



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

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## Summary

The UAE's open economy and society have won praise, but lax export controls, particularly in the emirate of Dubai, are causing U.S. concern over proliferation of advanced technology; terrorist transiting; and human trafficking. 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.

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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-Qawayn; 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. 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. Shaykh Mohammad bin Rashid also continued as Defense Minister.

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 Ras al-Khaymah, Shaykh Khalid bin Saqr Al Qassimi claims to remain as Crown Prince even though Shaykh Saqr replaced him in that position with Shaykh Khalid’s younger brother in 2003.

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. 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 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. UAE plans are to gradually expand the size of the FNC and to broaden its powers, according to the Minister of State for FNC Affairs Anwar Gargash. The FNC can review, but not enact or veto, federal legislation, and it can

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<sup>1</sup> 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 19, 2008).

question, but not impeach, federal cabinet ministers. It has questioned government ministers mostly on economic and social issues. Its sessions are open to the public. Each emirate also has its own consultative council.

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. However, political parties are not permitted. 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. There are now four women in the cabinet: Shayha Lubna al-Qassimi, Minister of Economy and Planning; Mariam al-Roumi, Minister of Social Affairs; and two ministers without portfolio – Reem al-Hashimi and Maitha al-Shamsi. About 10% of the diplomatic corps is now female; none served prior to 2001. Some cabinet choices signal commitment to reform, including Shaykh Abdullah bin Zayid al-Nuhayyan as Foreign Minister. 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 posts. 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.

The Bush Administration has sought to promote democracy, rule of law, and civil society in the Persian Gulf region. 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), and the U.S. Embassy in Abu Dhabi contains a Gulf-wide MEPI/democracy promotion office.

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 improved 2008 rating appeared to be a recognition of some implementation of a December 2006 law prohibiting trafficking in persons. The 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.

## Cooperation Against Terrorism and Proliferation

These issues are of particular concern to the United States because of absent or lax enforcement of existing export and border controls. 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.<sup>2</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 U.S. reports (State Department “Country Reports on Terrorism: 2007, released April 30, 2008”) with assisting in the arrests of senior Al Qaeda operatives;<sup>3</sup> 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 it, U.S. Customs officers are co-located with the Dubai Customs Intelligence Unit at Port Rashid in Dubai.

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.<sup>4</sup> 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). 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>5</sup> 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. Despite the UAE efforts to enhance its export controls, 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

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<sup>2</sup> CRS conversations with executive branch officials, 1997-2000.

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

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

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

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), which manages excess oil revenues estimated at over \$500 billion.

## **Defense and Foreign Policy**

Following the 1991 Gulf war to oust Iraqi forces from Kuwait, the UAE, whose armed forces number about 60,000, determined that it wanted a closer relationship with the United States, in part to deter and balance out Iranian power. UAE fears 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-Khaimah, as well as part of Abu Musa from the emirate of Sharjah.) 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 United States is concerned about Iran's control over the islands, but 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.

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.

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).<sup>6</sup> 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). Agreeing with the U.S. view that Sunni Arab states need to engage the Shiite dominated government in Baghdad, in June 2008, the UAE appointed an Ambassador to Iraq, the

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

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. On Afghanistan, small numbers of UAE forces contribute to U.S. combat there, and in Afghanistan, and Abu Dhabi hosted the November 2008 meeting of the “Friends of Pakistan” donors group that is attempting to help Pakistan through its financial difficulties. 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.

## **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 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. Among the most significant are the advanced Patriot anti-missile systems (PAC-3, up to \$9 billion value, notified December 4, 2007); kits for the Joint Direct Attack Munition (JDAM) kits (\$326 million value, notified January 3, 2008); and the Terminal High Altitude Air Defense System (THAAD), the first sale ever of that sophisticated missile defense system (notified September 9, 2008, valued at about \$7 billion). Also notified 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).

## **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 has been halting. 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). About 2.1 mbd are exported, but negligible amounts go to the United States. To cope with the global financial crisis that has particularly hit Dubai hard, the federation injected \$30 million into the banking system in 2008 to encourage lending. The UAE 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, including nuclear energy. On November 14, 2008, President Bush issued a determination (No. 2009-7) approving of bilateral nuclear cooperation under Section 123 of the Atomic Energy Act of 1954 [42 U.S.C. 2153(b)].



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

|                                                                                                     | <b>FY2007</b>   | <b>FY2008<br/>(est.)</b> | <b>FY2009<br/>(req)</b> |
|-----------------------------------------------------------------------------------------------------|-----------------|--------------------------|-------------------------|
| NADR (Non-Proliferation, Anti-Terrorism, De-Mining, and Related) - Counter-Terrorism Programs (ATA) | \$1.409 million |                          | \$725,000               |
| NADR-Combating WMD                                                                                  | \$172,000       | \$300,000                | \$200,000               |
| International Military Education and Training (IMET)                                                |                 | \$14,000                 | \$15,000                |

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