The Population Imbalance as a Public Policy Problem in United Arab Emirates

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Abstract
The objective of this paper is two folds. First, the paper attempts to explain the factors that have led to the present population imbalance in the state of United Arab Emirates (UAE) which results in rendering the locals as a minority in their country. Second, the paper attempts to examine the possible policy options available to the government to address this complex problem and the painful tradeoffs they impose. The population imbalance in UAE is a direct result of two important characteristics of the country: it is very oil-rich and very small in population size. These two characteristics, coupled with the passionate will of its leaders to use their vast oil revenues to build a modern state and economy, have worked to make the country extremely attractive to different types of immigrant and migrant skilled and unskilled labor from all over the globe. Because of the scarcity of qualified local manpower needed to establish and run the massive nation-building infrastructural projects at independence in 1971, and later to achieve the goals of diversifying the economy away from oil-dependence, the country has to depend on expatriate labor. The proliferation of the later and the declining percentages of local population triggered fears of national identity, security and cultural loss. This led to a paradoxical situation in which the pursuance of economic development policy goals inevitably leads to more population imbalance. Consequently, policies adopted to straighten up this situation come with high opportunity costs and include policies to encourage national birth rates, Emiratization of jobs and strict regulation of immigration.

Key words: population imbalance; United Arab Emirates; Emiratization; expatriates; oil;

The Population imbalance, (i.e. the dominant presence of non-national residents compared to locals), is a nagging policy problem to the policy makers in the state of United Arab Emirates (UAE). This is because the problem poses economic, social, political and security challenges. The small size of the population and lack of needed skilled manpower on the eve of the country’s independence in 1971 forced the leaders of the nascent state to invite expatriates to help in nation building and economic development projects. The discovery of oil and the skyrocketing rises in its prices in the 1970s provided the new state with tremendous revenues that enable it to embark on massive infrastructure projects in the areas of roads and transportation, education, health and
welfare services. Since the country had to build these projects from the scratch with virtually very infinitesimal stock of local expertise, dependence on expatriate labor was inevitable. The vast revenues from oil exports enabled the UAE government in the 1970s and 80s to attract all sorts of skilled and unskilled labor in all walks of life through lucrative job offers and high standards of living. In the process the UAE population witnessed unprecedented rates of growth that transformed the country from a simple Bedouin society into a very complex multicultural cosmopolitan country.

With the instability in the region due to the Iran-Iraq war, the first and second Gulf wars and the tensions between the Gulf States and Iran triggered deep security fears among locals that added fire to the already flaring identity problems (Balaam & Dillman, 20011). This is why the World Economic Forum (2007, 6) raise the question of the ability of UAE to “to maintain internal order and stability, in particular vis-à-vis a complex and uncertain regional situation” as a prerequisite for UAE government possible future scenarios. While UAE citizen used to see the existence of millions of foreign laborers with different languages, traditions, religions, and styles of life as a menace to their cultural identity, they start now to view it as security threat to their very existence. This situation is made more complex by four factors: rising rates of unemployment among national youth, the development of highly sophisticated globalized private sector, the intentions of government leaders to diversify the economy and move to a knowledge economy, and the so called Arab Spring that is destabilizing the whole region.

These factors exert paradoxical pressures on policy makers and create real challenges to policy making. In the context of the so called Arab Spring real pressures were heaped on UAE government shoulders to find jobs for the output of its modern educational system. The private sector is reluctant to recruit nationals who expect high salaries and lucrative fringe benefits
which the private sector is not ready to offer in view of the relatively cheap expatriate labor. Therefore, the nationals prefer to work for the public sector which has already been saturated. Moreover, high rates of economic development made standards of living in UAE among the highest in the world. National families and affluent expatriates add fire to the problem by employing house maids, drivers, cooks and other types of expatriate house labors. Moreover, the recent plans of the government to diversify the economy to move away from oil-dependent sectors have created more demands for expatriate labors and expertise.

It is expected that recent declared government’s intentions to create “the intelligent government” and a knowledge-based economy will create a new need for new sets of skilled labor that may not be supplied in sufficient quantities from the national sources thereby creating a new dependency on foreign labor. Hence, the situation has developed into a paradox between the imperatives of economic development on the one hand and the population imbalance predicament on the other. Policies designed to further the rates of economic growth reduce the prospects for addressing the population imbalance. This means that the opportunity cost of reducing dependence on expatriate labor is slower economic development rates and lower standards of living. This opportunity cost is high enough for the government and the people of UAE to endure.

**Defining and Diagnosing the Problem**

On the eve of its independence in December, 1971 the UAE suffered from severe shortages of qualified personnel in all walks of life because of the nonexistence of modern institutions of government and education. Therefore, the nascent government invited and sought the help of other Arab sister states to provide UAE with all sorts of needed rudimentary skills to establish and build the institutions and infrastructures in the early stages of state-building. These skills
included specializations in the areas of administration and management, medicine, education, sports, etc… With the historical price hikes following the Israeli-Arab war in 1973, and the ambitious plans for economic and social development, the UAE became increasingly dependent on expatriates from Asia, Europe, USA, and other continents. Lucrative salaries and fringe benefits awarded by the UAE government encouraged professionals and laborers from poor Asian countries to flux into the country. Ever since, population censuses started to gradually highlight the progressive declining percentages of UAE nationals from the total population. The gap between nationals and expatriates was and is widening by the day.

At the beginning of the 21st century optimistic population estimates indicated that the UAE nationals represent less than 15% of the population. However, most optimistic “latest studies showed Emiratis make up 16.5 per cent of the population” (Salama, Samir, 2009). Pessimistic observers believe that with continuous ambitious economic development projects, this percentage may decline even further to reach 11% or less in few years (Mansour and Alshahin, 2008). Therefore the issue of population imbalance has become a serious policy issue for the government and, hence, is awarded a high priority status in the list of government agenda. It is now seen not only as an issue of population imbalance, but is also linked to many social ills and problems in UAE society such as rising rates of crimes, unemployment, drug and human trafficking, prostitution and contagious diseases. Not only that but also in the light of the turbulent conditions in the region, the population imbalance has assumed a security and national identity dimensions. It is reported that the Crown Prince of Abu Dhabi, who is a pivot in the UAE policy-making system, proclaimed in a meeting of GCC Ministers of Labour the centrality of problems of population imbalance, unemployment, and manpower localization and described them as serious debacles common to all Gulf Cooperation Council states (GCC) (Mansour and
Alshahin, 2008). The latter include, UAE, Saudi Arabia, Sultanate of Oman, Qatar, Bahrain and Kuwait (Balaam & Dillman, 2011).

Many writers observed the centrality of the population imbalance in these countries and its ramifications on problems of unemployment and security. For example, Forstenlechner and Rutledge (2011, 25) summarize the centrality of the problem of “population imbalance” in terms of the “shift from the traditional concerns of the GCC political economy with oil matters, geostrategic significance of the country, the conditions that might lead to the disruption of the oil products outflow, the government’s dependency on the “rent” derived from oil exports and finally how these oil revenues were spent”, to examining the impact of the ratio of nationals to non-nationals (i.e. population imbalance) on the labor markets. The latter is characterized by “structural unemployment” among national youth that arises from overdependence on expatriate manpower, especially in the private sector, and the government commitment to employ nationals in the public sector. This commitment is explainable by the patron-client relationship that constitutes the foundation of the legitimacy of the governing elite in UAE as the case in other GCC countries (Mansour, 2007). Although the issue of the non-national component of the region’s population has received substantial attention for several decades, the recent concerns have shifted to highlight questions of labor-market efficiency as well as questions of national security and national identity threats. The issue rhetoric surrounding the issue is highly emotional nowadays and the issue is elevated in the popular vernacular to the status of a “demographic time bomb” (Forstenlechner & Rutledge, 2011).

Notwithstanding this general account of the problem, the seriousness of the problem and its ramifications are not equally felt in all GCC countries. For example in Saudi Arabia and Sultanate of Oman, nationals exceed by far non-nationals and the problem is one of
unemployment rather than that of sheer ratios of national population to expatriates. However, by contrast, the repercussions of the population imbalance are mostly felt in the UAE, Kuwait, and Qatar. This is so because the three counties possess the highest per capita income across all natural-resource-wealth metrics. Moreover the three countries embarked on tremendously ambitious plans to diversify their economies to transform them away from dependency on oil and hydro carbonic production into knowledge-based and tourism-oriented economies. In the light of the shortage of local expertise, these ambitious plans mean that the three countries will continue to depend on expatriate skilled and unskilled labor for some time to come (Forstenlechner & Rutledge, 2011).

It is no wonder under these circumstances that these countries are described as “national-minority states” in which nationals who legally hold the country’s nationality are minorities in the population (Koji, 2011). Therefore the problem of population imbalance for UAE is more than a simple equation of population calculus, since it is now linked to problems of unemployment among graduates of modern education, threats to cultural identity and, most important, security and instability predicaments in the turbulent region following the two Gulf wars and the “Arabic Spring”. The link of the population problem with security issues has long been observed by many authors in the subject (Elhussein, 1989). However, although public policy issues are subjective in that the “the external conditions that gives rise to the problem are selectively defined, classified, explained and evaluated” (Dunn, 2004), the UAE government and some sectors in society choose to define it as a public good problem to be addressed by government intervention. However, some stakeholders see the intervention of government to address the problem as disrupting to free market dynamics. It is true that in other settings this population imbalance may be defined as population diversity and perceived as a social asset and
a window of opportunity, but in UAE it is perceived by most people as a challenge to national identity, national security and culture.

For all these reasons, the problem of the population imbalance represents a paradoxical dilemma to both UAE policy-makers and nationals with very painful tradeoffs involved between the goals of economic development and social stability. The UAE nationals revealed these views “in a 2007 survey of 600 Emiratis, (in which the) UAE’s demographic imbalance was ranked the top current and future “challenge,” ahead of health-related, economic and traditional security challenges “ (Forstenlechner and Rutledge (2011, 28). However, the dilemma is not exactly a zero-sum game of either or, because many policy compromises are available yet most of them come with high opportunity costs. Most policy options, considered by UAE government to address the population imbalance, attempt to reduce this opportunity cost.

**The Paradox of Economic Development Policy and Population Imbalance**

The economy of UAE before the discovery of oil depended primary on simple economic activities such as fishing, pearl fishing and trade, subsistence agriculture, herding and craft industries associated with these activities. The pearl fishing and trade was the most important of these activities (Shihab, 2001). For example, immediately before the Second World War, 85% of Abu Dhabi tribesmen were involved in pearl fishing which had accounted for 95% of the Abu Dhabi income. Until the 1960s, the revenues of the Emirates tribal governments were derived from customs levied on these activities and especially the pearl industry. However, many factors had contributed to the decline of demand for this vital industry before the discovery of oil. These include the Great Depression of 1929, the outbreak of the Second World War, the emergence of cultured pearl that competed vigorously with the natural one, and the outbreak of the civil war in India which was the main market for the Gulf pearl (Pradhan, 2009). The Indian civil war hit the
pearl industry hardly and led to negative impacts on the emirates’ economies with the exception of Dubai. The latter succeeded to reorient its economy to depend on gold trade. Finally, the discovery of oil in the Arab Gulf led to the total demise of this industry by encouraging workforce in the pearl industry to migrate to work in the new oil-producing sectors where income was lucrative and stable. The contribution of other traditional economic activities to the emirate traditional economy was minimal with fishing absorbing only 8% of the workforce (Sh’arawi, 2004). In this context the discovery of petrol was a blessed savior for the economy of UAE.

Abu Dhabi was the first emirate to celebrate the discovery of oil in 1958 and to start exporting it to international markets in 1962. Oil was discovered in small amounts in Dubai and started to outflow to the international markets in 1969. The other five northern emirates discovered oil in small amounts after the establishment of the federation. The federal Constitution sustains the rights of each emirate on its natural and economic resources thereby making Abu Dhabi the richest. Today the UAE owns 9.7 and 4.1 percent of World oil and natural gas reserves respectively. The Emirates of Abu Dhabi alone possesses 94 percent of oil reserves in the country that have 100 years production life at current levels (Pradhan, 2009). The discovery of oil has had substantial impact on economic and social life of the emirates where it has become the major economic resource and led the local workforce to abandon the other traditional activities. Most important than all that, is that the oil revenues provided substantial sources of finance for social and economic development projects that were undertaken immediately after independence (Sh’arawi, 2004).

The drive for economic development in UAE started with the establishment of the nascent state in 1971. This drive, together with the high standard of living that accompanied it, is the
most important reason behind the present population imbalance. Although oil in UAE was discovered in Abu Dhabi in the 1958, it had piddling impact on people’s lives and standards of living in the decade of the 1960s. The obvious reason for this is that being under British protection the tribal leadership and society then had no real say in how to dispose of the new wealth. In addition to this the price of oil was kept very low to create the era of cheap energy in Western economies. This situation changed in 1972 when the old agreements with foreign oil companies were abolished and new ones were signed. The new agreements enabled the emirates to control matters related to their oil production and distribution and thereby allowing them to accrue more revenues from the export of their oil.

In 1973 the Arab Israeli war led to unprecedented rise in the price of oil following the decision of the newly established Organization of Petroleum Exporting Countries (OPEC) to control the supply of oil to the oil markets to raise its prices. This decision resulted in huge revenues which prompted the media to label the era as the “oil leap” (Ravenhill, 2011). And here began the story of economic development in the country and its impact on its population structure. The huge oil proceeds enabled the UAE to bypass the traditional stages of capital accumulation experienced by developed countries and to jump directly to the stage of mass consumption (Shihab, 2004). It is worth mentioning here that in 1968 the total size of the population in the seven emirates amounted to approximately 180000 (Sh’arawi, 2004). This humble population number quadrupled many times in two decades as a result of the massive ventures of economic development and the consequent flux of all sorts of labor and nationalities to create what is now known as the problem of “population imbalance”.

The impact of economic development policy on the ongoing population structure can be traced through two overlapping stages in the history of UAE: nation building and policy of
diversifying the Economy. The first stage began with the establishment of the federation in the 1971 and continued with slower pace in the 2000s and the second stage began in the 1980s and accelerated in the 2000s to overlap with the final stages of nation building. Moreover, the unique policy making system, established to address the concerns of the seven emirates for their local autonomy, has contributed to the population imbalance. The interactions between these factors and the drive for economic development combined to create the paradox of economic development policy and population imbalance embedded in all policy options sought by UAE government to solve the population debacle in the country.

**Nation Building and Population Imbalance**

The initial stage of economic development was concerned with state building and began in the early 1970s with the formation of the federation on 2 December 1971. It witnessed the establishment of the country’s formal economic, social, and political institutions (Shihab, 2004). The problems of workforce composition and the population imbalance “… have been critical factors in the process of state building and economic development” in the UAE (Koji, 31). The educated manpower desperately needed by UAE at independence was non-existent among the locals because of the paucity of modern educational facilities. When the new state of United Arab Emirates was born in 1971, there were virtually no viable infrastructural facility in the areas of education, health, roads and transportation, administration and other amenities necessary for modern living, economic activity and modern business transactions.

With regard to education, until 1953 there was no single formal educational facility in the seven emirates. Education was provided informally by volunteering religious men in traditional religious schools that taught Quran, simple Arabic and elementary arithmetic. There was no unified curriculum whose design was ad hoc and depended on the teacher ability. The graduates
of these schools were qualified to perform simple tasks needed by the simple economic activities of the then tribal society and economy. In 1953 the establishment of the first elementary school in Sharjah, with the help of Kuwait whose education had started long before that date, marked the beginning of modern education in UAE. Sharjah was also the first emirate to begin female education in 1956. In 1964 there were only thirty six elementary schools twelve of which provided female education. In 1967 elementary education proliferated in all emirates but there was a single secondary school in the emirate of Sharjah. Immediately before the establishment of the federation the country housed only 73 elementary schools (Sh’arawi, 2004).

The conditions in the health sector were no better if not worse. The first hospital in the emirates was built in 1949 with British aid. Later, more aid arrived from different countries to improve health services in the country. In 1952, three American hospitals were established in Sharjah, Alain, and Ras-Alkhaimah. The first government-sponsored hospital was built in Ras-Alkhaimah in 1963 and until 1956 there were only one government physician in Abu Dhabi in addition to three others running private clinks. During the 1950s simple government departments, such as police, courts, utilities, municipalities and airports, were in the making. Until then there was no population imbalance as table 1 below clearly indicate. The table actually indicates the paucity of population in a country with a paucity of resources.

Table 1: UAE Population in 1968 According to 1968 Census

<table>
<thead>
<tr>
<th>Emirate</th>
<th>Numbers of Population</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Males</td>
<td>Females</td>
</tr>
<tr>
<td>Abu Dhabi</td>
<td>34863</td>
<td>11512</td>
</tr>
<tr>
<td>Dubai</td>
<td>35620</td>
<td>23351</td>
</tr>
<tr>
<td>Sharjah</td>
<td>17660</td>
<td>14008</td>
</tr>
<tr>
<td>Ras-Alkhaimah</td>
<td>13249</td>
<td>11138</td>
</tr>
<tr>
<td>Ajman</td>
<td>2212</td>
<td>2034</td>
</tr>
<tr>
<td>Ummalquain</td>
<td>1982</td>
<td>1762</td>
</tr>
<tr>
<td>Al-Fujairah</td>
<td>5220</td>
<td>4515</td>
</tr>
<tr>
<td>Total</td>
<td>110805</td>
<td>68320</td>
</tr>
</tbody>
</table>
The numbers in the table reflect the distribution of the population in the seven emirates. It is no wonder that with such a small population and lack of skilled manpower that UAE was forced, before the establishment of the state in 1971, to depend on expatriates to run the few modern institutions in health and educational sectors. Teachers, doctors and administrators were recruited in few numbers from mainly Arab nationals to run these institutions. By recruiting teachers to run the few elementary schools from other Arab nationals such as Kuwaiti, Egyptian, Palestinian, the early seeds of the population balance was planted. However, the gap between nationals and expatriates started to widen with the accelerated rates of nation building and economic development that followed the establishment of the state of United Arab Emirates.

Under the auspices of the historic, charismatic and visionary leadership of Sheikh Zayed Bin Sultan Al Nehayan, the first president of the new state, the new leadership of the nascent country had to literally build a state from the scratch. Within few decades and with miraculous pace the country was effectively transformed into a modern state with highly developed educational, health, road and transportation, and administrative systems. The country started to use its oil revenue from oil to build schools, hospitals, infrastructure, free zones, dry docks, concrete and aluminum plants, roads, tunnels, bridges and even water desalination facilities (Benesh, 2010). The operation of these modern facilities required expatriate skilled and unskilled labor. The job opportunities created as a result of these state building efforts and the high standards of living achieved attracted job seekers from the neighboring Asian and Arab countries such as India, Pakistan, Bangladesh, Nepal, and Sri Lanka. Most of these are employed as house maids and construction workers. Arabs from 20 countries represent about 20 per cents of the total population and these occupied government and teaching jobs. Asians comprise about 55 per
cents while Westerners and East Asians represent about 10 per cent of the population. The
distribution of the population among the emirates reflects the degree of attraction of expatriate
labor. Whereas the richest emirates of Abu Dhabi and Dubai housed 38.8 and 31 per cents
respectively, Sharjah, Ajman, Ras-Alkhaimah, Al- Fujairah and Ummalquain house 15.3, 6, 4.5,
2.8 and 1.6 per cents respectively. The majority of this expatriate population live in urban centers
with only 12 per cents living in small towns and oilfields camps spread all over the country
(Benesh, 2010).

These huge activities of nation building required the recruitment of more expatriate labor
especially in the areas of construction, services, education and health thereby widening the gap
between nationals and residents. While the social transformation of UAE society achieved by
these activities was so great as to be described by Dr. Al-Suwaidi (2013) as a journey from the
tribe to the Facebook, the price paid for them involved a widening gap between the national
population and expatriates. In the 1980s and 90s the economy of the emirates continued its
development with faster rates. Consequently the population grew and with this growth the
service sector started to flourish. Construction industry developed and thousands of new houses
were built, airports expanded and recreational and sport facilities proliferated laying the early
foundation for service and international tourism sectors (Samarai & Qudah, 2007). Table 2
below shows the evolution of the gap between locals and expatriate in percentages during the
nation building era.

<table>
<thead>
<tr>
<th>Years</th>
<th>Nationals %</th>
<th>Foreigners %</th>
<th>Total (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>37</td>
<td>63</td>
<td>525.1</td>
</tr>
<tr>
<td>1980</td>
<td>28.7</td>
<td>71.3</td>
<td>977.4</td>
</tr>
<tr>
<td>1985</td>
<td>36.2</td>
<td>63.8</td>
<td>1,116.8</td>
</tr>
<tr>
<td>1995</td>
<td>25.1</td>
<td>74.9</td>
<td>2,378.0</td>
</tr>
<tr>
<td>2000</td>
<td>24.3</td>
<td>75.7</td>
<td>2,889.6</td>
</tr>
</tbody>
</table>
The table clearly indicates that after two years from the establishment of the state of UAE the percentages of foreigners represented almost two third of the population. In subsequent years the percentages of foreigners are increasing while the percentages of nationals are declining. In fact in the year 2000 foreigners represented slightly more than three fourth of the population. The total population more than quadrupled. Benesh, (2010) noticed that …

The composition of the UAE population reflects an unnatural and unique gender distribution with males representing in some instances twice the numbers of the female population. This fact is explainable by the dominance of males among the non-national population with 72 per cent male and 28 per cent females. This fact is explainable by the government policy not to admit families whose sponsors income fall below a certain minimum. This policy in effect debars low paid laborers, mainly Asians from bringing in their families. However, the UAE national composition is evenly balanced between males and females with males comprising 50.7 per cent and females 49.3 per cents.

<table>
<thead>
<tr>
<th>Years</th>
<th>Nationals %</th>
<th>Foreigners %</th>
<th>Total (in Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>16</td>
<td>84</td>
<td>278.8</td>
</tr>
<tr>
<td>1980</td>
<td>7.6</td>
<td>92.4</td>
<td>706.3</td>
</tr>
<tr>
<td>1985</td>
<td>9.4</td>
<td>90.6</td>
<td>865.3</td>
</tr>
<tr>
<td>1995</td>
<td>10.2</td>
<td>89.8</td>
<td>1,088.2</td>
</tr>
<tr>
<td>2000</td>
<td>10.2</td>
<td>89.8</td>
<td>1,355.7</td>
</tr>
</tbody>
</table>

Table 3: Percentages of Nationals and Expatriate in the Labor Force During the Nation Building Stage (1975-2000)

Table 2 includes expatriates and their dependents; therefore it does show the actual presence of expatriates in the workforce. Table 3 above depicts the dominance of expatriates in the workforce. The table clearly shows that while the percentages of nationals in the labor force were declining between 1975 and 1985, percentages of expatriates are increasing to dominate the labor
force. The percentages of nationals in the workforce moved up slightly but still expatriate represent the overwhelming majority. These expatriate workers perform jobs in public and private sectors ranging from domestic workers to company senior executives (Koji, 2011). It should be noted that the majority of expatriates in tables 2 and 3 are Arabs and since 1996 Asians presence started to dominate in all GCC states (Shah, 2004).

**The Policy of Diversifying the Economy and Population Imbalance**

The UAE oil reserves are expected to last for 90 or 100 years maximum. This fact together with the unstable prices of oil in the international markets prompted the government to think of ways to diversify the economy to reduce its dependency on oil by 2030. This policy covers roughly the period between 2000 and until now. It includes efforts to expand non-oil industries such as manufacturing, construction, hospitality, tourism, banking and financial service. The efforts undertaken under this policy are summarized by the World Economic Forum (2007, 2) in the following words…

Since the turn of the century, the United Arab Emirates (UAE) has been riding a boom of high and rising oil prices and robust growth in property markets. Its economy has been growing at an average rate of over 7% per annum in real terms between 2000 and 2007. A significant proportion of the resulting assets are being re-invested in the country at both the federal and local level in a bid to develop an economy that does not rely on energy resources; such reinvestments take the form of public-private partnerships, infrastructure investment and schemes to support specific programmes such as education and training.

The policy of economic diversification has augmented the population imbalance by increasing the size of the private sector and therefore augmenting the need for expatriates. This policy together with the economic boom of 1980s created substantial demand for expatriate workers. With globalization, the UAE economy was integrated in the international economy and investments of all types flux into the country creating more demand for different types of
expatriate labor. The new non-oil sectors such as manufacturing, construction and tourism resulted in vast job opportunities for skilled and non-skilled workers that were filled by expatriates because nationals abstain from working in these sectors due to working conditions. Even if nationals are willing to join the new economic sectors they would not satisfy the demand for increasing demand for labor in them. Pradhan, (2009, I) describes this state of affairs in the following words…

Within a span of less than four decades, the United Arab Emirates (UAE) has undergone an impressive transformation from a small desert economy depending on pearl trading and fishing to an “oasis of opportunity” with booming economic sectors such as real estate and construction, tourism and hospitality, mass communications, shipping and logistics, retail and finance.

Table 4 below attests to this conclusion. The table shows the contribution of oil and non-oil sectors to the GDP. It clearly indicates that as the GDP is increasing in real terms, the contribution of non-oil sectors are increasing relative to the oil sector. The table shows the evolution of the GDP until the outburst of the world financial crises in 2008. The crises hit the emirates banking and financial services the hardest. It crept quickly into the real economy and gave it a hard blow. Dubai suffered more than Abu Dhabi and other emirates and its oil and non-oil sectors were brought to a halt. Many billion-dollar projects in the construction industry were either postponed or cancelled all together. Thousands of expatriate laborers left the country after they lost jobs and consequently the local market stagnated. Although Abu Dhabi economy was affected by the crises due to falling oil prices and international recession, its vast monetary reserves provided a cushion that enabled it to survive the crises and to help Dubai out through the federal bank stimulus packages. However, the impact of the crises on the expat population was minimal and largely limited to workers in the construction industries. Moreover, Dubai and
the whole UAE economy started to revive around 2010 and the process of economic
development continued to be a major source for expat labor.

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil GDP</th>
<th>% Of GDP</th>
<th>GDP Non-Oil</th>
<th>% Of GDP</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>47.3</td>
<td>36</td>
<td>85.9</td>
<td>64</td>
<td>133.2</td>
</tr>
<tr>
<td>1994</td>
<td>44.6</td>
<td>31</td>
<td>97.4</td>
<td>69</td>
<td>141.9</td>
</tr>
<tr>
<td>1995</td>
<td>47.9</td>
<td>31</td>
<td>109.0</td>
<td>69</td>
<td>156.9</td>
</tr>
<tr>
<td>1996</td>
<td>57.1</td>
<td>33</td>
<td>118.7</td>
<td>67</td>
<td>175.8</td>
</tr>
<tr>
<td>1997</td>
<td>55.8</td>
<td>30</td>
<td>131.8</td>
<td>70</td>
<td>187.6</td>
</tr>
<tr>
<td>1998</td>
<td>37.4</td>
<td>21</td>
<td>140.0</td>
<td>79</td>
<td>177.4</td>
</tr>
<tr>
<td>1999</td>
<td>49.8</td>
<td>25</td>
<td>152.0</td>
<td>75</td>
<td>201.8</td>
</tr>
<tr>
<td>2000</td>
<td>86.7</td>
<td>33</td>
<td>171.3</td>
<td>67</td>
<td>258.0</td>
</tr>
<tr>
<td>2001</td>
<td>90.3</td>
<td>36</td>
<td>179.2</td>
<td>64</td>
<td>254.2</td>
</tr>
<tr>
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Source: Pradhan, (2009, 6) retrieved from UAE Ministry of Economy, National Accounts, 1993-2008. The percentages are calculated by the author

Forty years ago the UAE was one of the underdeveloped countries and nowadays it has
achieved a per capita income of $37000 and standards of living that are comparable to those of
the most industrialized countries. In 1912 the UAE economy is the second largest economy in
the Arab World after Saudi Arabia with a GDP of $377 billion (AED 1.38 trillion). In 2013 the
GDP raised up to $390 billion with GDP per capita of $48,158. As result of the divarication
policy 71% of this huge GDP comes from non-oil sectors. The contributions of economic sectors
to GDP reflect this fact. Whereas agriculture contributes only 0.8%, industry 56.1%, services
grew to contribute 43.1% (Wikipedia, 2014). Since Independence the economy is estimated to
have grown 231 times, and the diversification policy has led to the growth of non-oil trade by
around 28 times from 1981 to 2012 thereby reducing the economy’s dependence on petroleum
and natural gas as source of revenue. The latter continues to play an important role in Abu Dhabi
as a source of revenue. In these latter developments tourism has the upper hand especially in Dubai leading to augment the needs for skilled labor force not available among the local population. It is noteworthy here that educated Emirati women, who represent a substantial portion of the local skilled labor force, are not allowed by local traditions to work in private sectors such as tourism and hospitality industries.

These stupendous developmental feats, which led to high standards of living, contributed to another factor that impact the population imbalance. This is the trend of employing house labor of different sorts: maids, nannies, cooks and drivers. It is estimated that there are now around 500000 such laborers. One may be inclined to explain the UAE stupendous economic development achievements by highlighting its wealth and rich oil resources as causes. However, such an explanation is short-sighted because it fails to account for the laggard positions and failure of Libya under Gadhafi and Iraq under Sadam to achieve similar successes in raising their peoples’ standards of living, despite the fact that they possessed richer oil and other economic resources (Mansour (2014). The role of UAE leadership is in fact a major driver for this stupendous success. Paradoxically, the policy-making system within which this leadership operates is in itself a factor in the population imbalance.

**The Policy Making System and Population Imbalance**

The United Arab Emirates (UAE) is a loose federation of seven emirates (previously known as chiefdoms (or mushiakhat in Arabic). These include Abu Dhabi, Dubai, Sharjah, Ras-Alkhaimah, Al-Fujairah, Ajman, and Ummalquain. Before they come together to form the UAE federation, they were collectively referred to as the Trucial Emirates. Since these emirates were autonomous before the establishment of the federation and ruled by historical Sheikhly families,
they insisted on preserving their local autonomy and systems of rule. Therefore, the federal constitution that provided for the establishment of the federal state of UAE in 1971 has created a relatively weak federal government with limited constitutional powers and preserved the local autonomy of emirates under their traditional rulers (Mansour, 2011). However and despite the constitution, the seven emirates are not equally autonomous because, with the exception of Dubai, all the other five emirates are relatively poor in resources and depend largely on the federal government whose budget is financed mostly by the oil-rich emirate of Abu Dhabi (Mansour, 2010). This constitutional set-up has tremendous influence on the implementation of policies related to manpower, immigration and economic development.

This political structure and constitutional setup have exerted real influence on the country’s ability to forge unified policies to address the problem of population imbalance. Formally the country is a federal system but actually it is con-federal polity; a fact that complicated the immigration policy and partly contributed to the augmentation of the population imbalance. Moreover, since the federal government economic resources depend mostly on emirates’ financial contributions, especially Abu Dhabi, to the federal purse, the federal government ability to perform its constitutional functions is greatly hampered by this dependency. This state of affairs works to confuse the process of policy making in general and population policy in particular.

One outcome of this policy-making system which rests on the constitutional local emirates autonomy over their economic endowments is the adoption of varied economic development models that impacted the population imbalance in different ways. The abundant oil resources enabled Abu Dhabi to concentrate on a development model that mainly rest on oil-based industrialization and related petroleum products and petrochemical industries. Having modest
oil-based resources, Dubai presents a different development model that targeted different activities that include, “…transports, logistics, tourism, hospitality, financial services and real estate and construction” (Pradhan, 2009, 4).

Dubai has always been a center of trade with India, Iran and East Africa and developed now into an international trade center. Even during the oil boom Dubai economy was not wholly dependent on oil revenues. Since the other five emirates possess minimal petroleum-related resources, they also adopted the Dubai model and concentrated on similar activities. Both models require the services of different types of expatriate labor but the Dubai model is more demanding in term of service oriented and hospitality personnel. Since Dubai is a trade center and depends mainly on trade in services it is interested in expanding local markets and purchasing powers. On the other hand, Abu Dhabi is more stringent in its approach to immigration and population policies. However, both of them, together with the other five emirates, are open market economies with contradictory interests in expanding local markets and preservation of national identity. These two fundamental goals are negatively correlated and the achievement of the one in any degree represents a corresponding loss in the other. This negative correlation between these goals is embedded in all policy options designed by the UAE government to address the problem of population imbalance.

**Policy Options and Tradeoffs**

Using Dunn, (2004) classification of public problems, the UAE population problem qualifies as an ill-structured problem. Ill-structured problems have many decision-makers, varied stakeholders, involve conflict over values and utilities; therefore they have unlimited possible alternative policies with incalculable probabilities and unknown outcomes. Although the problem of population imbalance and the other sub problems associated with it are products of
free market dynamics, the UAE government has diagnosed it as a public good to be addressed by government intervention. This diagnose is not acceptable to free market and open economy supporters who consist mainly of the business community and some government officials. They seem to argue with Weimer & Vining, (1999) that government intervention in free market operations to address some types of public problems may cause market failures in other sectors of the economy or may lead to complex problems of market and government failures.

Moreover, it is argued that this intervention may additionally trigger the anger of the WTO and western partners as well as international human rights organizations. These have already filed complaints regarding the labor conditions and human rights of expatriate labors. In the international Indexes, the UAE “…scores well in fiscal freedom, labor freedom, freedom from corruption, and trade freedom. These freedoms represent the interest of the national business which constitutes an integral component of the traditional patron client system” (Mansour, 2008). In this context the population imbalance assists the private sector in keeping labor costs down, and therefore works as a catalyst for inviting foreign investments. This may be one reason for the private sector opposition to government intervention.

The characteristic of interdependence of public policy issue areas indicates that a policy problem in one area affects policy issues in other areas (Dunn, 2004). Therefore, the positive and negative impacts (externalities) of solutions sought for one problem go beyond the borders of this problem to influence other problem areas. Hence every policy proposal has its opportunity costs and therefore may sometimes involve painful tradeoffs. Moreover, the choice among policy options is not always simple and is confounded by the conflicting interests of the stakeholders involved. In the UAE context, the major stakeholders involved in problem of population imbalance include local as well as international actors. These include primarily the cosmopolitan
private sector, government officials, university graduates, and Western governments, countries providing expatriate labor, the World Trade Organizations (WTO) human rights organizations and finally Emirati families.

Of course the interests of these stakeholders differ in term of their intensity and nature. Whereas the cosmopolitan private sector is interested in the cheap labor made available by the population imbalance and the expatriate purchasing power in local markets, outside actors like Western governments and human rights organizations are interested in expatriate labor rights. The WTO and Western governments are also interested in free trade issues. Emirati families are ambivalent towards the problem. On the one hand they perceive the problem as threat to their identity and on the hand they are aware of the role of immigrant labor force in the high standards of living they enjoy. Whereas unemployed university and other graduates associates their ill fate with the population imbalance and, government officials are concerned with outside pressures that request the naturalization of willing expatriates and the threat this may impose on the social foundations of elite structure and legitimacy.

The basic policy dilemma that the UAE government faces now is that many policy options to address the problem of population imbalance involves painful tradeoffs between the high rates of economic development and living standards achieved by the country and preservation of national identity and security. These painful tradeoffs may be demonstrated by the extreme scenario if the UAE government decides to expel all expatriates from the country in one shot. The obvious outcomes of this scenario may include shrinking of the local market and reducing purchasing power, depriving UAE families of the services of house maids and drivers, depriving society of the services of street cleaners, attendants and workers of gas station, nurses, teachers, doctors, engineers and others. In short this extreme scenario will end the population imbalance but it will
definitely dismantle the welfare state and contradicts the interests of all the local stakeholders. Although the nationalistic supporters of the preservation of national identity may impliedly favor this extreme scenario, but some of them are definitely not ready to pay its price in term of lost welfare, halted economic development and wilting the private sector and public enterprises. Consequently, this extreme scenario is unthinkable as a feasible policy alternative. The policies adopted in practice sought to mitigate the threats of the population imbalance rather than eradicate it completely. Generally the government has adopted so far three policy tracks, that are based on different definitions of the problem, to address the population imbalance: encouraging national child birth, Emiratization of jobs in the public and private sectors, and stringent emigration and immigration policies.

**Increasing National Birth Rates**

The first track involves increasing the rate of birth among the UAE nationals. Using Bardach’s, (2011) definitional classification, this track defines the problem as a “deficit in Emirati locals”. It includes two interrelated policies: encouraging child birth by offering a lifelong allowance of AED 600 ($163) for every child in national families and encouraging national youth to marry and establish families. For the sake of the latter the government has established the Marriage Fund to help newly married youth by giving them a sum of AED 70,000 ($20,000) and other housing benefits. This policy is carried out in a context of very generous welfare policies that provide free education to national children from kindergarten to graduate and post graduate education and free health care from the cradle to the grave. Even with the country’s move towards privatization in the turning years of the 20th century, this policy of comprehensive welfare was not touched because it is embedded in the very foundations of the regime legitimacy (Mansour, 2008). The outcomes of these two policies are evidently long-run,
yet their impact in enhancing the size of the national population is expected to be minimal because of the declining fertility of Emirati women due to the spread of female education, affluence and most importantly female joining the labor force.

The unimpressive outcomes of these policies in this track led the government to establish in the 2010 the Federal Demographic Council (FDC). The importance attached to this council is evident in the fact that it was placed under the leadership of Lieutenant General Sheikh Saif Bin Zayed Al Nehayan, Deputy Prime Minister and Minister of Interior. The composition of the FDC board members reflects the internal and external ramifications of the problem. It includes the Minister of Labor, the Minister of Economy, the Minister of Foreign Affairs, the Minister of Social Affairs, and the General Secretary of the FDC (FDC, 2011). The old Emiratisation Council was merged into the new body. This last move was an acknowledgement of the link between the problem of population imbalance and unemployment. Hence the First Deputy Speaker of the Federal National Council (FNC), The UAE Parliament with advisory powers, Ahmad Bin Shabib, was reported saying that …

…the demographic problem and emiratisation are two sides of the same coin, so the decision to merge the two councils was perfectly good. The Government is making serious efforts to correct the demographic imbalance while taking care not to upset development projects and keeping the national interest paramount," (Salama, 2014).

The FDC main mandate is to find ways to balance the population structure in the country, and to "deepen the spirit of loyalty of UAE citizens to their leadership and homeland" (Salama, 2014). This overall goal involves several activities that include the review of population policies and to devise national demographic strategies and initiatives in coordination with other related institutions and relevant stakeholders. Moreover, the FDC is entrusted with gathering relevant demographic information, and carries out demographic research and establishes a database on
the demographic structure of the UAE. In addition the FDC is expected to ensure, in coordination with other government departments, the existence of a unified policy to address demographic issues. But the most difficult task assigned to the new council, and which incidentally reveals the government concern and awareness of the contradiction between economic development policies and policies targeting the population imbalance, is to “maintain synergy between the sustainable development and demographic policies” (Salama, 2014).

Despite the fact that the council has sponsored and financed many research projects in collaboration with local and international academics, it is too early to evaluate its contribution and role in better shaping the demographic structure.

Emiratization of Manpower

Emiratization or *Tawtin* (nationalization) policies, which define the problem as a deficit of jobs for Emiratis, involve the replacement of expatriates with Emiratis in both the public and the private sectors’ jobs. Recently the UAE government came to acknowledge the impact of the population imbalance on unemployment among the graduates of the modern educational system (Koji, 2011). The Federal National Council (FNC) urges for the need to adopt political decisions to address the Emiratization issue. Dr Abdul Rahim Al Shaheen, a FNC member from Ras-Alkhaimah was reported to have said…

"The demographic and Emiratisation issues require political decisions by the highest authorities and these decisions must be binding on all public and private institutions and businesses. The Cabinet had taken several decisions to address the demographic and emiratisation issues, but they were not fully enforced.”

The basic concept of Emiratization policy is to replace expatriate workers with citizens to solve the problem of unemployment among nationals and simultaneously reduce dependence on expatriates to reduce the population imbalance. Emiratizing government jobs is not a difficult
task. However, the private sector understandably seems to be unwilling to adopt this policy. Ninety nine percent of the labor force in the private sector is expatriates (Koji, 2011). Many Emirati experts believe that Emiratization of private sector jobs has failed. For example Simpson, (2012) reported in the National Newspaper that …

A leading academic says the problem is (that) the private sector is riddled with negative attitudes towards Emiratisation and has become strong enough to resist government efforts to implement the policy. As a result, Emiratisation has "utterly failed", says Abdulkhaleq Abdulla, professor of political science at United Arab Emirates University in Al-Ain."There is a fundamental built-in bias against Emiratis in the private sector," said the professor. "I think that bias has to do with the very culture of the private sector that has grown in this country - and we need to change that culture."

In fact Professor Abdulkhaleq Abdulla in the quote above is correct in saying that "There is a fundamental built-in bias against Emiratis in the private sector," but he did not explain the reason for this “fundamental built-in bias”. Since the natural motive of the private sector is profit, abstract nationalistic slogans are not feasible substitutes for the profit motive. The expatriate labor represents a reservoir of cheap labor for the private sector. Therefore, the well-entrenched and strong private sector may not endure the loss of cheap labor and purchasing powers of the vast immigrant population. The private sector is reluctant to absorb nationals in its ranks because of the low wages of expatriate labor (and high expertise) compared to wage expectations of national graduates. Therefore, TCO Management Consulting reported that the nationals occupy only 43,000 of the 2.2 million jobs (20%) in the private sector. TCO explained this state of affairs in term of the "…lack of integration of the Emirati workforce into the private sector" (Simpson, 2012). Nationals actually prefer to join the public sector where they receive higher salaries and wages and fringe benefits that the private sector is not willing to provide in view of the abundant supply of cheap labors in the local and regional markets.
Understandably, the policy of Emiratisation has achieved remarkable success in the public sector and therefore around 495,000 national are presently employed in government jobs (Simpson, 2012). TANMIA (The National Human Resource Development and Employment Authority) was established in 1999 by the federal government to oversee the policy of Emiratization. Its record in this area is not impressive so far. The Minister of Labor devised a quota system in which private sector entities were required to employ certain numbers of nationals and this policy was eventually abandoned following the opposition of the private sector and some high government officials. This latter policy was attempted by the UAE Central Bank requiring banks to employ 10% of their employees and did not achieve any significant results. It has actually led to the introduction of ATM machines (Elhussein, 1991). Two of the early initiatives considered by FDC are, first, to find new construction technologies that would reduce significantly the number of construction laborers needed and, second, a project to employ students and sons of expatriate on part-time bases (Salama, 2014). These two initiatives taken were considered as a means to preserve the present population national-expatriate gap by reducing the need for importing new laborers. The two policies are not fully activated and their success is dubious, since expatriate siblings and students are mostly middle classes and are not expected to take hard jobs in the construction industry for the low wages offered to Asian laborers. Other related policies include the use of labor saving technology to reduce dependence on expatriate labor. The UAE has achieved considerable success in employing technology in both public and private sectors (Mansour (a), 2012).

Since the 1990s the government embarked on highly advance training and educational activity in professional education in the fields of medicine, engineering and especially information and communication (ICT) technology and computer sciences. Computer studies and
training start from elementary schools. Universities and schools employ advance teaching methods, smart rooms, and IPAD education (Mansour (b), 2012). The Internet is made available for all citizens and residents thereby allowing the government to deliver almost all services online hopefully to reduce dependence on expats. The UAE has now the best e-government facility in the whole region and ranks top in UN e-government and the World Economic Forum Reports on investments in technology, use, and stakeholder’s involvement therein (Mansour (a), 2012). Moreover, the government has embarked nowadays on ambitious projects for what the visionary prime ministers called “the intelligent government” that depends on modern technology to perform all government’s functions and services online. However, impressive as they are, these moves have created new demands for expat skills such as teachers, computer experts and other similar specialists. Despite their negative impacts on the population imbalance, the technological approach may help in mitigating the problem in the long run but it will not eliminate the problem all together. This is so because the majority of foreigners perform menial jobs that nationals are not ready to perform and the advancement of technology in the future may not provide reasonable substitutes.

Immigration Polices

The last track of the stringent immigration policy has not succeeded in reducing the flow of legal or illegal immigration. Here the problem is defined as a “security issue”. Recently the government adopted strict immigration policies. For example to reduce the number of maids employed by nationals and residence, a bank deposit of AED10000 ($2700) is requested. This is in addition to the application fees and health insurance. Visit visas, which provide venues for illegal stay after the end of the legal visit period, are subjected to similar requirement of AED 1000 ($270) bank deposit, application fees and health insurance. Expatriates who are willing to
sponsor their families and dependent have to satisfy the requirement of a minimum salary of AED 3000 ($816) with accommodation or AED 4000 ($1100) without accommodation. This salary requirement falls far above the average wages of the majority of laborers in both the private and public sectors. These measures are intended to reduce the size of non-national population, but there are many loopholes that allow companies and individuals to trade in residence visa. By using their rights to bring laborers these companies and individuals request labor visas which they do not need and sell them for immigrants who wish to enter the country. Despite these policies the “population size of the UAE increased from 1.0 million in 1980 to 8.4 million in 2010. It is expected that the population will keep on increasing to reach approximately 15.5 million in 2050” (United Nations, World Population Prospects, 2012). If this trend continues the percentage of national population may regress to one digit in the near future.

Conclusion

The paper examines the problem of population imbalance and the painful tradeoffs between the policy alternatives addressed to remedy it. The backdrop against which the population imbalance has evolved was the sudden vast flow of revenues from the export of oil which was discovered in the 1950s. It was not the discovery of oil per se or the substantial amounts of revenues that came with it that caused the population imbalance. It is in fact how that money was used to accelerate the process of economic development that explains the evolution of this conundrum. Since the population of UAE was small in size and lack necessary skills needed for economic development at independence, the development-oriented leadership of the country was forced to import these necessary skills from all over the globe. From here on the gap between nationals and expatriate started to widen until the nationals became a minority in their own country. This fact actually revealed the paradoxical relationship between economic development
and national identity in UAE. The paper discusses this issue and associates it with three factors. These include the post-independence process of nation building, the policy of diversifying the economy and the nature of UAE policy making system.

The regional turbulence and insecurity in the Arab Gulf as well as the rising unemployment rates among UAE youth alerted the government to the security hazards and threats to national identity embedded in the population imbalance. International pressures on the government to observe expatriated laborers rights to naturalize them if they like added fire to the already accumulating fears regarding security and national identity. Consequently the government started to look for solutions to the problem. The government followed three tracks of policy alternatives that include policies to increase the volume of the national populations, Emiratization of manpower, and regulatory policies to control immigration. Understandably, these policies have not succeeded to narrow the gap between local populations because they have not targeted the major cause of that gap. This is so because the root of the population imbalance problem resides in the ambitious economic development policies followed by the emirates governments thereby creating an unavoidable contradiction between economic goals and population policies.

All these policy options, which have been tried by the government in the last three decades, threaten the present high standards of living enjoyed by the Emiratis and may retard the government’s feats in different social and economic sectors. However, the development of labor saving technology and the government’s efforts therein may dilute the problem a little bit in the future, yet it will not eliminate the problem altogether. In this case, the country is expected live with the problem of the population imbalance for a long time in the future. Nevertheless a middle ground may be achieved by slowing down the pace of economic development.
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