The Challenge of Affluence: Abu Dhabi

Author(s): Ragaei El Mallakh

Source: *Middle East Journal*, Spring, 1970, Vol. 24, No. 2 (Spring, 1970), pp. 135-146
Published by: Middle East Institute
Stable URL: https://www.jstor.org/stable/4324581

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Ragaei El Mallakh

TRIGGERED BY sudden wealth, the pressures of modernization have descended upon the Arab states of the Gulf. Since the mid-1960s, Abu Dhabi has furnished the most striking example of rapid change. Prior to the oil-generated influx of capital, Abu Dhabi's substandard educational system had been dependent for financing and staffing from outside sources; today, this one small state daily is actually and visibly expanding, one vast building site, and has assumed the status of a development aid extender within the region. In recent years there have been several examples of swift economic growth within the Arab world, specifically Kuwayt and Libya, yet the rate of Abu Dhabi's growth is three times faster than that experienced in Kuwayt which, until now, has been the most widely acknowledged instance of "rags to riches."[1]

The rising oil revenues have been on such a scale that this state presently boasts the world's highest *per capita* income, thus forcing Kuwayt and the United States into the second and third places respectively. While *per capita* income figures can be misleading, the implications of this criterion are increasingly valid for Abu Dhabi as the wealth, particularly in the past two years or so, has been accompanied by income distributive measures directly or indirectly, through free medical care, education, low-income housing schemes, and other primary requirements of social and economic infrastructure.

The Historical Perspective

Fringing the Arabian peninsula south from Qaṭar to the Gulf of Oman are the seven Trucial states of Abu Dhabi [Abū Ẓabī], 'Ajmān, Dubai [Dubayy], Fujayrah, Ra's al-Khaymah, Sharjah, and Umm al-Qaywayn.[2] With a coastline stretching some 250 miles from Qaṭar to Dubai and a land mass of about

1. Case studies of the Kuwayti and Libyan experiences by which a comparison can be drawn are the author's articles "Economic Development Through Cooperation: The Kuwayt Fund," *Middle East Journal,* Autumn 1964 and "The Economics of Rapid Growth: Libya," *Middle East Journal,* Summer 1969.

2. Piracy and tribal warfare led to a maritime truce arranged by Great Britain in the mid-1800s, hence the derivation of "Trucial" states.

△ RAGAEI EL MALLAKH, professor of economics at the University of Colorado and former economic consultant to the World Bank, is author of *Economic Development and Regional Cooperation: Kuwait* (University of Chicago Press, 1968). The author wishes to acknowledge the support of the University of Colorado, Graduate School Council on Creative Research.

26,000 square miles, Abu Dhabi is the largest of the Trucial states which together total only 30,000 square miles for all seven. Abu Dhabi is actually larger than a combination of the territories of Baḥrayn, Kuwayt and Qaṭar. This area has been an important trading route, with settlements and distinctive cultures even in pre-history.[3] Among Abu Dhabi's islands the two best known are Sir Bani Yas and Das, outlets today for the crude oil exports of the Abu Dhabi Marine Areas Limited and the Abu Dhabi Petroleum Company. The capital, bearing the same name as the country and in which about half of Abu Dhabi's population of 46,500 lives, is situated on a small island connected to the mainland by a causeway.

Abu Dhabi's agricultural base is centered in the Liwa and Buraymi oases. The latter, a long-inhabited site, lies in the eastern portion of the country where nearby mountains offer a source of water for irrigation utilizing the *qanat* system of underground canals which is a feature of the Gulf states in general.[4] Abu Dhabi City's water is presently piped from Buraymi and will be augmented with the completion of desalting plants.

Britain's presence in the Gulf is linked with that nation's interests in the Indian subcontinent and dates back to maritime truces of 1835 and 1853 (Treaty of Maritime Peace in Perpetuity) which brought an end to the flourishing piracy along the eastern coast. Enforcement was conducted first by the East India Company, followed in 1858 by the government of British India, and after 1947, by the Foreign Office.[5] By an 1892 treaty, Abu Dhabi agreed to British representation in foreign relations and military protection, although the United Kingdom has never held actual sovereignty over Abu Dhabi or any of the Trucial states. The much touted withdrawal by Great Britain in 1971 will usher out the era of British presence in the Gulf, simultaneously facing the region with a new set of political and, to a lesser degree, economic decisions.

Abu Dhabi's ruling family, the Al Nihyān, assumed authority in 1793. Shakhbūt bin Sulṭān (1928-1966) spanned the years from poverty to oil-based affluence until his replacement by his brother, Zayd bin Sulṭān. This change in leadership, effected by the royal family itself, arose from what was felt to be the inability of Shakhbūt to meet the necessary demands of change,

3. Archaeological evidence was presented recently in Geoffrey Bibby, *Looking for Dilmun* (New York: Alfred A. Knopf, 1969), p. 276, which dates antiquities on Abu Dhabi's Umm al-Nar island at over 4,000 years of age. Bibby points out that the gazelle design is the most frequently used symbol on ancient seals in the Gulf area, specifically Kuwayt and Baḥrayn. Interestingly, the name "Abu Dhabi" in Arabic means "father of the gazelle" and derives from a legend involving a gazelle and its pursuer.

4. *Ibid.*, pp. 282-396, concerning excavations in the Buraymi oasis.

5. Recent studies of this period include the paper by Robert G. Landen, "British Ascendency and Beginnings of Modernization," in *Middle East Focus: The Persian Gulf* (20th Annual Near East Conference, The Princeton University Conference, 1969) and Briton Cooper Busch, *Britain and the Persian Gulf, 1894-1914* (Berkeley: University of California Press, 1967).

particularly in expenditures and other support for development projects.

Structurally, the pattern of governing by Shakhbūt and his predecessors followed the traditional Arab tribal style wherein the ruler, having all decision-making power, was, nonetheless, accessible to the shaykhdom's populace. Such an administrative mode was acceptable so long as the group remained numerically small and the demands on and means of support for governmental functions were few. Since the accession of Zayd in 1966, however, the movement has been toward a modern bureaucracy capable of handling intensified developmental efforts. A civil service commission and some 28 government departments have been designated. Members of the Al Nihyān head the major sections, with the ruler having direct control in Finance.[6] The old custom of accessibility *vis-à-vis* the population has been retained by Zayd.

The Catalyst for Development

As with other Gulf states, the pre-oil economy derived from the sea, primarily through pearling, although Abu Dhabi has always had some limited agriculture. At its peak, about 4,000 persons were employed in pearling alone. Again as with other Gulf states, the rise of Japan's cultured pearl industry in the 1930s adversely affected Abu Dhabi's economy. The only bright point on the horizon was revenue from modest rent on oil concessions begun shortly before World War II. Abu Dhabi's economy stagnated until the mid-1950s when oil expectations on a substantial scale were revived.

The rapid expansion of a base for development *via* the inflow of capital can best be seen in the level of oil revenues as given in Table I. Payments to the government in 1962 were just under $2 million; in seven years the level had risen to approximately $190 million or an increase of almost one hundred-fold.

TABLE I *Abu Dhabi Oil Production and Revenues, 1965-1969*

	Production (in barrels per day)	Payments to Government (in $ millions)	Per Cent of Revenue Change
1965	281,600	33.2	—
1966	361,000	96.3	189.8
1967	377,600	110.6	14.8
1968	498,500	153.3	38.6
1969	598,900[a]	186.6[a]	21.7

Sources: Organization of the Petroleum Exporting Countries, *Bulletin*, May 1969, p. 5; The Middle East Research and Publishing Center, *Middle East Economic Survey* (Beirut), Supplement, January 23, 1970, p. 2.
[a] Estimates.

6. Khalīfah bin Zayd is his father's representative in the Eastern Province and head of the Defense Department while the ruler's younger brother, Khālid bin Sulṭān, is the Deputy Ruler.

As of early February 1970, a total of six concessions had been granted with a seventh due for award later in the spring.[7] In 1939 the first concessionaire (onshore) in Abu Dhabi was the Petroleum Development (Trucial Coast), a wholly owned subsidiary of Iraq Petroleum which was later renamed Abu Dhabi Petroleum Company (ADPC).[8] Serious exploration was undertaken in the mid-1950s with the first exports of crude in December 1963. The Abu Dhabi Marine Areas, Limited (ADMA), owned two-thirds by British Petroleum and one-third by Compagnie Française des Pétroles, was awarded offshore drilling rights in 1952. Despite the fact that the ADMA concession was granted later than the initial onshore agreement, the first shipment of crude from Abu Dhabi was made by that company in 1962.

As the first two concessionaires met their agreement requirements in relinquishing unexplored portions of their acreage, additional concessions have been granted. An onshore agreement was concluded early in 1967 with a combine of Italy's ENI (Ente Nazionale Idrocarburi), and American-owned Phillips Petroleum and Aminoil. A second offshore concession was awarded late in the same year to the Maruzen-Daikyo-Nippon Mining group. Another Japanese consortium, the Mitsubishi group, acquired onshore acreage in May 1968, and an additional concession onshore was announced in February 1970.

There are several facets of the concessionaires and terms which have ramifications of Abu Dhabi's oil policy and indicate as well patterns among the lifting and consumer-oriented companies. The relatively extensive entry and proliferation of Japanese companies into the oil business in the past half decade, and particularly in the last three years, is striking: they elucidate first, the dependence of Japan on imported oil for its energy supply, and second, the determination of the Japanese entrepreneur to share in the lifting and marketing of crude in addition to the consumption realms of the oil industry. Having given up a protectionist support policy for domestic coal, Japan's energy needs are increasingly being met with oil imports, largely from the Gulf because of that area's proximity. Indeed, Japan stands as the largest single importer of oil in the world, with 90 per cent emanating from Middle Eastern sources. Japanese firms now operate in Kuwayt, Saudi Arabia and Qaṭar as well as Abu Dhabi.[9] Moreover, the crude discovered thus far in Abu Dhabi

7. A listing of concession terms, production, and other pertinent data on the first five agreements is offered in *Middle East Economic Survey,* Supplement, January 23, 1970, p. 8. Announcement of the onshore concession made in February 1970 is reported in *Middle East Economic Digest* (London), February 13, 1970, p. 195.

8. ADPC ownership is: 23.75 per cent British Petroleum, 23.75 per cent Royal Dutch/Shell, 23.75 per cent Compagnie Française des Pétroles, 11.875 per cent Standard Oil of New Jersey, 11.875 per cent Mobil, and five per cent Partex (Gulbenkian interests).

9. Japanese-owned Arabian Oil Company holds the Neutral Zone off-shore concessions of both Kuwayt and Saudi Arabia and in 1969 Japanese interests began exploration in Qaṭar as the Qaṭar Oil Company.

has the advantage of a low sulfur content, a factor of importance in reducing pollution.

In comparing the terms of concessions, the more recent agreements indicate a shorter period, a rising minimum exploration expenditure, and speedier relinquishment of unexplored territory.[10] Among the three newcomers only the Middle East Oil Development (MEOD) whose concession was signed May 14, 1968, made commitments for refining and investment in development projects. These included the agreement to build a 30,000 b/d refinery when output reaches 200,000 b/d and to undertake feasibility studies for joint development projects, as petrochemicals, when production reaches 300,000 b/d. Thus, the gist of the newer concessions is to spur exploration (relinquishments increased and higher minimum exploration expenditure) and support a rapid expansion of lifting and production through the lower time span of the arrangements.

Finally, Abu Dhabi is moving toward a position which may lead to the development of a national oil company along the lines of Petromin (Saudi Arabia), Kuwayt National Petroleum Company (Kuwayt), and Lipetco (Libya). The Department of Oil and Industry is seeking to negotiate the purchase of one million tons of crude annually over a two year period from ADPC and ADMA. A preliminary feasibility study on marketing has been submitted for a refinery to be constructed under the Five Year Development Plan.[11]

Because of its reserves, the overall world oil and energy picture, and the demands for development financing, Abu Dhabi is not and need not be overly cautious in exploiting its petroleum resources. Although proven reserves are always subject to change and, in the case of Abu Dhabi, increasing, in 1966 they were estimated at 12.5 billion barrels, or more than half that of Iraq in the same year.

The exploitation of oil has been reflected not only in the explosive development taking place in Abu Dhabi, but it has had a spillover effect regionally throughout the Trucial states.[12] For example, citizens of Abu Dhabi and the Trucial coast are given first choice in filling employment opportunities for

10. Concession terms for ENI-Phillips, Maruzen-Daikyo-Nippon Mining group (Abu Dhabi Petroleum Development Company—ADPDC), and the Mitsubishi group (Middle East Oil Development—MEOD) are respectively: concession period, 55 years, 45 years, and 35 years; minimum exploration expenditure, $12 million first five years, $13 million first eight years, $24 million first eight years; relinquishments, 75 per cent of original area after 23 years, same, and 75 per cent after 16 years.

11. This study was conducted by Arthur D. Little consultants, *Middle East Economic Digest*, February 6, 1970, p. 161.

12. The Vice President of Abu Dhabi's Department of Oil and Industry has said: "We want and expect our oil production to rise at a rapid rate in the coming years. This will mean more revenue and more prosperity for this part of the world—not only Abu Dhabi itself but for the whole of the Gulf Federation as well." *Middle East Economic Survey*, Supplement, January 23, 1970, p. 1.

which they are qualified. The increase in income has multiplied Abu Dhabi's international ties through burgeoning imports and investment abroad. The rising level of imports is attributable to a combination of increasing oil revenues and ambitious development plans; almost 70 per cent of imports are of capital rather than consumption goods. The rate of importation in 1969 more than doubled that of the entire preceding year and was estimated at about 120 million, making the *per capita* import of about $2,400 the world's highest. Great Britain stood as the largest supplier, accounting for about 40 per cent of the total in 1968; in second place and moving up rapidly has been the United States, followed by Dubai and France. Because of Dubai's long established port and trading facilities, it acts as a funnel to Abu Dhabi and other Trucial states. Re-exports account for almost all of Dubai's exports to Abu Dhabi. Japan's portion of imports has been rising significantly, emphasizing that country's stake in Abu Dhabi and its petroleum development. Interestingly, other countries are "discovering" the Abu Dhabi market—as with a Spanish trade mission early in 1970 which toured the Trucial states.

Regulating Growth

Capital alone cannot guarantee development, which is a process not only to raise the level of production but also the level of individual productivity as well as consumption. There is no denying that Abu Dhabi's economy is undergoing unprecedented growth. However, the enclave characteristic of the oil-based economy precludes validity to the assumption that growth and development are synonymous. The need to channel growth into orderly development, thereby systematizing and easing the strains of rapid change on the society as a whole, gives the *raison d'être* for planning and economic policy formulation. Overlaying the underdevelopment of human resources in the Abu Dhabi economy is the technologically advanced stratum of natural resource exploitation in oil. The major challenges facing the developmental planners are concern over raising the economic quality of the population through education, health and other social services, control of inflation, diminishing one-product vulnerability, and the staffing and structuring of administrative and organizational bodies.

In addition to the qualitative is the quantitative problem in population. Accompanying the oil rush, the population has doubled since 1966. This labor movement is largely traceable to the return of citizens who earlier had left Abu Dhabi for better employment opportunities and to the influx of expatriates from the region, especially from the Trucial states, Baḥrayn, Jordan and Iraq. Qualitatively, the indigenous population, because of the pressing poverty of pre-oil times, at this juncture cannot fill the complete spectrum of skills required for development. With the increase in construction alone, even the reservoir of indigenous unskilled labor is inadequate. Thus a high priority has been assigned by Abu Dhabi to accelerated education, the upgrading of health standards, and meeting housing needs. Meanwhile, Abu Dhabi, as do Kuwayt, Libya and Saudi Arabia, utilizes the services of experienced Arab nationals of other countries, such as Dr. Nadim Pachachi, oil advisor, an Iraqi.

In view of the rapid pace of revenue inflow and the rush to realize development projects, inescapable inflationary pressures are evident in certain services and products as demand far outstrips supply. A major bottleneck has been the lack of an adequate deep water port which slows the physical flow of imports. A common scene has been a fleet of freighters anchored some distance out in the Gulf from Abu Dhabi City and between which small boats or *dhows* ply their trade of offloading and delivering the imported goods.

The oil boom has brought prosperity, yet the resultant imbalance has made Abu Dhabi's economy structurally dependent on a single product, oil. The vulnerability involves reliance upon a single export-oriented, raw material commodity, a condition not uncommon among the group of developing countries. However, the extent of this reliance is of a critically high degree when, for example, compared with Egypt's dependence on cotton exports or Zambia's on copper exploitation. To facilitate the developmental process and to order the priorities and implement planning, a modern administrative system has been effected. One of the most significant measures taken in this field was the institutionalization of a Planning Council, headed by the ruler and including the Eastern Region representative, the heads of the Departments of Finance, Public Works, Agriculture, Municipalities, the Director of Planning, and seven specialists.

A Five Year Development Plan (1968-1972), drawn up under the guidance of an experienced Iraqi as Director of Planning, Maḥmūd Hasan Jumā', has been launched.[13] The projects undertaken run the full gamut from water resources to petrochemicals, from social services to communications. The Plan essentially represents an attempt to move from haphazard growth to orderly development with the objective of establishing a basic infrastructure in the span of five years. Total allocations of $621,411 million, peaking in the years 1969 and 1970, are seen in Table II.

Abu Dhabi's only school in 1956 was a religious one, with an enrollment of 65. Throughout the Trucial states, school enrollments were about one per cent of the population; over 90 per cent of the inhabitants were illiterate. During the decade of the 1950s, only one school in the Trucial states (Sharjah) offered courses above the elementary level.[14] By 1966 there were six elementary

13. The Plan data in the following discussion are derived or calculated from Government of Abu Dhabi, Directorate General of Planning and Coordination, *Five Year Development Plan, 1968-1972,* (mimeographed, May 20, 1968).

14. K. G. Fenelon, *The Trucial States* (Beirut: Khayat Book and Publishing Company, 1967), pp. 16-17. Shaykh Zayd has stated his willingness to finance higher education abroad for any

schools in Abu Dhabi and less than 600 students enrolled; two years later there had been an eightfold increase in enrollment to 5,000 students. From 1968 to 1969, the number of teachers rose from 77 to 223. In combating this underdevelopment of social conditions, the Five Year Plan has earmarked 12 per cent of total allocations for education, health and housing. Under construction are primary, secondary, technical, agricultural and high schools, staff housing, public libraries and adult education centers. To upgrade health standards, the Plan supports 28 hospitals, clinics and sanatoriums, either under construction or projected, thereby giving Abu Dhabi one of the world's highest ratios of health facilities to population.

TABLE II *Allocations of Five Year Development Plan, 1968-1972*
(in millions of dollars)

	Total Allocations 1968-1972	As Per Cent of Total
Agriculture	28.117	4.52
Economic Infrastructure	275.226	44.28
Communications	149.163	24.00
Municipalities	105.651	17.00
Public Buildings	20.412	3.28
Industry	124.614	20.05
Loans and Investments	102.900	16.60
Domestic	14.700	2.40
Foreign	88.200	14.20
Social Infrastructure	90.554	14.55
Education	25.494	4.10
Health	13.671	2.20
Housing	33.180	5.33
Information and Tourism	12.424	1.99
Labor	5.785	0.93
TOTAL	621.411	100.00

Source: *Five Year Development Plan, 1968-1972.*

About 4,000 dwellings are scheduled for completion in the low-income housing program. These houses are given free to the general population. This is a considerable income distributive measure considering that the poorer citizens of Abu Dhabi will have moved from palm frond dwellings

eligible student throughout the Trucial states. *Al-Ahrām* (Cairo), August 5, 1968, supplement on Abu Dhabi (in Arabic), p. 1.

into independent homes with all modern facilities. In the area of labor, the Plan addresses itself mainly to the establishment of old age care homes, a vocational training center, and programs aimed at food-price stabilization. The five labor offices scattered throughout the state will handle employment and related social affairs.

Economic infrastructure, including the communications and municipalities divisions in the Plan, receives the lion's share of financing, 41 per cent of the total. Some $95.5 million has been set aside for a road system throughout the country (1,100 km in length), badly needed because of the relatively large size of Abu Dhabi. Of special note is that $15.54 million of this allocation is designated regionally for road construction in the other Trucial states. To remedy the congested port conditions, a program to deepen the shallow watered harbor of Abu Dhabi City and provide needed jetties is planned. A temporary harbor was completed in 1969; the first stage of the permanent port facilities is scheduled for operation by late 1971 or early 1972. Among other communication projects are the expansion and modernization of postal and telephone systems and airports at Abu Dhabi City and Al-ʿAyn, the second largest municipality of the state, located in Buraymi and headquarters for the Eastern Province.

The municipalities program includes town planning for the major cities, street improvements in towns throughout the country (664 km), a potable water supply and distribution system, sewerage, refrigeration facilities and public parks.

The Plan's sectoral emphasis is predominantly in agriculture and basic industry. Abu Dhabi's relative stress on agricultural development grows out of its modest traditional base. Projects in agriculture entail hydrological surveys, construction of irrigation systems and dams, a milk pasteurization plant, and livestock expansion and improvement.

Some 42 per cent of total Plan allocations support a general industrial survey, electrical power and distribution (including a desalination plant for Abu Dhabi City), and petrochemicals. The latter industy is heavily capital intensive, envisaging a gas liquefaction plant, refinery, and chemical production such as insecticides. Important for meeting construction demands is completion of the building materials industries. Moreover, such plants as for cement manufacture are economically most feasible as economy of scale is reached with relatively small units. Finally, the Plan recognizes certain of the older industrial pursuits in its allocations to fishing and pearling.

Certain characteristics appear when evaluating the Plan. One is its dual function, of both an income distributive and economy diversifying nature. Systematization of growth *via* planning at a very early stage in Abu Dhabi's development can be compared favorably with countries which share the impact of rapid exploitation of a natural resource, as with Kuwayt. In that state, oil revenues have been accumulating for almost two decades, yet its first Five Year Plan, although formulated, has still to be implemented. Abu Dhabi's Plan is actually a five-year budget, and because of the low developmental base, priorities were both comprehensive and apparent, stressing requirements of economic and social infrastructure. With succeeding plans, however, a plateau in the overall level of economic infrastructure will be reached and it will be possible to discern through forthcoming priority decisions what directions will be taken and what the base and rate of economic growth can be.

Evaluation of the Plan's efficacy must wait until after 1972 and full results are in; nonetheless, some trends can be singled out even now. One is that inflation has seriously undercut the allocations, leaving many projects underbudgeted. In 1969, Abu Dhabi incurred an overall budget deficit of approximately $31.8 million, partly due to lower realized oil revenues for 1968 than anticipated.[15] In an effort to counter this condition, the government instituted some deflationary measures such as reduced staffing, deferring certain payments, and concentrating more on ongoing development projects rather than beginning new ones. Although there has been a curbing in redundant bureaucratic staff, nevertheless a second major problem remains in the shortage of specialized labor.

Two positive elements in the Plan should be elucidated. One is the relative modesty and low priority given to public buildings (only 3.8 per cent of total allocations). Many developing countries stumble into the trap of excessive spending on prestige and spectacular public edifices. Abu Dhabi will do well to continue to avoid this pitfall. Second, in developing countries with a capital surplus, there is a temptation to utilize rather immediate and direct wealth distributive measures, such as a land purchase program similar to Kuwayt's, where the government buys land from private citizens at highly inflated prices, often reselling to individuals at a very low rate. This can easily lead to a dimming of the relationship between economic effort and reward.[16] In Abu Dhabi only $8.4 million (under the municipalities division) has been set aside for property acquisition, a small proportion considering the totality of Plan requirements.

In attempting a greater sectoral balance through diversification, it is encouraging that agriculture has been given serious attention. There is a deep interest in this sector, especially in the Eastern Province. It has been estimated that expansion of the agricultural potential would not only meet the basic food needs of Abu Dhabi but those of the neighboring Trucial states as well.[17] Industrial projects selected for Plan support indicate that import-substitution

15. *Financial Times* (London), February 6, 1970, which describes a report calling for 1970 as a year of "retrenchment."

16. A critique of the Kuwayti experience in this area is Ragaei El Mallakh, *Economic Development and Regional Cooperation: Kuwayt*, pp. 75-76.

17. *Al-Ahrām, loc. cit.*

industries are of limited potential because of the physical narrowness of the domestic market. However, certain industries as cement and building materials can reach efficiency with a small facility; additionally, the other Trucial states offer a market for these specific products. Industrial specialization in petrochemicals and refining is anchored in the availability of necessary capital and an abundant supply of the feedstock and raw material.

A final characteristic of the Plan is the section allotted to loans and investments. The allocations are divided into credits to domestic, commercial and development loan banks (for use by the private sector) and funds earmarked for the development of other regional economies and the meeting of international commitments. Over 10 per cent of total Plan allocations ($63 million) is designated for support of development projects in other nations.

The Spillover into Regionalism

A shared similarity of backgrounds and development problems binds the Trucial states together. As the largest in land size and the richest, Abu Dhabi has assumed recently greater responsibility for the development of its neighbors. The Trucial States Council consisting of the seven rulers has set up a Development Office. Abu Dhabi's contribution was 50 per cent of the 1966/67 fiscal year budget; in 1967/68 its share rose to 90 per cent. The pledge from Abu Dhabi for 1970 increased to some $5.25 million.[18] The Council through its Development Office has already overseen a number of projects in agriculture, road construction and public services. As cited earlier, Abu Dhabi's Five Year Plan has set aside assistance for the Trucial coast development, specifically in support of road construction ($15.5 million) and other development funds ($63 million).

To meet the future following British withdrawal from the Gulf and to keep stride with the tendency for regional developmental efforts, a political framework was created in February 1968 with the Federation of the Arab Amirates of the Lower Gulf, members being the seven Trucial states, Qaṭar, and Baḥrayn. In October 1969, the nine heads of state, meeting as the Supreme Council of Gulf Rulers, continued consultations on the Federation. Shaykh Zayd of Abu Dhabi was elected Federal President for a two year term and the head of Dubai (Shaykh Rāshid) and Deputy Ruler of Qaṭar (Shaykh Khalīfah) selected as Vice President and Prime Minister respectively. Agreement was reached for a Consultative Assembly of 36, four delegates from each state. The designation of Abu Dhabi City as temporary Federal capital was made until a permanent seat can be constructed on the border between Abu Dhabi and Dubai. Among the remaining thorny questions confronting the Federation are a budget, the distribution of cabinet positions and the ramifications of Iranian claims to Baḥrayn.[19]

18. *Middle East Economic Digest*, January 2, 1970, p. 8.

19. Some reflections on the political status of the Federation are offered in William D. Brewer,

Whatever the makeup of the Federation in the future, Abu Dhabi will retain a leading role. As the major oil producer of the nine Lower Gulf states (more than double the other eight combined), with a relatively large land base possessing distinct agricultural potential, and with a relatively small population, Abu Dhabi will have the continued source of wealth and the surplus capital above the domestic absorptive capacity to finance a significant portion of the Amirates' development processes.

On a wider scale, Abu Dhabi participates in the Arab Postal Union and the organization of the Arab Chambers of Commerce. It has also pledged $7.2 million to the initial capital of the Arab Economic and Social Development Fund, proposed and accepted by the Kharṭūm Conference in 1967 but still to be institutionalized and implemented by the Arab countries. More recently, Abu Dhabi has extended foreign aid bilaterally to certain Arab states including $14 million to Jordan in 1968.

Although primary attention was directed regionally to the nearby Trucial coast and other Arab countries, Abu Dhabi's international ties and commitments are expanding as well. It is a member of the Organization of the Petroleum Exporting Countries which includes major Arab producers, Iran, Indonesia and Venezuela; it contributes to the United Nations Relief and Works Agency. In conjunction with other Arab states, Abu Dhabi joined in the establishment during 1969 of the French-Arab Bank for International Investment. Abu Dhabi has close financial relations with Great Britain, not only in trade, but through the new Abu Dhabi Investment Board, headquartered in London, which is to handle overall foreign investment.

In conclusion, the future for Abu Dhabi's economic growth would seem bright. A number of investment alternatives, separately or in combination, present themselves. There could be the conscious policy of building up reserves against the oil's distant yet inevitable depletion, or to counteract sudden fluctuations in the international energy market. International investment of itself could be remunerative with the surplus capital thereby taking on some attributes of a factor of production. Economic aid with a high investment content could benefit both the donor and recipient through a return on the loan and greater stability for the region. Ultimately, Abu Dhabi's response to the challenge of affluence should clearly distinguish between affluence, which is itself a status, and development, which is a dynamic process, translating the former into the latter. The approaches open to Abu Dhabi will multiply as that state meets the more pressing domestic development needs and with the anticipated continued increases in oil production and, hence, revenues.

"Yesterday and Tomorrow in the Persian Gulf," *Middle East Journal,* Spring 1969; *Middle East Economic Digest,* June 20, 1969, Supplement on Abu Dhabi, pp. iv-v; June 27, 1969, p. 813; October 31, 1969, p. 1350; and December 26, 1969, p. 1585; the communiqué and report of the October meeting in *Middle East Economic Survey,* October 31, 1969, pp. 5-9.