

The history of the united arab emirates



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The UAE History

I. Introduction

The United Arab Emirates is known to be one of the leaders of the international community in terms of its economic, social and financial development. The so-called Emirates are located on the shores of the Persian Gulf. They are internationally renowned for serving as one of the most desired tourist destinations for the globe-trotters from many European, Asian, African and American countries. There is nothing peculiar with the typically Eastern nature of the Arab Emirates or the cultural legacy left by reigning caliphs to present generations. However, the unique Arabian ability to make one of the most prosperous and industrially outstanding states virtually from nothing, except their own stamina, enthusiasm and dedication is appreciated.

The current population of the country is reported to be approximately 8, 200 000 residents, from which no more than 25% are the citizens of the United Arab Emirates. The rest of population is represented by commercial agents and representatives of other Arab, European and American countries. The United Arab Emirates are known to have the highest migration record on the planet. However the option of obtaining citizenship is still not available. The population of the country is majorly resided in such megalopolises as: Abu Dhabi, Dubai and Sharjah.

The economy of the United Arab Emirates is among the most developed economies in the world. In 2011, the country was reported to take the 14th position of those countries with the most favorable environment for doing

business. Meanwhile, the gross domestic product per capita was reported to be the 17th in the world according to the statement published by the International Monetary Fund (Laxer, 2008).

The main industries of the country are considered to be oil and petroleum exports, the manufacture of petrochemicals and other chemical fertilizers as well as such local artisan industries like the textile. The import operations of the country involve the importation of foods and beverages, the machinery equipment and heavy transport facilities.

As far as the comparison of the United Arab Emirates today with the economic and social situation in the early 1940s, the most significant change is the independences obtained by a close collaboration of caliphs and the ordinary Arab citizens. Firstly, 70 years ago, the country was merely a dominion within the extensive British Empire (Almenheideb, 2003). The Imperials did their best to exhaust natural resources as well as the scientific potential of the countries (Walsh, 2008).

Naturally, the revenues that had been accrued within the country were ultimately channeled to the imperial treasure. Not a dime was spent to the development of social and industrial institutions in the country.

However, with the conquest of independence in 1970 and with the adoption of the Constitution on December 2, 1971, the United Arab Emirates revolutionary turned into the most developed states of the world with the most advanced and high-tech social and business infrastructures. The GDP increased on more than for 1000% and the general well-being of those

residing on the territories of the Emirates. It has been improved significantly (Spilsbury, 2012).

It is no doubt that the factors that lead the United Arab Emirates to the society and prosperity must be particularly accented; so that the experience of the Emirates may be hypothetically applied by the rest of countries being still at the stage of the development. The key factors as well as other contributors of financial, economic and social norms can be effectively used by the rest of the world to comprehend that the Arabic way of development is the most effective.

The aim of this essay is to inform the target audience about the United Arab Emirates' Economic and Social Development course and to accentuate the factors that had contributed to the economic and social development of this country.

II. Development of the United Arab Emirates Economy and Social Institutions

This section of paper outlines briefly the stages of the historical development of the United Arab Emirates in accordance with the principles and postulates of the theory of the states' general development, while accentuating the historical background with a specific spotlight made on the milestones of the Arab World history. This contributed to the development of this country (Spilsbury, 2012). Besides, the latest subsection of this paper outlines the impact exercised by similar historic events on the rest of the countries of the Arab World, in general, and the Persian Gulf, in particular. Also, this research alleviates why the development of the United Arab Emirates significantly differs from the development of the rest of the Gulf-located Arab countries.

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1. Economic and Social Development of the United Arab Emirates in Accordance with the Provisions of the General Theory of the State Development

All the countries under the blue sky can be easily divided into two categories – the developed and developing ones. Traditionally, all developed countries have to cross several integral states in order to reach the economic and social prosperity and achieve the industrial independence. To illustrate, the United States of America is the best exemplary country to display these stages (Walsh, 2008). The first stage is the realization that the country will follow the capitalist approach to achieve its financial goals and get the global recognition (Laxer, 2008). The second step is the overall industrialization of the country. This stage ensures that the country has been technically prepared for economic reforms and other social transformations. It must be highlighted in this section of the essay that the process of industrialization is always continuous and ongoing by its nature. The continuity is reported to be taken into consideration with the advent of the twentieth century, when the scientific and technological advancements of civilization have been so promptly accomplished. The industry has barely managed to adjust to the production cycle to those scientific and technological breakthroughs. The third stage is the informational stage, when the accumulated resources and technical as well as the industrial advancements are duly adjusted and transformed to ensure that the state functions are performed accordingly (Spilsbury, 2012).

The ultimate stage of the evolutionary process is a socially oriented milestone. In other words, at this stage, the industrial success and all

technological advancements, together with the accumulated financial resources, are channeled by the government to the section of public welfare. In other words, the country fulfills a social function of the state and starts to finance social initiatives and programs (Walsh, 2008) launching the huge healthcare, educational and other socially-related programs for the nominal value and with no purpose to make any profits. It must be particularly stressed that these stages are inherent to the ordinary development of a typical, industrially developed country.

The main peculiarity, which is connected with the industrial development of the United Arab Emirates, is the fact that the excessively rich natural resources allowed this country to skip a step of the resource accumulation. In contrast to the economic strategies, which are advocated by the Western Countries, in general, and the United States of America, in particular, the United Arab Emirates are known for having omitted the stage of wealth accumulation.

The reasons for this omission are simple: whereas the rest of developed countries employed the strategy of the gradual technological and industrial development and evolution, those, which have projected the development of the United Arab Emirates, stressed the abundance of natural resources and possibilities of their practically unrestricted exploitation. It has been estimated by leading scientific authorities of the globe, by the International Institute of Research and New York, in particular, that the contemporary oil supplies of the United Arab Emirates encompasses more than one hundred billion barrels. At the same time, the supplies of natural gas are estimated to be about six trillion cubic meters (Spilsbury, 2012).

Therefore, the economic and financial authorities (the respective committees) of the Federal National Council, from the moment the United Arab Emirates have achieved their independence, have adopted a set of jointly connected resolutions aimed at increasing the excavation and subsequent oil refining or direct sales of this commodity. To illustrate, the oil supplies of Venezuela and the United Arab Emirates are being almost equal in their volumes. However, the internal national legislation of Venezuela does not permit both the private and public oil companies to exploit and develop oil deposits uncontrollably. In Venezuela and other countries that are being the members of the Organization of Petroleum Producing Countries (the so-called OPEC), it is severely prohibited under the law to excavate more than the specific oil and quotas permits. As for the authorities of the United Arab Emirates, they have permitted to excavate and sell as much oil as the specific public and private companies wish. To explain, the Supreme Petroleum Council, which was established by the National Council in 1988 (Laxer, 2008) and which is currently being leaded by the Crown Prince of the Emirates, determines the quotas for gas and the oil development and excavation.

Overall, the ability to excavate and utilize as well as to sell as much oil and gas supplies as the respective Gas and Petroleum Council of the each decides is the main peculiarity of the United Arab Emirates. Although, the Federal Council and other federal authorities are entitled to control this process, this right is usually waived by them. This means that each emirate is free to establish and excavate its own quotas (Walsh, 2008).

In general, the simple inference can be drawn while regarding the history of the United Arab Emirates from the viewpoint of the general theory in the developed stage evolution. This federation has transcended all steps including: the nucleation of the state, planning the development, the establishment and routine updating of industrial institutions, etc.. However, the wealth accumulation stage had been omitted. The dissenting opinion is not such that considers the wealth accumulation step to be omitted; it supposes that it had been merely diminished in its timeframes. While the process of wealth accumulation in the rest of civilized and well-developed countries has encompassed more than 300-400 years, the United Arab Emirates somehow managed to fit dozen of years, in particular, the time period between 1973 and 1982. At that time, the prices for oil and gas were the highest ones on the planet. It was possible for the country to accrue the highest profits (Laxer, 2008).

2. Historical Background of the Development of the United Arab Emirates and the Impact of Major Historical Events on the Development of Economy and Social Institutions of the United Arab Emirates

Having considered the historical background of main European, American, Asian, African and Arabic countries, it can be easily assumed, and this assumption will be undoubtedly proven as correct, that a huge set of similarities in their development exists. To exemplify, both the United Kingdom of Great Britain and the United States of America have undergone the revolutionary wars and the adoption of documents of the constitutional character, i. e. the Magna Carta in the United Kingdom and the Constitution in the United States of America. Both countries have gone through a long

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process of wealth accumulation. These two states have imposed a strong and intensive government regulation over the economy after some serious economic downturns shattering the economies of countries (i. e. the Great Depression in the United States of America and the crush of sterling in the United Kingdom). Besides, both countries have launched almost an identical set of measures aimed at protecting domestic manufacturers and banking institutions after the Global Financial Crisis in 2008-2010 striking the planet. Overall, the same laws and similar regulatory measures have been enacted by those states. The milestones of historical events are almost similar for these countries, although the timeframes are slightly different.

The main historical event for the majority of countries of the Western World includes the discovery of natural resources' supplies, the choice of capitalism as the direction for the economic and social development, participation in wars as well as natural and economic calamities. Another important historical event for the countries being traditionally deemed as democratic is “ shattering” elections. They trigger the cardinal changes in the highest echelons of power (Almenheideb, 2003). For example, for the United States of America, this change takes place when a Democrat replaces a Republican in the Office of being the President of the United States of America (for instance, when the democrat Barack Obama replaced the Republican George Walker Bush in this position). In such case, both the internal and external policies of the country are being dramatically changed. As far as the historical background of the United Arab Emirates is concerned, it must be especially stressed that although these events are not “ traditionally”

systematic, they have played a decisive and vital role in the development of economic and social institutions in the country.

The major historical event in the history of the United Arab Emirates is undoubtedly the discovery of oil supplies in 1953, when the first oil tower was erected on there. The massive oil exports have been launched by the government of Abu Dhabi since the early 1960th. The key date is the 1958-year, when the Abu Dhabi Petroleum Company was incorporated under the laws of countries and the elaboration of oil and gas reserves being massively released.

Another key date of the United Arab Emirates' oil and gas revolution happened in 1958. The Abu Dhabi Marine Areas, the oil and gas oriented giant being a joint venture of leaders of this industry, the Shell, Exxon, Mobil and Compagnie Francoise des Petrole was the first business entity contriving to discover the commercially sufficient oil reserves, the so-called Um Shaif Deposits.

The period between 1977 and 1983 can be defined as a “ golden” age for the economy of the United Arab Emirates. The year 1978 was the “ golden” year for the oil and gas-oriented industries of the UAE. At that time, the prices for oil and natural gas skyrocketed rapidly; the country increased the production of gas and oil for 300% in contrast with the first years of production (1959-1963).

3. The Commonalities of the Factors Affecting the Economies of the Persian Gulf Countries

The Persian Gulf area is a complex international community, which involves several countries. For these states, the only common similarity is the understanding of the Arabic language and the faith in Allah. In this section of paper, the influence of various international factors, which had affected the United Arab Emirates, Qatar, Iraq, Kuwait, Saudi Arabia, Oman, and Bahrain, will be closely reviewed. The criteria are the character of independent governance of these countries, the discovery of oil reserves on the territories of those countries, and the subsequent development of social institutions as well as the general enhancement of life conditions for the residents of these countries.

a. Bahrain

Bahrain is, alongside with the United Arab Emirates, got its independence from the British Empire in 1971. It is a constitutional monarchy today. The government of Bahrain (i. e. the monarch of Bahrain in the close cooperation with the National Assembly of Bahrain) resolved to put some restrictions on the development and excavation of oil and gas deposits. Accordingly, the revenues accrued by Bahrain are considerably smaller than those accrued by the United Arab Emirates. Moreover, business conditions in Bahrain are worse; and the overall gratification of population is lower (Laxer, 2008) than the one in the UAE. This is explained by the fact that the government authorities of Bahrain are reported to prefer to invest into the governmental sector while promoting a tax-oriented policy.

b. Kuwait

Generally, Kuwait has followed the economic and social traditions of the United Arab Emirates. If to be more exact, Kuwait has begun those traditions. In 1961, the country achieved its independence from the United Kingdom removing the colonial administration. It proclaimed its independence as a constitutional monarchy. Oil and gas supplies of countries were immediately subjected to the intensive “ barbarous” elaboration and development, majorly by some public-owned companies. The state has begun to receive the immense revenues selling crude oil and manufactured petroleum to the European and American countries.

Similarly to the United Arab Emirates, the constitutional monarchy allows the government to avoid unnecessary political debates and disputes on how the profits are to be allotted. Therefore, almost all the obtained profits are spent on the increase of the well-being of Kuwait citizens and residing expatriates.

c. Saudi Arabia and Oman

These countries have much in common. Both of them have become independent; and the extensive oil supplies have been discovered on the territories of these countries. Together with the United Arab Emirates, these countries are the monarchic states, with Oman being the most evident example of the absolute monarchy (Spilsburry, 2012).

Both states have the historically important events. The discovery of significant oil reserves and the independence have driven these countries to accrue the huge profits in 1977-1983. The same social policy, as in the UAE, is being promoted in these countries.

d. Iran, Iraq and Qatar

The conquest of independence and the discovery of rich oil and natural gas deposits completely have re-orientated both the economy and political structures of these countries. However, these states have always been the military inclines, and whereas the financial resources of Saudi Arabia were aimed at the enhancement of social standards, these countries have channeled their money flows to the military and government industries.

Besides, the supplies of oil and gas are not as significant as the ones from the Saudi Arabia and the United Arab Emirates. Therefore, the profits collected are being smaller, and these countries are reported to have a considerably lower gross domestic product.

II. Factors of the United Arab Emirates' Economic and Social Development

Naturally, it is impossible to say to which factor the economic prosperity and the social success of the United Arab Emirates must be attributed. Numerous factors accompanying the development of this country can be highlighted in this section; though the most important four norms are the availability of rich and still undiscovered oil and natural gas deposits, the form of government (i. e. the constitutional monarchy), a friendly business and foreign investment environment, and the intensive international collaboration with western countries. This section of paper briefly describes these factors and explains their significance for the industrial thriving of the United Arab Emirates. A special accent is being made on the cooperation with the European and American countries.

1. Availability of the Natural Gas and the Oil Deposits

In the early 2000, many scientific reports affirmed that natural oil reservoirs of the United Arab Emirates contained approximately 6 trillion cubic meters of natural gas supplies and 100 billion barrels of oil. In other words, this country has 4% of the total world supplies of these resources (Walsh, 2008). This fact is important because the country does not need to manufacture the commodities to sell them internationally. This is contrary to what is China enforced to do. As well this is not necessary to develop and accordingly subsidize financially such technology-oriented countries like Singapore or Japan. Moreover, considering the fact that not all deposits are located on the territory of the country, and the jurisdictional coastline of the state has not been discovered yet, the potential wealth here cannot be calculated.

Therefore, the aggressive strategy in accordance with the algorithm “excavated – refined – sold – accrued profits” has turned the United Arab Emirates into the one of the most industrially developed countries in the international community, in general, and the Arab community, in particular. Considering the fact that the state does not have to invest into technological and other industries to subsist financially, the country is free to invest to the well-being of its citizens.

1. Favorable Government of the United Arab Emirates

Legally, the United Arab Emirates are known to be a constitutional monarchy, while virtually the country is being totally controlled by the caliph and his advisors (Almenheideb, 2003). The most important authorities in the country are state bodies, which consult the caliph on the issues related to oil

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and gas. The biggest positive feature of this total control is the fact that the politically inspired debates, which are inherent to the political pluralism, might have substantially sapped the system of oil excavation and trade (Walsh, 2008). Different political parties might have seen the system of the country's enrichment differently. The Emirates were likely not to have reached such an impressive success if the country opted for democracy.

2. International Collaboration

Doing business 2012 index has posed the country on the 4th position globally. Therefore, when the oil reserves and refineries had been merely at the stage of projection, the foreign investments contributed significantly to this process. Moreover, the number of foreign (non-citizen) population of the United Arab Emirates is more than 70%. High achievements of the oil and gas industry have allured a significant number of the European and American professionals to get their employment within the Emirates' companies. A significant number of the European and American accountants, lawyers, engineers and other professionals are employed by the United Arab Emirates' companies.

3. Impact of the Collaboration with Western Countries

The main Western contribution to the development and success of oil and gas-oriented companies of the United Arab Emirates is the “import” of professionals, the education of Arabian professionals, and the purchase of manufactured petroleum and excavated crude oil and natural gas.

It has been estimated that approximately 43% of the entire white collar staff in the oil companies are either Europeans or Americans. Therefore, the top-management of these companies, i. e. those people that take the most important decisions in the companies, is Europeans or Americans. Thus, the presence of these specialists is vital for the owners of enterprises (Laxer, 2008).

Moreover, the Western countries purchase more than 93% of the entire amount of produced and refined oil and natural gas. The main consumer of oil is the European Union; and the runner-up is the United States of America (Spilsbury, 2012). The wealth of the United Arab Emirates directly depends on the consumers' capacity of these two governmental formations.

Therefore, the connections with the Western World are the highest values of the current political regime in the United Arab Emirates. This is due to the fact that they, together with the oil reservoirs, are being the pledges of the Emirates' success and prosperity (Walsh, 2008).

III. Conclusion

Having reviewed some key factors which contributed to the development of social and economic institutions in the United Arab Emirates, it can be assumed that the key elements are the abundance of natural resources (i. e. gas and oil; the form of its government simplifying to the greatest extent a decision making process as it makes it easier adopt to a favorable resolution or directive; and the intense connection and permanent collaboration with the European and American countries, in particular, with the European Union and the United States of America.

Projecting the future development of the United Arab Emirates' social and economic institutions, it can be inferred that everything depends on the demand for oil and natural gas. Unless the alternative sources of energy are sufficiently elaborated, the United Arab Emirates may feel secure. However, it seems to be reasonable for this country to invest into these industries, especially if to consider the fact that the affordable financial resources exist. Naturally, if oil and gas are no longer purchased by the international community, the economic and social prosperities of the United Arab Emirates may be automatically ceased.

Therefore, provided that the area of alternative energy sources has been dominated by the United Arab Emirates, the prosperity and success are likely to continue eternally. Overall, the United Arab Emirates truly seem to be blessed by Allah. All favorable conditions have been created in this country to ensure the well-being and outstandingly healthy development of its citizens.