



CRS Report for Congress

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

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Summary

The United Arab Emirates (UAE), a leadership transition now complete, undertook its first major electoral process in December 2006, although with a small, hand-picked electorate and for a body with limited powers. The UAE's open economy and society has won praise but has 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 talks are making only slow progress. 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.

Governance, Human Rights, and Reform¹

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. After Britain announced that it would no longer ensure security in the Gulf, six "Trucial States" decided to form the UAE federation in December 1971; a seventh, Ras al-Khaymah, joined in 1972. The UAE federation has just completed a major leadership transition following 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. His son, Crown Prince Shaykh Khalifa bin Zayid al-Nuhayyan, 59 years old, was immediately named ruler of Abu Dhabi and, keeping with tradition, was subsequently selected by all seven emirates as UAE president. Shaykh Khalifa had been assuming a higher profile over the preceding 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 and

¹ Information in this section is from the following State Department reports: Country Reports on Human Rights Practices-2006 (March 6, 2007); Supporting Human Rights and Democracy: The U.S. Record 2006 (April 5, 2007); Trafficking in Persons Report for 2006 (June 5, 2006); and International Religious Freedom report - 2006 (September 15, 2006).

Prime Minister 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 in all his positions 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.

Each emirate has its own leadership (Sharjah and Ras al-Khaymah have a common ruling family, the Al Qawasim tribe), and all seven leaders sit on the Federal Supreme Council, the UAE's highest decision-making body. It meets 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 is one of the wealthiest of the Gulf states, with a gross domestic product (GDP) per capita of about \$22,000 per year, and it has seen almost no unrest. Islamist movements in UAE, including those linked to the Muslim Brotherhood, are generally non-violent and perform social and relief work. However, UAE 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 monarchies. The population of the UAE is about 3.8 million, of which only about 800,000 are citizens, reflecting the heavy reliance on foreign (mostly South Asian) labor.

Most observers have long considered the UAE to be behind the other Persian Gulf states in political reform, although the federation, and the individual emirates, are now beginning to move forward. Despite the December 2006 elections (discussed below), the UAE still has no fully elected institutions, and citizens do 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; in 2006 foreign laborers on a major Dubai tower project conducted a strike protesting poor working conditions and non-payment of wages.

The most significant reform, to date, was announced in November 2005, when the UAE government decided to begin electing half of the 40-seat Federal National Council (FNC); the other 20 seats will be appointed. Previously, members of the FNC were appointed by all seven emirates, 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. In three rounds of voting during December 2006, a 6,690-person "electorate" (100 persons for each FNC seat each emirate has, with each elector appointed by emirate leaderships) chose among 438 candidates for the 20 FNC elected seats. There were 65 female candidates, but only one was elected. All those elected, because of the relatively controlled process, are considered unlikely to challenge established UAE leaders on major issues. Another eight women were appointed to the remaining 20 seats, filling out the post-election FNC. Plans are to expand the size of the FNC and then to broaden its powers, according to the Minister of State for FNC Affairs Anwar Gargash, who was appointed in early 2006 to manage the new FNC reforms. Currently, the FNC 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. Since the November 2004 death of Shaykh Zayid, two women have been appointed to the cabinet: Shayha Lubna al-Qassimi, Minister of Economy and Planning, and Mariam al-Roumi, Minister of Social Affairs. In Sharjah emirate, seven women serve on its 40-seat consultative council, up from five previously. About 10% of the diplomatic corps is now female, compared to none serving prior to 2001. Other major cabinet choices signal commitment to accelerating reform, including the appointment of the reform-minded Shaykh Abdullah bin Zayid al-Nuhayyan as Foreign Minister. His former post of Information Minister was abolished in 2006 in favor of allowing full media independence.

On other areas, the UAE record is less positive. The State Department reports point out numerous restrictions such as on free assembly, freedom of speech, and workers' rights, and flogging penalties imposed by some courts. 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 and there are no Shiites in top federal positions.

The Bush Administration says it is promoting democracy, rule of law, and civil society in the Persian Gulf region. However, the 2006 democracy promotion report does not contain a section on the UAE, apparently reflecting official UAE reluctance to support U.S. efforts to promote reform there. Some 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).

Other social problems might be a result of the relatively open economy of the UAE, particularly in Dubai. The Trafficking in Persons report for 2006 states that the UAE is "Tier 2/Watch List" (up from Tier 3 last year) country on trafficking because it does not 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, in November 2006, Shaykh Khalifa issued a comprehensive law prohibiting trafficking in persons. The UAE also 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 has begun using robot jockeys at camel races. Another major problem is alleged trafficking of as many as 10,000 foreign women for sexual exploitation, particularly in Dubai.

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 government of Afghanistan. During Taliban rule (1996-2001), the UAE allowed Ariana Afghan airlines to operate service to UAE,

and Al Qaeda activists might have spent time there.² Two of the hijackers in the September 11, 2001 attacks were UAE nationals, and the hijackers reportedly used UAE-based financial networks in the plot.

Since then, the UAE has publicly acknowledged assisting in the 2002 arrest of senior Al Qaeda operative in the Gulf, Abd al-Rahim al-Nashiri.³ The State Department “Country Reports on Terrorism: 2006, released April 30, 2007,” credits UAE with denouncing regional terror attacks, improving border security, prescribing guidance for Friday prayer leaders, investigating suspect financial transactions, and strengthening its bureaucracy and legal framework to combat terrorism. 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. Under the agreement, five U.S. Customs officers are co-located with the Dubai Customs Intelligence Unit at Port Rashid in Dubai.

Possibly on the strength of UAE-U.S. cooperation, 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 manages port facilities in New York, New Jersey, Baltimore, New Orleans, Miami, and Philadelphia. Bi-partisan opposition to the deal, on the grounds that the company might not be vigilant on port security, was expressed in a March 9, 2006, vote in the House Appropriations Committee (62-2) on a provision to block the deal (in a bill to provide FY2006 supplemental funding for Iraq and Afghanistan war operations, P.L. 109-234). The opposition caused the company to announce it would divest assets involved in U.S. port operations. That divestiture occurred in late 2006 (to AIG Global Investments).

Recent U.S. Aid to UAE

	FY2005 and FY2006 (Combined)	FY2007 Est.	FY2008 Request
NADR (Non-Proliferation, Anti-Terrorism, De-Mining, and Related) - Anti-Terrorism Programs (ATA)	\$1.094 million	\$1.105 million	
NADR- Counter-Terrorism Financing	\$300,000 (FY2006 only)		
NADR-Export Control and Related Border Security Assistance	\$250,000	\$230,000	
International Military Education and Training (IMET)			\$15,000
International Narcotics and Law Enforcement (INCLE)			\$300,000

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

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

The UAE record on stopping proliferation may be of concern. 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 trans-shipping such components: SMB Computers and Gulf Technical Industries.⁴ On April 7, 2004, the Administration sanctioned a UAE firm, Elmstone Service and Trading FZE, for allegedly selling weapons of mass destruction-related technology to Iran, under the Iran Non-Proliferation Act (P.L. 106-178, now retitled the Iran-Syria Non Proliferation Act). Because of some of these cases, in February 2007, the Administration threatened to include UAE in a new designation of "countries of concern for diversion" of WMD-capable exports — with yet-to-be-determined penalties. In connection with the FNC approval of a draft law strengthening export controls in April 2007, the Administration, according to observers, said it would not so designate UAE.

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. 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. 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.

The framework for U.S.-UAE defense cooperation is a July 25, 1994, bilateral defense pact, the text of which is classified. 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, capable of handling U.S. aircraft carriers. U.S. forces also use Al Dhafra air base (KC-10, U-2 flights, other aircraft) and naval facilities at Fujairah to support of U.S. military operations in Iraq and Afghanistan, even though UAE argues that the U.S. invasion of Iraq paved the way for Shiite Islamists to take power in Iraq. About 1,800 U.S. forces, mostly Air Force, are 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 has provided facilities for Germany to train Iraqi police. UAE pledged \$215 million for Iraq reconstruction but has remitted virtually no funds as of May 1, 2006.

⁴ Milhollin, Gary and Kelly Motz. "Nukes 'R' US." *New York Times* op.ed. March 4, 2004.

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

On the Arab-Israeli dispute, the UAE generally stays within a Gulf state consensus. 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, although UAE companies reportedly routinely do business with Israeli companies. Nor did UAE host multi-lateral Arab-Israeli working groups on regional issues when those talks took place during 1994-1998. On the other hand, and UAE, in 2007, has joined a “quartet” of Arab states (the others are Saudi Arabia, Egypt, and Jordan) to assist U.S. diplomacy on Israeli-Palestinian issues.

U.S. Arms Sales. The UAE 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. The total sale value, including weapons and services, exceeded \$8 billion. Congress did not formally object to the agreement, but some Members questioned the AMRAAM sale as a first introduction of that weapon into the Gulf. Among recent sales, on July 28, 2006, the Defense Security Cooperation Agency (DSCA) notified Congress of a sale to UAE of 26 UH-60M Black Hawk helicopters with a possible value of \$808 million. A sale of high Mobility Artillery Rocket Systems, valued at about \$750 million, was notified on September 21, 2006. A sale to UAE reportedly under consideration in connection with the U.S.-led “Gulf Security Dialogue,” intended to help the Gulf states contain Iran, is of the E-2D Hawkeye 2000, an early warning aircraft.⁶ According to UAE officials, the UAE might buy an anti-ballistic missile system. UAE is too wealthy to receive U.S. military aid, but some IMET is requested for FY2008 to enable UAE to receive discount pricing to send its military officers to U.S. military courses.

Economic Issues

The UAE, a member of the World Trade Organization (WTO), 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, attracting over 900 international companies. On November 15, 2004, the Administration notified Congress it had begun negotiating a free trade agreement (FTA) with the UAE. Several rounds of talks have been held, although progress has been halting, mainly because UAE feels it does not need the pact to keep its economy vibrant and it is not willing to make some reforms, such as labor reform. The Dubai Ports World controversy, discussed above, further slowed the talks. Despite the economic diversification, the UAE’s federal budget 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. It 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, but negligible amounts go to the United States. The UAE does not have ample supplies of natural gas, and it has entered into a deal with neighboring gas exporter Qatar to construct pipeline that will bring Qatari gas to UAE (Dolphin project).

⁶ Stockman, Farah. “U.S. Looks to Sell Arms in Gulf to Try to Contain Iran.” *Boston Globe*, March 21, 2007.