Introduction

In early March 2010, Baroness Shriti Vadera, a former Minister of International Development under the British government led by Gordon Brown, boarded a plane to Dubai on a hastily-arranged and high-profile consulting project to advise the government of Dubai (in particular, the ruler, His Highness Sheikh Mohammed Bin Rashid Al Maktoum, and members of the Dubai Supreme Fiscal Committee) on its relationship with creditors to Dubai World, the state-related entity in need of approximately USD26 billion US dollars to restructure its debt obligations. The unofficial task was to smooth over relationships with several British banks which held Dubai World debt, some of those banks having been recently acquired by the British government in its own financial “restructuring” after the mortgage-backed securities crisis of 2008. Vadera represented the interests of the British government and financial establishment – though this was not her title or her official duty. Her task was to advise the Dubai government on how to better manage communications and negotiations with its key creditors and to quickly have the lenders come to a settlement on the restructuring of the debt. The government of Dubai offered her this position for her global reputation for negotiating on behalf of sovereign entities, and also on the intervention by recommendation of members of the British government, particularly of senior Labor party members, including Lord Peter Mandelson.

The relationship between the United Kingdom and the United Arab Emirates is a long-standing one, balancing commercial and security interests over the past two centuries from mercantilist practices of the British in the trade routes of the Gulf1 and Indian Ocean of the
nineteenth century, the loose protective Trucial States agreements of the early twentieth century, through independence and the formation of the state of the United Arab Emirates (UAE) in 1971. The commercial and security interests of the UK have continually factored in its foreign policy approach to the Emirates and vice versa. The Emirates’ varied relationships with foreign powers (including the British, and more recently the United States and even China) have influenced the national development agenda and at times constricted its policy options. The micro-political systems defined by emirate and tribal loyalties which together comprise the United Arab Emirates have long been subject to the global financial crisis and the interaction of domestic and international politics. One of the key arguments of this book is that in order to better understand the political economy of the United Arab Emirates, we must take a historical institutional approach, examining both domestic and international competing interests, and the formation of decision-making institutions that have endured tribal conflicts, colonial ties, financial devastation, state formation and the advent of enormous (though not evenly distributed) resource wealth.

Viewed in the context of continuity rather than particularity, the case of the UAE reveals much about the process of state formation, economic development, and the balancing of small state interests in a global security framework. The political economy of the United Arab Emirates, a small, wealthy petro-state in a critical geo-strategic location, is not so unlike many states facing the dilemma of building state capacity in infrastructure, provisions of social welfare, a globally-integrated financial architecture and negotiating a place at the table in international organizations and regional security alliances. In fact, a focus on the politics of economic development requires a comparative analysis of development stories from England’s industrial revolution to Brazil’s experiments with state-led growth and corporatism of the 1970s, to the East Asian Tiger miracles of the 1980s, to name a few. Each of these economic transformations has occurred in political frameworks with similar difficult social implications. The UAE just seems to be tackling the economic development quandary with a rapidity that has placed enormous pressures on both state and society to transform.²

This book explores the process of policymaking and implementation in the finance, energy and security sectors in the United Arab Emirates, looking specifically at the role of informal advisory networks in a nascent private sector, federal politics and historical ties in foreign relations. The analysis is primarily focused on the role of the state in the context of a developing political economy. It asks how the specific