

UNITED ARAB EMIRATES – CHALLENGES TO TRADE DIPLOMACY

Zorka Rusinova, PhD
Veliko Turnovo University, Bulgaria

ОБЕДИНЕНИ АРАБСКИ ЕМИРСТВА - ПРЕДИЗВИКАТЕЛСТВА ПРЕД ТЪРГОВСКАТА ДИПЛОМАЦИЯ

Зорка Русинова
Великотърновски университет

Abstract: *This paper aims at analyzing the different approaches and priorities of Dubai and Abu Dhabi's trade policy. Throughout 2020, the coronavirus pandemic had a harsh effect on Dubai's economy, which explains the different plan it adopted to tackle the virus, conflicting with Abu Dhabi. This economic hardship in Dubai created a context in which it could be expected that Abu Dhabi would similarly try and solidify its power in the federation. However, instead there have been elements of the two emirates' specific approaches consolidated within a unified strategy.*

Key words: *UAE, trade, diplomacy, challenges, policy, pandemic, consolidate, links, international, economy.*

Анотация: *Този доклад цели да анализира различните подходи и приоритети на търговската политика на Дубай и Абу Даби. През цялата 2020 пандемията от корона вирус оказва неблагоприятен ефект върху икономиката на Дубай, което наложи прилагането на нестандартен подход при справяне със ситуацията, в противовес с този на Абу Даби. Това икономическо предизвикателство пред Дубай създаде условия за насърчаване на опитите на Абу Даби да бъде водещ фактор във федерацията. Вместо прилагането обаче на два различни подхода, двете емирства консолидираха своите усилия в единна стратегия.*

Ключови думи: *ОАЕ, търговия, дипломация, предизвикателства, политика, пандемия, консолидирам, връзки, международен, икономика.*

Introduction Following the discovery of oil, Abu Dhabi together with six other sheikhdoms (Ajman, Dubai, Fujairah, Ras Al Khaimah, Sharjah, and Umm Al Quwain) established the United Arab Emirates in 1971. Since the founding of the federation, oil and gas has been the economy's mainstay, consistently accounting for up to 40 per cent of its GDP in the past decade (except during periods of declining commodity prices).¹ Since the UAE gained independence 50 years ago, it has had a two-headed, power structure, with Abu Dhabi and Dubai having specific identities and priorities.

¹ Ministry of Economy, United Arab Emirates. (2018)



Discussion Throughout the years, this has manifested in contrasting foreign policy dynamics. Gerd Nonneman notes that during the Iran-Iraq War, for instance, the UAE „featured two camps“, with Dubai leading a „a clearly neutral group“ (with Sharjah and Umm al-Quwain), while Abu Dhabi followed the newly formed Gulf Cooperation Council’s pro-Iraq line (along with Ras Al Khaimah, Ajman, and Fujairah).² More recently, as analyzed by Giorgio Cafiero and Khalid al-Jaber, „fundamental differences between Abu Dhabi and Dubai have complicated the bilateral relationship between the UAE and Iran“. They suggest that Abu Dhabi’s approach resembles the firm and oppositional stance of the Saudi leadership toward Tehran while Dubai’s leaders „look at their relationship with Iran through a commercial lens“ Rather than being a problem, these diverging attitudes between the two main emirates gave the UAE some room to maneuver within the Gulf regional security complex. It indeed allowed the smaller Gulf country to implement policies diverging from its larger neighbor without appearing to challenge Saudi Arabia’s views. This is perhaps best illustrated by the UAE merely downgrading, but not halting, its relations with Iran when Saudi Arabia, Bahrain, and Sudan broke ties in early 2016 following attacks on the Saudi Embassy in Tehran.³

Futhermore, Abu Dhabi has tried to check Dubai’s ambitions on several occasions. Karim Sadjadpour discusses how the 2008 global financial crisis, during which Dubai was badly hit and bailed out by Abu Dhabi, gave Abu Dhabi both „economic and political clout over Dubai“, with a direct result being that the UAE increasingly spoke with one voice, „that of Abu Dhabi, in its dealings and disputes with Tehran.“⁴ Peter Salisbury also notes that Abu Dhabi is working quietly „to reduce certain emirates’ economic ties with Iran, including Dubai’s role as a financial hub for sanctions-busting Iranian businesses ... albeit with limited success.“⁵

The United Arab Emirates (UAE) is positioning to better take the advantage of globalisation, including the increasingly globalised capital, labour and technology, the interconnectivity and dependence of globalisation also means the country is affected by the global COVID-19 pandemic. While the UAE, as with other countries, is yet to fully assess the human and economic costs of the new COVID-19 pandemic, the emerging consensus is that public health measures to contain the novel virus will have a significant impact on the global economy. On the mechanism through which the pandemic will affect the global economy, early assessment, particularly on globalisation metrics, suggests up to 40% hit to foreign direct investment (FDI) in 2020-21(UNCTAD, 2020; WTO, 2020; ICAO, 2020). Therefore, with regards to its heavy dependency on both the flow of international trade and migration, UAE is particularly exposed to the emerging economic impact of the pandemic.

Throughout 2020, the coronavirus pandemic took a particularly harsh toll on Dubai. The emirate, which economic mainstay is tourism (welcomed more than 16 million visitors in 2019) and retail services, closed its border for several months due to the pandemic, resulting in a 10.8 percent GDP plunge in the first half of the year. Later on Dubai adopted a different plan to tackle the virus, conflicting with Abu Dhabi’s. Quoted in a Washington Post article, Jim Krane notes that „Dubai just falls apart if you have to shut down travel and social distance and Abu Dhabi is almost unaffected.“⁶ This led Dubai to reopen itself up to

² Nonneman, G.,Iran, Iraq, and the Legacies of War, Nature America Inc. 2004 (pp.167-192)

³ www.emirates247.com

⁴ Sadjadpour, K., The Battle of Dubai, 2011, p.24

⁵ www.chathamhouse.org/2020/07/risk-perception-and-appetite-uae-foreign-and-national-security-policy

⁶ www.washingtonpost.com/gdpr-consent

Съвременни управленски практики XI - БСУ, 2021
ИНТЕЛИГЕНТНА СПЕЦИАЛИЗАЦИЯ В ДЕСЕТИЛЕТИЕТО
НА СВЪРЗАНОСТТА И АВТОМАТИЗАЦИЯТА

tourism early on, compared to a much stricter approach in Abu Dhabi.⁷ Added to the United States' „maximum pressure” campaign against Iran, this economic hardship in Dubai created a context in which it could be expected that Abu Dhabi would similarly try and solidify its power in the federation. However, instead there have been increasing elements of the two emirates' specific approaches consolidated within a unified strategy.

In addition, an increasingly coherent articulation of the UAE port strategy has been observed over the past decade. Driven by commercial potential, regional security interests, and a desire to shape the future of maritime trade Dubai Port World invested in many ports around the world. Abu Dhabi later militarized some of these locations in the Horn of Africa, following two events: first, its 2015 entrance into the war in Yemen, a conflict in which it remains a major player; and second, its rivalry with Qatar (and, by extension, Turkey), beginning in 2017 (Qatar diplomatic crisis).⁸

The divergency of the two emirates' foreign policies during the pandemic resulted in launching a new, medical-cyber arrow within the UAE's diplomatic ways.⁹ It includes humanitarian diplomacy, in which Dubai has a major role (through the International Humanitarian City). Possessing a strategic geographical location with proximity to the conflict zones, the UAE houses the biggest humanitarian warehouse in the Middle East (Ziadeh 2019). Dubai International Humanitarian City (IHC) is currently the largest humanitarian aid warehouse in the Middle East, and an independent, non-profit, humanitarian free-zone authority housing UN agencies, intergovernmental organizations, NGOs and commercial entities operating in the humanitarian sector. The IHC has been instrumental in strengthening relations with the UN and international humanitarian organizations, attracting private companies operating in the humanitarian sector to the UAE, and expanding the Emirati logistics sector to also include humanitarian logistics. Annually since 2013, Dubai has hosted the Dubai International Humanitarian Aid and Development Conference and Exhibition (DIHAD) that brings together not only international and regional non-profit organizations, but also private companies and corporations operating in the sector of humanitarianism. It makes its way to broaden capabilities in global surveillance, cyber warfare, and artificial intelligence, the core of which is Group 42, an Abu Dhabi-based artificial intelligence and cloud-computing company.

Last but not least, the different approaches between the two traditionally competitive emirates contribute to creating new bridges with external powers – especially China, illustrated by the cooperative approach in some links between the two countries amid the pandemic response.¹⁰ Today the diplomatic efforts of both emirates aim at navigating another crucial international relationship: that with the United States, recently facing a major change in leadership

Conclusion UAE could unlock enormous potential to streamline its home and international policy. The different priorities and approaches of Abu Dhabi and Dubai are being consolidated and have given the UAE room to maneuver within a unified strategy.

⁷ www.latimes.com/world-nation/story/2021-01-28/dubai-blamed-for-virus-cases-abroad-questions-swirl-at-home

⁸ www.newsweek.com/battle-ports-emirates-sea-power-spreads-persian-gulf-africa

⁹ www.agsiw.org/uae-security-apparatus-central-to-its-pandemic-response

¹⁰ www.mei.edu/publications/emirati-diplomacy-and-chinese-brinkmanship



References:

1. Ministry of Economy, United Arab Emirates. (2018)
2. Nonneman, G., Iran, Iraq, and the Legacies of War, Nature America Inc., 2004
3. Sadjadpour, K., The Battle of Dubai, 2011
4. www.chathamhouse.org/2020/07/risk-perception-and-appetite-uae-foreign-and-national-security-policy
5. www.washingtonpost.com/gdpr-consent
6. www.latimes.com/world-nation/story/2021-01-28/dubai-blamed-for-virus-cases-abroad-questions-swirl-at-home
7. www.newsweek.com/battle-ports-emirates-sea-power-spreads-persian-gulf-africa
8. www.agsiw.org/uae-security-apparatus-central-to-its-pandemic-response
9. www.emirates247.com
10. www.lobelog.com/the-uae-and-irans-maritime-talks
11. www.mei.edu/publications/emirati-dplomacy-and-chinese-brinkmanship