



CRS Report for Congress

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

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Summary

The United Arab Emirates' open economy and society have won praise, but lax enforcement of some laws is causing U.S. concern over proliferation of advanced technology to Iran; terrorist transiting; and human trafficking, particularly in the emirate of Dubai. The UAE undertook its first major electoral process in December 2006, although with a small, hand-picked electorate and for a body with limited powers. This report will be updated.

Governance, Human Rights, and Reform¹

The 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-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; Ras al-Khaymah, joined in 1972. The UAE federation has 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, now about 60 years old, was named ruler of Abu Dhabi and, keeping with tradition, was subsequently selected by all seven emirates 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.

¹ Information in this section is from the following State Department reports: Country Reports on Human Rights Practices-2007 (March 11, 2008); Supporting Human Rights and Democracy: The U.S. Record 2006 (April 5, 2007); Trafficking in Persons Report for 2008 (June 4, 2008); and International Religious Freedom report - 2007 (September 14, 2007).

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Shaykh Mohammad bin Rashid also retained his position as UAE Defense Minister in the cabinet named on February 9, 2006.

Each emirate has its own leadership (Sharjah and Ras al-Khaymah have a common ruling family, the Al Qawasim tribe); 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 Dr. 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).

In part because of its small size — its population is about 4.4 million, of which only about 900,000 are citizens — the UAE is one of the wealthiest of the Gulf states, with a gross domestic product (GDP) per capita of about \$55,000 per year (purchasing power parity). Islamist movements in UAE, including those linked to the Muslim Brotherhood, are generally non-violent and perform social and relief work. Despite or perhaps because of the lack of significant opposition, the UAE has long lagged on political reform, but it has now begun to move forward. The most significant reform, to date, took place in December 2006, when limited elections were held for half of the 40-seat Federal National Council (FNC); the other 20 seats continue to be appointed. Previously, all 40 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 the December 2006 voting, a 6,690-person “electorate” (100 electors per FNC seat; each elector appointed by emirate leaderships) chose among 456 candidates for the 20 FNC elected seats. 1,200 of the electors were female, as were 65 candidates were female, but only one woman won (from Abu Dhabi). Another eight women were appointed to the remaining 20 seats. 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. The FNC can review, but not enact or veto, federal legislation, and it can question, but not impeach, federal cabinet ministers. Since the election, the FNC has questioned government ministers on inflation and other mainly economic and social issues. Its sessions are open to the public. In addition, each emirate has its own consultative council.

Despite the reforms, citizens still do not have the right to form political parties, but there has been little unrest among the citizenry. 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; 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 or are being addressed by the Labor Ministry's recent penalizing of employers.

Progress on women's political rights has been steady. 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 now serve on its 40-seat consultative council. About 10% of the diplomatic corps is now female; none served prior to 2001. Some

recent cabinet choices signal commitment to reform, including appointment of the reform-minded Shaykh Abdullah bin Zayid al-Nuhayyan as Foreign Minister in 2007. His former post of Information Minister was abolished in 2006 to allow media independence.

On other areas, the UAE record is less positive. The referenced 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. In 2007, human rights groups heavily criticized the justice system, still dominated by conservatives, for allegedly threatening to prosecute a 15 year old French expatriate for homosexuality, a crime in UAE, when he was raped by two UAE men; both UAE men were later sentenced for kidnapping and sexual assault.

The Bush Administration says it is promoting democracy, rule of law, and civil society in the Persian Gulf region. However, the 2007 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 2008 placed the UAE in "Tier 2 (up from Tier 2/Watch List in 2007 and from Tier 3 in 2005) because it does not comply with the minimum standards for the elimination of trafficking but is making significant efforts to do so. The UAE is considered a "destination country" for women trafficked from Asia and the former Soviet Union. The higher rating appeared to be a recognition of some UAE implementation of a December 2006 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.

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 during 1996-2001 as the government of Afghanistan. During Taliban rule, the UAE allowed Ariana Afghan airlines to operate direct service, and Al Qaeda activists reportedly spent time there.² 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 U.S. reports (State Department "Country Reports on Terrorism: 2007, released April 30, 2008") with assisting in the

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

arrests of senior Al Qaeda operatives;³ denouncing 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. In December 2004, the United States and Dubai signed a Container Security Initiative Statement of Principles, aimed at screening U.S.-bound containerized cargo transiting Dubai ports. Under the agreement, U.S. Customs officers are co-located with the Dubai Customs Intelligence Unit at Port Rashid in Dubai.

An inter-agency “Committee on Foreign Investment in the United States” in February 2006 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 a March 9, 2006, vote in the House Appropriations Committee (62-2). The provision was contained 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, and a November 2007 investment of \$7.5 billion in Citigroup by the Abu Dhabi Investment Authority (ADIA), which manages excess oil revenues estimated at over \$500 billion.

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 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-Syria Non-Proliferation Act (P.L. 106-178). More recently, 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.⁵ 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. In connection with the FNC approval of a law strengthening export controls (April 2007), the Administration did not create that category. 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.

Defense and Foreign Policy

Following the 1991 Gulf war to oust Iraqi forces from Kuwait, 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 escalated in April 1992, when Iran asserted complete control of the largely uninhabited

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

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

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

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 is concerned about Iran's military control over the islands and supports UAE proposals, but the United States takes no position on sovereignty of the islands. The UAE, particularly Abu Dhabi, has long feared that the large Iranian-origin community in Dubai emirate (est. 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.

The framework for U.S.-UAE defense cooperation is a July 25, 1994, bilateral defense pact, the text of which is classified, including a "status of forces agreement" (SOFA). 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 Iraqi Freedom (OIF).⁶ About 1,800 U.S. forces, mostly Air Force, are in UAE, 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 the OIF benefitted Iran strategically. The UAE has provided facilities for Germany to train Iraqi police. It pledged \$215 million for Iraq reconstruction but has provided funds not in cash but in the form of humanitarian contributions (\$71 million as of December 2007). In June 2008, it appointed an Ambassador to Iraq, the first Arab country to do so, and the following month it wrote off \$7 billion (including interest) in Iraqi debt. Small numbers of UAE forces contribute to U.S. combat in Afghanistan. Suggesting it wants to broaden its defense relations, in January 2008 the UAE signed an agreement with French President Nicolas Sarkozy to allow a French air and naval base near Abu Dhabi, which will reportedly be used by about 400 French military personnel. It also that month hosted the first ever visit to the UAE by a NATO Secretary-General.

On the Arab-Israeli dispute, 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. However, the UAE formally bans direct trade with Israel, although UAE companies reportedly do business with Israeli firms and some Israeli diplomats attend multilateral meetings in the UAE. Unlike Qatar and Oman, the UAE did not host multi-lateral 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.

U.S. Arms Sales. The UAE views arms purchases from the United States as enhancing the U.S. commitment to UAE security. The most significant buy to date was the March 2000 purchase of 80 U.S. F-16 aircraft, equipped with the Advanced Medium

⁶ Jaffe, Greg. "U.S. Rushes to Upgrade Base for Attack Aircraft." *Wall Street Journal*, March 14, 2003.

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, notified on September 21, 2006. 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: they include refurbished E-2C early warning aircraft (\$437 million value) and advanced Patriot anti-missile systems (PAC-3, up to \$9 billion value), both notified December 4, 2007; and various munitions including Joint Direct Attack Munition (JDAM) kits (\$326 million value), notified January 3, 2008. UAE is too wealthy to receive U.S. military aid, but IMET enables the UAE to receive a discount to send its officers to U.S. courses.

Economic Issues

The UAE, a member of the World Trade Organization (WTO), has developed a free market economy. 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 had been halting, mainly because UAE feels it does not need the FTA enough to warrant making major labor and other reforms. Despite diversification, oil exports still account for one-third of the UAE's federal budget. 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 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). The UAE is stressing alternative energy development to maintain the Gulf's energy dominance; the UAE was pivotal to a Gulf decision in December 2006 to study a regional nuclear power program. During the Sarkozy visit discussed above, the UAE signed an agreement for French firms to build two nuclear reactors in the UAE.

Recent U.S. Aid to UAE

	FY2005 and FY2006 (Combined)	FY2007	FY2008 (est.)	FY2009 (req)
NADR (Non-Proliferation, Anti-Terrorism, De-Mining, and Related) - Anti-Terrorism Programs (ATA)	\$1.094 million	\$829,000		
NADR- Counter-Terrorism Financing	\$300,000 (FY2006 only)	\$580,000		\$725,000
NADR-Export Control and Related Border Security Assistance	\$250,000	\$172,000	\$300,000	\$200,000
International Military Education and Training (IMET)			\$14,000	\$15,000
International Narcotics and Law Enforcement (INCLE)			\$300,000	