The source of the UAE’s sovereign wealth has been oil sales. Abu Dhabi has 80% of the federation’s proven oil reserves of about 100 billion barrels, enough for over 100 years of exports at the current production rate of about 2.5 million—2.7 million barrels per day (mbd). Of that, over 2 mbd are exported, and the UAE may have as much as 500,000 bpd of spare capacity.<sup>28</sup> Small amounts of its oil exports go to the United States. The UAE lacks non-associated natural gas. It has entered into a deal (Dolphin project) with neighboring gas exporter Qatar and gas importer Oman that is bringing natural gas, via a newly constructed pipeline, from Qatar to UAE, and then on to Oman.

In addition, it is seeking to secure its oil export routes against any threat by Iran to close the strategic Strait of Hormuz, through with the UAE and other major oil exporters transport their oil exports. As of May 2012, the UAE reportedly is close to completion of the Abu Dhabi Crude Oil Pipeline (ADCOP) which will allow the UAE to export its oil at the terminals of the emirate of Fujairah, which is on the Gulf of Oman, and bypasses the Strait of Hormuz. The line, estimated to

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<sup>26</sup> Worth, Robert. “Laid Off Foreigners Flee as Dubai Spirals Down.” *New York Times*, February 12, 2008.

<sup>27</sup> Economist Intelligence Unit. “Country Report: United Arab Emirates,” December 2011.

<sup>28</sup> <http://www.thenational.ae/events/areas/abu-dhabi/adnoc-preserves-spare-supplies>.

cost \$3 billion, has a capacity to transport 1.5 million barrels per day of crude oil. The pipeline is expected to be completed some time in the summer of 2012. The UAE is also planning a large refinery near that terminal, and possibly a second oil pipeline exiting there, to further secure its oil exports and value-added petroleum products.<sup>29</sup>

Seeking to reinvest its oil wealth, Abu Dhabi has sought in recent years to outdo Dubai by building local branches of famous U.S. and European museums. However, it has also tried to use its oil wealth to plan for a time when the developed world is no longer reliant on oil imports. It has funded “Masdar City”—a project, the first phase of which is to be completed in 2015, to build a planned city which will rely only on renewable energy sources. Automobiles that run on fossil fuels are banned from Masdar City. One feature of the city is a system of driverless taxis that use automation to take passengers to their destinations. The civilian nuclear energy project discussed above is also part of the effort to plan for a post-oil world economy.

### **U.S.-UAE Free Trade Agreement Negotiations**

On November 15, 2004, the Administration notified Congress it had begun negotiating a free trade agreement (FTA) with the UAE. Several rounds of talks were held prior to the June 2007 expiration of Administration “trade promotion authority,” but progress was been halting. The UAE, which is considered wealthy, has received small amounts of U.S. assistance. The primary purpose of the aid is to make the UAE eligible for advice and programming to improve its border security and export controls, as shown below. In addition, as part of the GCC, the UAE is negotiating with the United States a “GCC-U.S. Framework Agreement on Trade, Economic, Investment, and Technical Cooperation,” an umbrella instrument for promoting ties between the two sides in the economic area—essentially a GCC-wide trade and investment framework agreement (TIFA). The negotiations are led by the U.S. Trade Representative, and an agreement is expected to be signed before the end of June 2012.

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<sup>29</sup> “Abu Dhabi: In the Pipeline.” *The Middle East*, January 26, 2012.



**Table 2. Recent U.S. Aid to UAE**

	FY2007	FY2008	FY2009	FY2010 (est.)	FY2011	FY2012	FY2013 (request)
NADR (Nonproliferation, Anti-Terrorism, Demining, and Related)— Counterterrorism Programs (ATA)	\$ 1,409,000		\$725,000				
NADR- Combating WMD	\$172,000	\$300,000	\$200,000	\$230,000	\$230,000		
International Military Education and Training (IMET)				\$10,000			
Totals	\$1,581,000	\$300,000	\$925,000	\$240,000	\$230,000	0	0

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