Working Paper No. 2010/11

The United Arab Emirates

Some Lessons in Economic Development

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February 2010

Abstract

Oil was discovered in the United Arab Emirates (UAE) just 50 years ago. During that time, UAE has been able to transform itself into a rapidly modernizing country, which is fast becoming a major economic hub and a key player on the international economic landscape. This paper discusses a number of aspects of the development strategy of the UAE that contributed to its phenomenal development: (i) the political system, which has resulted in a perception of stability and minimal political risk, encouraging investment; (ii) oil; (iii) development strategies that have resulted in a very dynamic business environment; (iv) open importation of foreign skills and management; (v) labour policies that have enabled the immigration of vast numbers of foreign lower-skilled workers. There are, of course, also concerns for the future, and indeed each of the five positive attributes listed above has a flip side which is a potential major challenge for the future.

Keywords: role models, United Arab Emirates, success

JEL classification: O53

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This study has been prepared within the UNU-WIDER project on Country Role Models for Development Success, directed by Augustin Kwasi Fosu.

UNU-WIDER gratefully acknowledges the financial contributions to the project by the Finnish Ministry for Foreign Affairs, and the financial contributions to the research programme by the governments of Denmark (Royal Ministry of Foreign Affairs), Finland (Finnish Ministry for Foreign Affairs), Sweden (Swedish International Development Cooperation Agency—Sida) and the United Kingdom (Department for International Development).

ISSN 1798-7237 ISBN 978-92-9230-246-7

Acknowledgement

This project started after a conversation with Dr Augustin Fosu of UNU-WIDER regarding whether one can consider the UAE an economic success story. I am responsible for all errors and the remarks and opinions in this paper in no way represent the views of Dr Fosu or the UN system.

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Typescript prepared by Liisa Roponen at UNU-WIDER

1 Introduction

Just 50 years ago, the localities which now make up the United Arab Emirates (UAE) constituted a region with very little economic activity, primarily pearl fishing and some trading activities. These localities were sparsely populated, with low physical and human development indices. Infrastructure was poor; there were only a few roads, hospitals, trained professionals, and education levels were low.

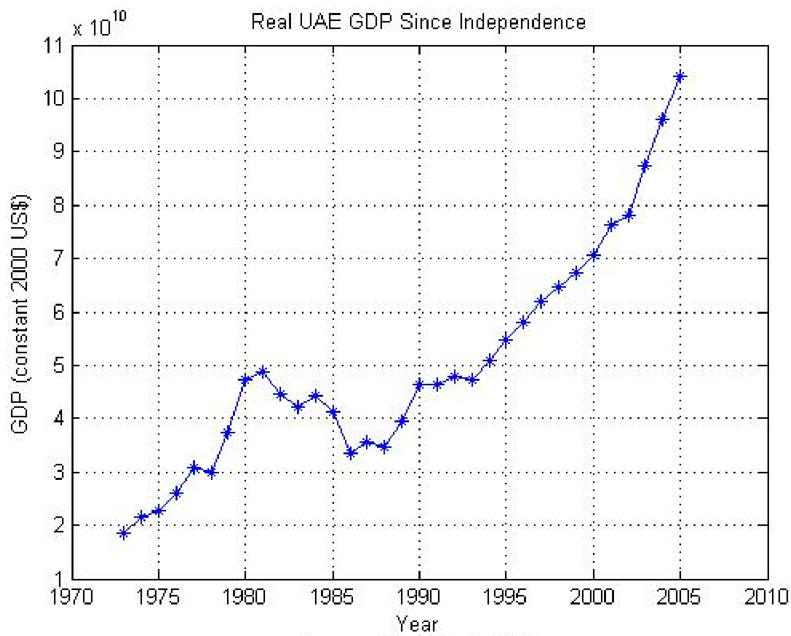
The area changed tremendously with the discovery of oil in the late 1950s and early 1960s. Around 10 per cent of the currently known world reserves of crude oil are located in UAE. With a booming economy, it has become a major economic force—be it in tourism, investments through its sovereign wealth funds, or large companies like Dubai Ports.

Many insights from political economy would suggest that the presence of oil in countries like the UAE could lead to a slower transformation of the economy. There are many examples of other countries that have squandered their huge oil reserves and where the presence of oil has resulted in civil strife and poor economic performance.

The UAE, however, has been able to achieve political stability and forceful economic development with strategies such as using the oil revenues to hire guest workers: high-skilled labour primarily from the west, low-skilled workers mainly from Asia. In many ways, the economic plan adopted by the UAE is what would be prescribed by a free market economics textbook.

The UAE is today one of the major countries on the international economic playing field. It is constantly in the news, and its massive sovereign wealth funds are being mentioned in connection with the stability of the world's reserve currency, the dollar. Its purchases of international assets—Citibank, Dubai Ports, etc.—are making

Figure 1
Real GDP since independence, UAE



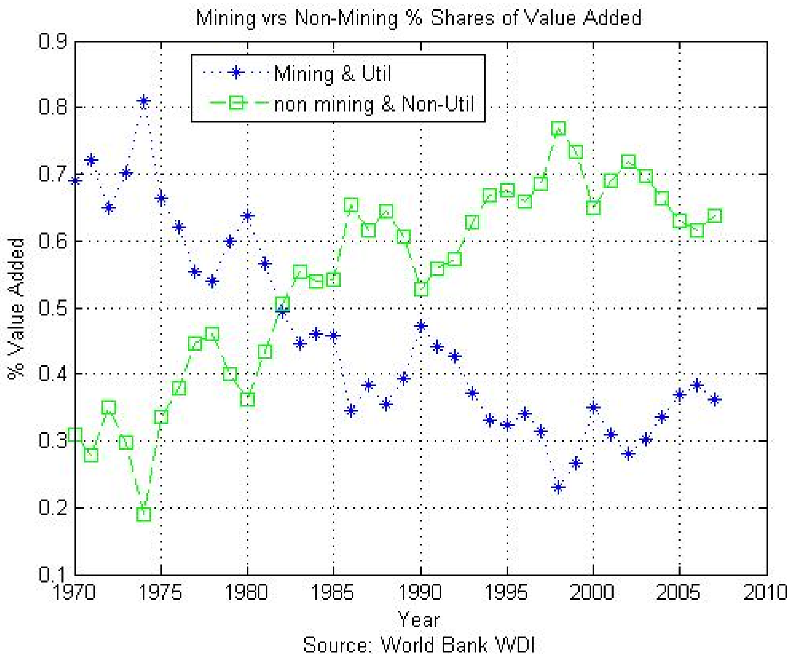
Source: World Bank WDI

Table 1
GNI per capita, 2004, various countries

	2004 gross national income per capita, US$
Luxemburg	53,130
Brunei	46,450
Kuwait	45,370
UAE	**44,340**
Norway	42,370
USA	39,630
Singapore	38,950
Switzerland	37,440
Netherlands	34,090
Hong Kong	33,050

Source: World Bank (2008).

Figure 2



global headlines. It has even been suggested that the UAE may be a player in resolving the current financial crisis.

These achievements have been accomplished against the backdrop of relative poverty barely 50 years ago. The economy of the UAE has grown at an impressive average annualized real rate of 5.5 per cent in the nearly 40 years since independence, and an average of roughly 6.1 per cent over the past two decades (Figure 1).

In terms of per capita GDP,[1] the UAE is one of the richest nations, usually ranking among the top 20 countries and according to some measures, often among the top five.

1 As we discuss later, it is important to distinguish residents from citizens of the UAE, as the former outnumber the latter 4 to 1.

For example, in terms of the 2004[2] gross national income per capita, the World Bank statistics ranks the UAE with US$44,340 as the fourth richest nation. Luxemburg tops the list with US$53,130.

Other social measures have also increased. The UN human development index (HDI), for example, shows steady improvement since independence (0.72 in 1975 versus 0.87 in 2005), placing the UAE among the developed countries.

Unlike many other countries, the UAE has succeeded in moving away from the dependence on oil. Oil and utilities accounted for 36 per cent of GDP in 2007, down from the 80 per cent peak of GDP in 1974. The UAE also receives substantial revenue from its massive sovereign wealth fund—again, an accomplishment not many other oil-producing nations have been able to duplicate.

2 A brief history

Many of the current population living within the present-day borders of the United Arab Emiratis are descendents of Bedouin tribes, organized into a number of independent principalities (or emirates). Most have been ruled by a family from the 1800s until the present time. Starting with the signing of the Perpetual Maritime Truce treaty in 1835 (to limit piracy on the seas), there has been a close link between Britain and the sheikdoms of current-day Arab Gulf.

The populations of this region were small until the late 1950s, as were the economies. Principal activities were pearl trading and general trade of merchandise. The pearl trade took a beating during the Wall Street crash of 1929, and later with the introduction of Japanese cultured pearls. These were sleepy places until the discovery of oil in the late 1950s and early 1960s.

In 1968 when the British terminated the treaty among the Gulf sheikhdoms, negotiations were begun among the sheikhdoms to form a union. In 1971 the emirates of Abu Dhabi and Dubai formed a union, and five other nearby emirates were then invited to join. The first to join were Sharjah, Fujairah, Ajman, and Umm Al Quwain; Ras Al Khaimah joined two years later, with Qatar and Bahrain deciding against membership. These seven emirates operate as a federation, constituting what today is the United Arab Emirates.

The governing body is a Federal Supreme Council (FSC), composed of the seven Emirati rulers, each emirate with its own representative. The president of the UAE is the ruler of the biggest emirate, Abu Dhabi. By convention, the ruler of the second biggest emirate, Dubai, is the deputy president. The two emirates have effective veto power over FSC decisions.

According to the 2005 census, the population of the UAE today is around four million: Abu Dhabi and Dubai, each with around 1.2 million, Sharjah with around 700,000. The remaining four emirates have a total of around 1.1 million, with about 300,000 Emirati

2 The latest year listed.

citizens living outside the country. The GDP per capita of the UAE is one of the highest in the world.

From its very humble beginnings some half a century ago, the UAE is currently one of the most dynamic economies in the world. The country is frequently in the news because of eye-catching buildings like the dhow-shaped hotel, Burj al-Arab, the Dubai mall with indoor ski-slopes, or the activities of its sovereign wealth funds purchasing slices of major international companies (Citibank and the Rockefeller Center).

3 The long line of ruler sheikhs

The UAE has managed to create a political structure underlying the rapid economic transformation. Two very important and related observations need to be mentioned in this context. First, it is interesting to note the long line of rule of the various families who govern the different emirates of the federation. The different emirates of today's UAE are monarchies, dating back almost 200 years. In Abu Dhabi the Nahayan family has ruled since 1761,[3] and Dubai has been ruled by the Maktoum dynasty since 1833. (see Table A1 in the Appendix).

On the demise of a ruler, the royal family typically convenes to choose a new leader. The institution of a crown prince usually also settles latent leadership squabbles. Of course, there still are occasional flare-ups and instability in the political system, as was exemplified by the coup attempt in January 1972 in the Emirate of Sharjah, when the federal UAE government army intervened and ended the insurrection.

Furthermore, the traditional ruling system and some innovative policies have resulted in a certain degree of cooperation from the citizens. Tradition encompasses the concept of a *majlis*, an open meeting where people can approach the rulers at different levels of government to seek favours or plead their case. *Majlis* transfers are possible at all levels—from high level ruling elites to the most humble, thus enabling the rulers to ascertain the buy-in (some would argue buy off) from their people and to ensure a certain degree of social harmony. One of the first acts of Sheikh Khalifa when he took over in 2004 as ruler of UAE, for example, was to increase the wages of civil servants by 25 per cent.

The second point concerns foreign ownership. Although foreign investors are allowed, all businesses outside the economic zones must have 50 per cent ownership by locals: land can be rented to foreigners only by the owners, who are primarily Emirati citizens. Although this is potentially a disincentive to foreign investment, it does, on the other hand, give locals a stake in the advancement of the country and provides support for the existing system. In principle, this allows the Emiratis to acquire skills from foreign business partners. Total foreign ownership of a business is possible as long as it is located within the export promotion zones.[4]

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3 Source: www.worldstatesmen.org/United_Arab_Emirates.html#Abu-Dhabi.

4 Within Dubai, for example, there are special designated export zones with names like Education City, Academic City, Media City, Internet City, Dubai Financial City, etc., where full-ownership firms can set up businesses.

4 The blessing under the sand

The UAE was a latecomer to the Middle Eastern oil industry, beginning production only in 1962, to become one of the world's largest oil producers (Table 2). Almost all of the oil reserves and production (in the neighbourhood of 90 per cent for both) are in Abu

Table 2
Major oil producers of the world, 2007

	Reserves (billion barrels) January 2007		Reserves (billion barrels) January 2007
Saudi Arabia	262	Canada	179
Iran	136	Iraq	115
Kuwait	102	United Arab Emirates	98
Venezuela	80	Russia	60
Libya	41	Nigeria	36
Kazakhstan	30	United States	22
China	16	Qatar	15
Mexico	12	Algeria	12
Brazil	12	Angola	8
Norway	8	Azerbaijan	7

Source: US Energy Information Administration, Office of Energy Markets and End Use, International Energy Statistics Team (2008).

Table 3
Oil production and per capita revenue

Countries	Production (million barrels per day, 2007, preliminary)	Population (2006)	Per capita revenue, at US$100 per barrel
Qatar	1.1	827,533	50,107
Kuwait	2.6	2,599,444	36,693
Equatorial Guinea	0.4	514,890	28,388
United Arab Emirates	2.9	4,636,495	23,305
Norway	2.6	4,643,660	20,163
Brunei	0.2	381,161	17,288
Saudi Arabia	10.2	23,,680,636	15,774
Libya	1.8	5,965,212	11,287
Oman	0.7	2,623,446	9,937
Gabon	0.2	1,405,767	6,334
Virgin Islands, USA	0.0	108,566	5,924
Trinidad and Tobago	0.2	1,308,770	4,626
Angola	1.8	16,391,382	3,938
Canada	3.4	32,556,463	3,765
Azerbaijan	0.9	8,474,402	3,663
Venezuela	2.7	27,020,920	3,602
Kazakhstan	1.4	15,308,084	3,445
Iraq	2.1	26,698,678	2,863
Russia	9.9	142,367,582	2,532
Bahrain	0.0	739,620	2,399
Nigeria	2.4	144,749,000	593

Source: US Energy Information Administration, Office of Energy Markets and End Use, International Energy Statistics Team (2008).

Dhabi. Approximately 60 per cent of the UAE's oil exports go to Japan, as well as almost all of its gas. This has influenced the political economy of the country and together with its security alliances with the US, explains the pro-western stance of UAE's international relations.

5 The development strategies

With a GDP of over US$150 billion in 2006, UAE is the third largest economy in the Middle East and North Africa, trailing behind Saudi Arabia and Iran, but ahead of Israel, Algeria and Egypt. In terms of GDP per capita, it lags behind only Qatar, and is comparable to Japan, Italy and Singapore.[5]

5.1 Abu Dhabi

Oil, of course, explains much of Abu Dhabi's economic development. Approximately 90 per cent of the UAE's oil reserves and annual production are in Abu Dhabi. Production at three million barrels a day priced at US$100 a barrel, translates into gross oil revenues of around US$90 billion per year. Although a large portion of this amount goes to foreign oil production partners and repayment on capital and debt, it nevertheless gives a ballpark estimate of the magnitude of revenues flowing through the emirate. At current production rates, the oil reserves of Abu Dhabi should last for almost a hundred years, although there have been suggestions to increase UAE's annual production of oil from the current level to five million barrels a day.

Oil is a major source of revenue, but the country is diversifying its economy: according to some estimates, the oil and gas sector contributes between one-third and half of the GDP, and a much higher percentage of government revenues. Even as the price of petroleum has skyrocketed, the non-oil economy also seems to be doing well, with an estimated growth rate of around 18 per cent for the year 2006.[6]

An important economic strategy of Abu Dhabi has been the sovereign wealth funds, with a sizeable amount of resources invested outside country in a well diversified asset portfolio. The Abu Dhabi Investment Authority (ADIA) is the main sovereign wealth fund of Abu Dhabi. This is a government fund that manages the savings of the government, investing in currencies, and equity in firms abroad, estimated to be valued between US$700-900 billion. The ADIA is a portfolio of many index funds and is about twice that of Norway's pension fund. Its average return on investments is estimated to be around 10 per cent, comparing favourably with the GDP of all of the UAE, which is approximately US$160 billion.

A smaller sovereign wealth fund is the Mubadala, which invests both within the country and, in particular, outside the country. With estimated assets of around US$10 billion, it is much smaller than the ADIA. The principal goal of Mubadala, as outlined in its

5 Data are from the World Bank (2008) and IMF (2008).

6 The source for most of the oil data in this section is the US Energy Information Administration (2008), available at: www.eia.doe.gov/cabs/UAE/Background.html.

mission statements,[7] is to ‘focus on generating sustainable economic benefits for Abu Dhabi through a careful selection of business ventures—in partnership with local, regional and international investors’. Thus, a number of Mubadala’s investments are within the emirate and focus on social development as well as on infrastructure and other projects designed to connect different sectors of the economy. For example, Mubadala is the owner of the Cleveland Clinic of Abu Dhabi, scheduled to open in 2011. This endeavour, affiliated with the US Cleveland Clinic, will include a clinic and a specialty hospital for conducting research. Mubadala is also involved in the MGM Grand Abu Dhabi project in the tourism sector, price-tagged by the media at US$3 billion once it is completed. Mubadala is also active in aerospace parts; it is striving to become a significant parts supplier for commercial aircraft as well as a provider of maintenance services for the region’s rapidly developing airlines. It also has interests in shipbuilding, power, aluminium and other activities centred within Abu Dhabi, aiming to improve local infrastructure needs and enhancing the productivity of the local economy. Mubadala is helping Abu Dhabi concentrate on heavy industry, thus taking advantage of the availability of cheap energy, heavy metals, petroleum products, etc. This involvement also fulfils Mubadala’s goal: to provide linkages within the economy in order to enhance economy-wide productivity and to create an important local industrial base.

Recently, Mubadala announced an eight billion dollar partnership with General Electric Co., with both partners contributing equal shares. This partnership will lead to a financing company, similar to GE’s operations in the US, but targeting the markets of the Middle East and Africa.[8] Mubadala also functions as a classic sovereign wealth fund with stakes in companies outside of the UAE. It owns, among others, 5 per cent of Ferrari with its name on the Formula 1 cars; 30 per cent of Nigerian telephone license, and a small interest in Guinea Alumina Corporation.

A comparison of ADIA and Mubadala sheds light on the basic economic strategy of Abu Dhabi—huge savings of oil resources in foreign assets, primarily by ADIA, combined with very aggressive local infrastructure and industrial activities, as exemplified by Mubadala.

The government has announced projects which will result in the establishment of branches in Abu Dhabi of the Louvre Museum of France, the Guggenheim Museum of Modern and Contemporary Art in a Frank Gehry commissioned building, New York University, Masdar Institute of Science and Technology of MIT, and the Sorbonne. These represent the wholesale importation of foreign high-skilled institutions into Abu Dhabi. This willingness to open the economy to foreign entities is an option many newly independent countries have been unable or unwilling to consider, and accounts for a lot of the recent economic dynamism of Abu Dhabi.

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7 See www.mubadala.com

8 SeeReuters (2008), http://www.reuters.com/article/idUSN2219290620080722

5.2 Dubai

The Emirate of Dubai is by far the flashiest of the emirates. Many things in Dubai are done, literally, on an eye-catching scale: for example, the Palm and World Islands, the residential island complexes in the Arabian Sea, are supposed to be visible from space. The Burj al-Dubai building, currently still under construction, is already the tallest building in the world. Dubai, with huge shopping malls complete with indoor ski slopes, is striving to become the major destination for shoppers from around the world. Dubai also hosts many of the world's major sporting events.

As with Abu Dhabi, there was not much economic activity in Dubai before the discovery of oil. Today, Dubai produces a mere 240,000 barrels of oil a day versus the 2.9 million produced by the UAE, thus accounting for less than 10 per cent of the UAE's oil production. Revenues from petroleum and natural gas contribute less than 6 per cent (2006) to Dubai's US$37 billion economy (2005). Oil is expected to run out by 2015.

What makes Dubai unique is its business, finance and tourism facilities and its sheer gustiness. With its export promotion zones and the Jebel Ali port, Dubai is intent on becoming the major trade hub of the region, a strategy referred to by some as the 'Singapore model'. Set on developing into a major tourist destination, Dubai is planning to attract 15 million visitors a year (5.8 million in 2007) by offering tourists some of the biggest shopping malls in the world, or other activities geared to visitors such as camel, horse or motor racing. In 1985 the Dubai-based airline Emirates was inaugurated, and is fast becoming one of the largest airlines in the world.

Dubai's economic strategy is simple, and is, indeed, being mimicked by others. Recognizing very early that oil would run out, Dubai focused on becoming the trade and tourist mecca of the region. With its excellent infrastructure, Dubai also developed a business-friendly environment that attracted many foreign companies.

To encourage foreign enterprises, the UAE promotes a very favourable business climate: taxes are minimal; import duties are less than 10 per cent and taxes on some residences and hotel and entertainment services are 5 per cent.

5.3 Summary: the tale of two emirates

Here we recap the basic development strategies of Abu Dhabi and Dubai, which reflect their different oil endowments. Abu Dhabi, with its larger oil reserves, has been much more aggressive in converting its oil resources into sovereign wealth funds that were, in turn, invested outside of the economy. Only recently and much more slowly than in Dubai has the attention of Abu Dhabi been focused on domestic activities, an effort that has gradually diversified the economy away from oil. In contrast, Dubai targeted from the start on domestic infrastructure projects and real estate. The strategy was based on promoting Dubai as a major service economy, with a key role played by tourism and a large financial and re-exports sector.

Another important element of the development strategy of both Abu Dhabi and Dubai, and indeed in most of the UAE, is, of course, its labour policy.

Oil and the associated petro-dollars have provided the UAE with the massive capital needed for its development efforts. The UAE has been successful in attracting western knowledge and human capital for its economic transformation. Given its small population size, the UAE has also had to import a huge number of unskilled labour, largely from Asia. The influx has been so large that foreign non-citizens residing in the UAE now outnumber its citizens four-to-one: around 20 per cent of the population are Emirati (with citizenship): 23 per cent are Iranians, around 50 per cent are from India, Philippines and Bangladesh, and some 5 per cent are relatively high-income expatriates from the west and other developed nations. The ability of the UAE to tolerate such an influx of foreign labour is a critical part of the puzzle explaining its development.

The UAE's immigration and labour policy was based on the conscious decision to allow as much labour into the country as was needed, albeit on temporary visas and without any prospect of citizenship. A major concern, however, is the stability of a society where the majority of the residents lack basic citizenship rights and who are also on the bottom of the economic ladder. This group can become the source of political agitation in the future.

A number of issues frequently come up with regard to the large labour pool in the UAE, comprised primarily of low-wage menial labourers. There have been reports of abuse by employers: extreme working conditions, very low wages, semi-slavery treatment, or passports being seized as a result of labour disputes with management. UAE leaders are now paying attention to these issues, although many would argue that they are not doing enough to counter the abuse.

It must, however, be recognized that the Gulf countries, and the UAE in particular, have admitted an unprecedented number of foreigners into their countries. The experiences are interesting since migration issues will become increasingly important over time. The labour policies of the UAE are also of interest because many countries, both developed and underdeveloped, will face huge political problems in attempts to admit much needed immigrants to help fuel their economic growth.

It is interesting to review the immigration policies in countries other than the UAE. By most projections, the populations of western Europe are estimated to remain flat over the next 50 years. They are also projected to become 'greyer', as the percentage of retirees increases and that of the working-age cohorts decreases. The population in Africa is projected to almost double within the next 50 year time span, with large percentages of young workers.

There are obvious gains in allowing increasing numbers of Africans to migrate to European countries. For the European countries, one sticky point is citizenship. On the one hand, there is the desire to discourage immigrants of different cultures or possibly religion (or, some would blatantly say, of different skin colour). On the other hand, there is a reluctance to admit migrants on temporary visas, without citizenship rights. These constraints have led to an impasse on the progress to set up large-scale migration policies that could benefit both the west and the poorer nations. It does not seem likely that local politics in western Europe will, at this time, make way for the immigration of the workers needed to fuel the European economy, and certainly not to the level of guest workers in the UAE.

6 Vulnerabilities

> My grandfather rode a camel, my father rode a camel, I drive a Mercedes, my son drives a Land Rover, his son will drive a Land Rover, but his son will ride a camel.

The quote above is popularly attributed to Sheikh Rashid bin Saeed Al Maktoum, the ruler of Dubai from 1958 to 1990 who was responsible for its transformation into a modern port city and commercial hub. The quote reflects his concern that oil will expire in a few decades, and explains his efforts to build an economy that could survive the end of Dubai's oil boom.

All of the above are factors that contributed to the fast-paced development of the UAE, but they also point to certain vulnerabilities. How the UAE responds to these issues will determine whether the current economic momentum will continue into the future.

The first issue is the monarchy itself and the absence of well-developed democratic institutions. It is unclear how the UAE will deal with the inevitable anxiety of its people once incomes and literacy levels rise, and as a class of educated middle class Emirati develops. Furthermore, squabbling among royal family members could lead to civil strife similar to the recent downfall of many mineral rich African nations.

Second, there is the dependence on oil. Will the UAE be able to wean itself away from the oil economy before new, cleaner technologies reduce the demand for 'dirty' oil or before major new oil sources are discovered outside the UAE, bringing down prices? Currently, however, it would appear unlikely that there will be much reduction in the demand for oil from these two scenarios, even though the risk does exist.

The third issue is the development strategy of the UAE. Its substantial investments are a built-in insurance against downturns in the local economy. The returns on the sovereign wealth funds represent a massive rainy-day fund for the future, providing a significant fraction of GDP per capita. The concern, however, is with the domestic investments. Emblematic of this is the competition between the Emirates Airlines based in Dubai and Etihad Airlines based in Abu Dhabi. They both aim to become major airlines, but will there be demand for two large airlines based a mere hour and a half driving distance apart? Will there be continued demand for massive investments in tourism in Dubai and Abu Dhabi, and to a lesser extent in the other emirates? What happens when Dubai ceases to be 'hot?'

Fourth, will the local infrastructure be able to bear the strain of the neck-breaking levels of investment? Dubai appears to be reaching capacity with respect to the supercharged speed of its development. Housing prices are skyrocketing; inflation is increasing and this, together with the depreciating dollar, is causing discontent among the immigrant workers.

On the other hand, even if the local economy were to cool off, there are other options. The skills of the local companies could be used outside the UAE to bring in new sources of business. UAE-based firms are now increasingly taking direct equity and management shares in companies outside Dubai, particularly in Africa, as highlighted by the recently completed Kempinsky Hotel in Djibouti and the acquisition of Victoria and Albert waterfront property in Cape Town, South Africa. These investments were handled by Dubai World Holdings and/or Nakheel, both owned by the Sheikh of Dubai, and relying on the expertise of the UAE firms in building waterfront tourist facilities. Daallo Airlines, a Djibouti based company, is in partnership with Dubai World Air and the Djibouti government is making efforts to help Djibouti develop into a mini-Dubai in the Red Sea area.

Finally, there is the complicated issue of the UAE immigration policy. A major concern is the very large population of foreign residents in the UAE. Many have spent most of their lives in the UAE but lack citizenship. If there is an economic downturn, there may be demands for a change in the residency laws, and the possibility of accompanying violence.

With regard to the issue of skilled guest workers, there now seems to be some attempt by the UAE leaders to formulate a conscious policy of 'emiratization,' that is, to appoint local Emiratis to key positions in the economy, especially in the private sector. This has been prompted by the need to increase local Emirati control in the economy, to forestall unemployment issues of the Emiratis as well as to ultimately reduce dependence on foreign skilled labour. With respect to unskilled labour, there is some concern over the vast numbers employed as household help by the Emiratis. Sheik Mohammed Al Maktoum of Dubai has recently taken up this issue. Particularly interesting is the Sheik's call to end the use of foreigners for 'marginal economic activities'.[9] According to some estimates, such household help may account for ten per cent of the population.

One strategy to deal with the foreign labour issue, especially in the case of skilled labour, is the policy of granting only temporary visas, which stipulate that workers have to leave after a fixed time. In addition, guest workers over a certain age (60 years) lose their visas and are required to return home.

7 Conclusion

First and foremost, the *de facto* development strategy of the UAE has been at the political level, with economic power concentrated in the hands of the rulers of the seven emirates that constitute the UAE, as well as the rules and policies designed to ensure cooperation from the local or native UAE citizens. Large portions of oil revenue were invested in sovereign wealth funds which now generate significant profits, while the balance of the funds was used to spur domestic investments in tourism and industry. The UAE has been liberal in its use of foreign expertise and skills in domestic industry and has shown tolerance towards the importation of unskilled workers to fuel the growth of the domestic economy.

These strategies were adopted after the discovery of oil in the early 1960s, and were, in some ways, the logical choice for a poor region which at that time had very little physical infrastructure, was sparsely populated, and where the people were neither trained nor educated.

9 *Kuwait Times*, 18 April 2007.

The adopted policies were successful in part because of the relative peace and stability and social buy-in of the native population of the UAE. The UAE's relative pro-western stance has also provided some protection.

There are, however, a number of potential challenges—potential internal political problems both in the UAE and in the region: possible collapse of the oil market, investment bottlenecks, etc., as well issues related to the large foreign population of unskilled workers residing in the UAE.

The experience of the UAE offers many lessons and insights for other countries, particularly for the oil-producing countries of Africa: the importance of political stability and social buy-in; the use of savings for foreign investments to cushion for the future, especially when there is limited absorptive capacity locally; the general openness to foreign labour, both skilled and unskilled, and the potential issues associated with this strategy. Countries like Djibouti and Rwanda have been looking towards the UAE for lessons and are seeking replication of some of their projects and development strategies.[10]

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10 See *Fortune Magazine*, 22 February 2008, Available at: money.cnn.com/2008/02/ 20/news/ international/Dubai_djibouti.fortune/index.htm.

Appendix

Appendix Table A1
Rulers of Abu Dhabi

Years	Rule
1761-93	Sheikh Dhiyab bin `Isa bin Nahayan
1793-1816	Sheikh Shakhbut bin Dhiyab Al Nahayan
1816-18	Sheikh Muhammad bin Shakhbut Al Nahayan
1818-18	Sheikh Shakhbut bin Dhiyab Al Nahayan*
1818-33	Sheikh Tahnun bin Shakhbut Al Nahayan*
1833-45	Sheikh Khalifa bin Shakhbut Al Nahayan*
1833-45	Sheikh Sultan bin Shakhbut Al Nahayan*
1845-45	Sheikh `Isa bin Khalid
1845-45	Sheikh Dhiyab bin `Isa
1845-55	Sheikh Said bin Tahnun Al Nahayan
1855-09	Sheikh Zaid I bin Khalifa Al Nahayan
1909-12	Sheikh Tahnun II bin Zaid Al Nahayan
1912-22	Sheikh Hamdan bin Zaid Al Nahayan
1922-26	Sheikh Sultan bin Zaid Al Nahayan
1926-28	Sheikh Saqr bin Zaid Al Nahayan
1928-66	Sheikh Shakhbut II bin Sultan Al Nahayan
1966-2004	Sheikh Zaid II bin Sultan Al Nahayan
2004-	Sheikh Khalifa bin Zaid Al Nahayan

Note: * Indicates joint reigns
Source: www.worldstatesmen.org/United_Arab_Emirates.html#Abu-Dhabi.

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