

The UAE and the Coronavirus Pandemic: Maintaining the Geopolitical Status Quo Will Not Be an Option

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Summary

With UAE playing a larger geopolitical role, the UAE will have to face up to hard economic choices that vast currency reserves and wealth funds had previously provided a kind of buffer against. On top of the practical challenges of reopening and stimulating a depressed local economy once it is deemed safe to do so, the UAE will likely have to undertake domestic reforms that it had hoped would otherwise have been indefinitely delayed. The paper articulates UAE's position in the changing global geopolitics wrought by damaged great power reputations.

Over the past decade or so the United Arab Emirates (UAE) has emerged as one of the savviest and most agile geopolitical actors not only in the Arabian Gulf, but more broadly across Southwestern Asia, the Eastern seaboard of Africa, the Western part of the Indian Ocean, and South Asia.

The UAE has also taken on a larger role in the Caucasus and Central Asia in more recent years and is widely viewed as a pivotal power in everything from global energy policy and regional security and economic matters through to space policy, renewable energy development, new agricultural technologies, and innovative construction techniques, among other things.

Perhaps the most impressive aspect of UAE foreign policy has been its careful balancing of competing interests of the United States and China in the Emirates as well as in the region. Abu Dhabi has managed to maintain the military security guarantees and presence of the US while at the same time skillfully propel China to become the country's largest economic partner, to include being a significant part of Beijing's Belt and Road Initiative (BRI).

The impact of the Coronavirus pandemic is, of itself, not necessarily a challenge for the UAE and its foreign policy and geopolitical position. This is not to say that the UAE has not felt the economic hardship experienced around the world, or that the pandemic has not affected the country's timeline for greater economic diversification from oil. In both cases, the UAE will have to face up to hard economic choices that vast currency reserves and wealth funds had previously provided a kind of buffer against.

Now those reserves and funds are being unexpectedly used to shore up an economy battered by collapsing oil prices and, domestically, sclerotic economic policies and consumer demand that practically disappeared in days because of public health lockdowns and individuals staying at home instead of shopping at malls and eating at restaurants.

On top of the practical challenges of reopening and stimulating a depressed local economy once it is deemed safe to do so, the UAE will likely have to undertake domestic reforms that it had hoped would otherwise have been indefinitely delayed. These reforms, while necessary, will also be painful in that they will hasten the end of an overly generous welfare state for Emiratis and, at the same time, improve economic and property rights for the middle-class non-Emirati residents.

For South Asian countries, in particular, these UAE economic reforms could be both a blessing and a curse. On one hand, the vast majority of middle-class non-Emirati residents in the UAE are from India and Pakistan, and they constitute the backbone of the country's economy and government functions. While there has been a contraction among middle-class jobs in the UAE – and with more losses to come post-pandemic – these high-value jobs will likely see an eventual rebound and, assuming that there are not enough appropriately educated, qualified, and motivated Emiratis to fill them, this non-Emirati middle class will endure.

On the other hand, the pandemic has exposed the UAE's vast reliance on imported cheap labour primarily from South Asia, leaving tens of thousands of individuals stranded in camps and elsewhere with no work and no options to leave. Their plight has sparked a much-needed ethical and

economic debate about the conditions under which these individuals live and work. This situation has also sparked a diplomatic row between the UAE and India, and to a lesser extent Pakistan, about their repatriation as Delhi and Islamabad initially refused their return because of concerns that they might accelerate the transmission of the virus.

In many respects, these immediate issues caused by the pandemic are not exclusive to the UAE and are being faced by practically every other country within the Gulf Cooperation Council (GCC). When viewed in this light, the UAE along with Saudi Arabia is likely to find itself economically in a better position after the pandemic eventually recedes than a number of its neighbours, such as Oman, Bahrain, and Kuwait.

One bright spot for the UAE during this pandemic is its public health reputation, both domestically and internationally. On the outset, UAE leadership took the Coronavirus seriously and did not politicise it as was the case in Europe and North America. Instead, leadership in Abu Dhabi and Dubai utilised the lessons learned from their experience in dealing with the small outbreaks of the Middle East Respiratory Syndrome (MERS) in previous years, and also looked to countries such as Singapore and South Korea in how to tackle Coronavirus.

As a result, the UAE has carried out a vast and effective testing regime, with an emphasis on the most vulnerable populations such as laborers, as well as stringent lockdowns in Dubai and Abu Dhabi. The number of positive cases rose as more testing was conducted, but these measures have managed to reduce the rate of transmission and keep the mortality rate low within the population and have allowed Emirati leadership to better calibrate the easing of lockdown measures and carefully reopen

parts of the economy. This, in turn, has reflected well on the UAE's reputation for good and competent governance in the World Health Organisation (WHO) international rankings.

Amid the Coronavirus pandemic, the UAE's challenges are typical of those faced by all other GCC countries, yet simultaneously contrasted by an impressive (to date) public health strategy in dealing with the virus.

The aftermath of the pandemic, however, will pose significant challenges for the leadership in Abu Dhabi and Dubai in maintaining the UAE's foreign policy and geopolitical position. The reasons for this are not just because of depressed oil prices, but also because of changes in global geopolitics wrought by damaged great power reputations as well as accelerated economic and technological trends. These challenges are as follows:

Struggling oil prices will constrain UAE ambitions and force needed reform: Globally, a post-pandemic economic recovery will be slow and fitful and oil prices will struggle to return to their pre-pandemic prices (which were already concerning). While China, India, Japan, and South Korea will remain the biggest importers of GCC oil and gas, these economies will also struggle with lower global demand for their products, in turn compounding the price-point of oil. As a result, the UAE will tighten its fiscal belt, rationalize its considerable foreign and economic interests, reduce (but not eliminate) its reliance on foreign labour, and enact painful yet necessary economic reforms that it had previously hoped could have been put off.

Post-pandemic 'Green New Deals' could further depress demand for oil and hasten economic diversification: The probable scenario outlined above could be further compounded should enough major

economies in Asia, Europe, and North America look to enact so-called 'Green' post-pandemic economic recovery plans that emphasise renewable energy grids, ecologically-friendly and sustainable infrastructure programmes, and the widespread electrification of transportation, thus further reducing the global demand for hydrocarbons. Such an eventuality would further compound challenges for the UAE and would force the country to enact even more painful (and potentially, politically dangerous) economic reforms that many Emiratis, accustomed to lavish welfare programmes and lifestyles, might find difficult to adjust to. The only factor that might help the UAE, and other oil-producing economies, avoid such a fate is if policymakers in major Asian, European, and North American countries choose to revive their economies quickly through a traditional reliance on hydrocarbons.

Damaged great power reputations will likely encourage a more independent UAE foreign policy: The post-pandemic geopolitical reality will not just be a one-way street that the UAE will have to contend with – the geopolitical traffic will travel in both directions. None of the traditional great powers on the international stage will come out of the pandemic unscathed. Leaders in Abu Dhabi are doubtlessly looking around the world at the moment and are finding few examples from the great powers that inspire them with confidence and reassurance. Both the United States and China have suffered, for different reasons, extreme reputational damage because of the way they are handling the pandemic and their distasteful squabbling for position. The British handling of the crisis has left Emiratis that traditionally looked to London as a cultural/governance style to emulate distinctly unimpressed, and the rest of Europe will be preoccupied with its own economic recovery for many years to come. Russia's recent ill-

considered attempt to undercut OPEC oil production policy has finally discredited its already limited influence in the Gulf. True to their style, Emirati leadership will never deign to voice their misgivings about these powers publicly, but there is a strong possibility that they will quietly seek to chart a foreign policy course that reduces their reliance on any one of these powers for the UAE's security and economic wellbeing.

Worsening Sino-American relations will challenge the ability to balance the competing interests of the United States and China: Pre-pandemic fears that the United States and China could end up in an adversarial 'cold war' redux relationship are now looking all but inevitable in the geoeconomic sphere, if not in wider geopolitics. As has already been mentioned, Abu Dhabi has previously trodden a skillful path between the unreasonable demands for absolute loyalty emanating both from Washington, DC, and Beijing. This approach would likely be more difficult to maintain for UAE leadership, and even if this approach can be extended into the future, the potential gains will be diminished. As difficult as the Emirati ability to balance the jealous interests of the United States and China, it is unlikely that Abu Dhabi will allow itself if at all possible, to be forced into choosing a side. Instead, the pressures resulting from even more adversarial and unstable Sino-American relations will likely reinforce a desire among UAE leadership to chart a more independent foreign policy course. Underpinned by a regionally superior military, the UAE may, perhaps, eventually adopt a certain kind of neutrality that we have seen in European countries such as Finland, Ireland, and even Switzerland.

Most of the scenarios outlined above are, of course, eminently debatable among reasonable people, but undoubtedly a leaner, wiser, and more prudent UAE will emerge from the ravages of this pandemic into a world more divided and diminished.