

## CHAPTER I

### I. Background

The process of interaction and integration among people, companies and governments of different nation around the world creates a phenomena named globalization. Globalization is not a new concept in this current condition. For about a couple of decades, people and corporations have been buying from and selling to each other from the great distance. But, up to now the term globalization is still unclear and debated. One thing to understand about globalization in economical sphere is bringing about a 'denationalization' of economies through the establishment of transnational networks of production, trade and finance.<sup>1</sup>It means that every single country could make relation and develop their own economic sector among countries by involving themselves in global economic activities.

The phenomena of globalization has certainly had many different effects to the country we live in. The effect of globalization is not always giving the same result. On one hand, globalization could give the negative impact to the country but on the other hand, globalization could create the tremendous potential benefits to the country. But it all depends on how the country could take the opportunity or not in globalization activities because globalization itself is carrying some risk.

United Arab Emirates (UAE) is one example of a tiny country in the Middle East who gets benefits from globalization. In the past, UAE which was established on

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<sup>1</sup> David Held and Mc Grew."Global Transformations", Stanford.1999. Page 3

02 December 1971 had a huge complicated problem in economical aspect that implicated to its GDP and human development indices.<sup>2</sup> UAE was a region with very little economic activities, low human development indices, primarily pear fishing, low standard of living and low education levels. The infrastructure also was poor, the area is still full of deserts and there were only a few roads and few buildings such as hospitals and schools.

As a matter of fact, if we look at UAE now it has changed progressively and it is almost unbelievable. UAE has turned significantly become sophisticated modern nation state by having strong finance services, telecommunication, mass luxury tourism and infrastructure such as road, transportation, port, airport, school, building, real estate, hotel, shopping mall and etc.

By applying those policies, UAE has a strong position as a second economy largest in Middle East after Saudi Arabia and one of the wealthiest country in the region on percapita basis.<sup>3</sup> Its economic development is proven by the GDP in 2014 for about US\$399.45 billions and it gets the ranking 30 from 193 countries in the world.<sup>4</sup> Beside that, according to IMF the export rate of UAE in 2013 for about US\$

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<sup>2</sup> Tijani, Olatunbosun Ishak. "Contemporary Emirati Literature: Its Historical Development And Form", Department of Arabic and Islamic studies, UAE, University of Sharjah, 2014. Downloaded on 15 July 2015

<sup>3</sup> Department of Foreign Affairs and Trade. "United Arab Emirates Country Brief", Australian Government. <http://dfat.gov.au>. Accessed on 28 July 2015

<sup>4</sup> World Bank. "Gross Domestic Product 2014", World Development Indicators database, 2015. <http://databank.worldbank.org/>. Accessed on 05 August 2015

378.7 billion and investment for about US\$ 20.2 billions.<sup>5</sup> The economy of UAE is blessed with positive impact of globalization which have contributed to the strong growth rates and attractive investment climate in global economic activities.

The government of UAE is also not active in global economy but is very active in international community. It was started by political leadership of Sheikh Zayed bin Sultan Al Nahyan who had open minded, visionary and optimistic person. Before Sheikh Zayed became the president of UAE, he was a ruler of Eastern Region of Abu Dhabi, named Al Ain in 1946 and the ruler of Abu Dhabi in 1966.<sup>6</sup> He had succeeded to bring Abu Dhabi's progress as quickly as possible toward modernization.

Its participation in many international communities indicates that UAE is very active and cooperative with other countries. However, this is a great chance for UAE to use all its resources with the purpose to raise its position from periphery world category into core world category or from underdeveloped country to developed country.

One of the examples that UAE has a great position in international community is in social and humanitarian assistance. According to Development Assistance Committee (DAC) of Organisation for Economic Co-ordination Development

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<sup>5</sup> International Monetary Fund. "Article IV Consultation-Staff Report:Press Release ; And Statement By The Executive Director For The United Arab Emirates", Washington DC, 2014. Downloaded on 10 August 2015

<sup>6</sup> Embassy of The United Arab Emirate. "Sheikh Zayed bin Sultan Al Nahyan, Founder of The UAE". <http://www.uae-embassy.org>. Accessed on 10 September 2015

(OECD) in 2013, UAE is the first ranked and the largest foreign aid donor in Official Development Assistance (ODA) in the world.<sup>7</sup> And also according to United Arab Emirates Ministry of International Cooperation and Development in 2013, UAE provided about US\$5.42 billion or 1.33 % of its GNI as Official Development Assistance, more than UN target of 0.7% for donor countries. Nearly 40 governments and non government organizations distributed foreign aid to 145 countries and 82.57 % of this aid was donated by the UAE government.<sup>8</sup>

Nowadays, UAE has become a major economic force and the key player in international trade economy especially in the Middle East. The phenomena of globalization that occur in UAE could bring a number of advantages in economy as well as politic and social sphere for UAE in the future.

From the phenomena above, we could indicate that UAE has set an example for the world as a country that embrace the global economy in globalization. It is very important to discuss and analyze how the globalization could give the positive impact and chance for UAE to raise to be a new economic power in the Middle East.

This research aims to approve that the globalization is working rapidly in the UAE's economic, politic and social aspects. And also it explains the huge government effort to support globalization in the UAE. This paper expects that UAE could be an example of the success of globalization in International world.

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<sup>7</sup> OECD. "Aid To Developing Countries Rebound In 2013 To Reach An All-Time High". <http://www.oecd.org/>. Accessed on 19 September 2015

<sup>8</sup> UAEinteract. "Foreign Aid". <http://www.uaeinteract.com/>. Accessed on 19 September 2015

## II. Research Question

How globalization give the positive impact and chance for United Arab Emirates (UAE) to become the new economic power in Middle East?

## III. Theoretical Framework

### 1. Hyperglobalist theory

- A. According to Martin Wolf, globalization is as integration of economic activities, via market. The driving forces are technological and policy changes - falling costs of transport and communication and greater reliance on market forces. Globalization could change in technology, culture, social and political effects by how people are able to earn their living, in what they could buy, in how readily they could move from place to place, in how easily they could transport things, in how they could disseminate and access information and ideas necessarily transform human societies and the individual human beings who live within globalization. Wolf considers that the failure of our world is not that there is too much globalization, but there is too little. We need more global market, not fewer, if we want to raise the living standards of the poor of the world.

And if we want a better world, we need not a different economies, but better politics.<sup>9</sup>

Hyperglobalist theory could explain the phenomena of UAE development since UAE was established until this current condition. In the past, UAE was an underdeveloped country with low human development index but after the discovery of oil, the UAE government implemented economic globalization by open economic policy such as free trade, investment, capital and free labor movement. It could make UAE now become a new economic power in the Middle East.

## 2. World System Theory

According to Immanuel Wallerstein, the world economic system is a dynamic system which changes over time. It is a historical system and all the systems in the world are historical system. The world system is imagined as a global economic system that gives the circulation possibility actors to grow their economy development by taking many opportunities as much as possible in international activities. The development of capitalist world system came from world empire to become world economic system. The main process of this development is the emergence of division of labour continuously and more modern. In that development, Wallerstein

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<sup>9</sup> Wolf, Martin. "Why Globalization Works", Yale University Press, United State of America, 2004.

saw an opportunity for developing and periphery countries to involve in capitalist world division of labor. Wallerstein divides the world categories into four categories such as core, semi-periphery, periphery and external area. In his theory, the core is not always rich and the poor is not always poor. All the categories of the world could be placed and every category could improve their level or position in world economy. In the regime of the world economic system is not always ended by exploitation, hegemony and post-colonial states' dependency on developed states.<sup>10</sup>

The world system theory is relevant with what UAE has done in improving its position in International world. UAE had tried to involve in any globalization activities and it takes an opportunity as many opportunities as possible in what globalization provides such as economic community, social and humanitarian community, security community and other communities. Those activities could change UAE's position from underdeveloped country to developed country in the Middle East.

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<sup>10</sup> Wallerstein, Immanuel. 'World System Analysis'. *Social Theory Today*. Stanford, California : Stanford University Press. 1987

#### IV. Hypothesis

The transformation of Economic development of United Arab Emirates as a new economic power in Middle East is forced by several things :

Firstly, The government of UAE accepts globalization positively by adopting open economic policies such as free trade, investment, capital, and movement labors.

Secondly, United Arab Emirates uses international economic structure as international instrument to raise the level of UAE's position in international world.

#### V. Method of Research

By using qualitative research, the writer is going to be supported by secondary data such as books, article published in scientific journals and other reading literatures in which still relevant with the topic. Library research is used to explain the matters and prove the hypothesis based on empirical reality. For additional information, various data from internet would also be used since some information and data dealing with the topic that only available through the internet media such as surveying the official website of World Bank, IMF, OECD and original legal document of UAE's government.



## VI. Range of Research

The focus of the research is on the effect of globalization that could rise the United Arab Emirat as a new economic power in the Middle East since UAE was established to this current condition (1971-2014). This limitation of this research is mainly important to help the writer to explore and analyze the phenomena of research.

## VII. Systematic of Writing

The outline of this research paper is described as follows :

CHAPTER I discusses about the problem background, research question, theoretical framework, hypothesis, method of research, range of research and systematic of writing.

CHAPTER II explains the political economic of the United Arab Emirates since 1800s and this chapter gives further explanation related to the establishment of UAE, political and government of UAE, and economic system of UAE.

CHAPTER III explains about the globalization dynamics in the modern UAE related to the emergence of the globalization in UAE, the UAE as ‘the paradise of foreign investors’, and two faces of globalization in UAE.

CHAPTER IV explains about the role of the UAE's government toward globalization related to the strategic transformation of Sheikh Zayed bin Sultan Al Nahyan, economic diversification efforts as a road to modernizing UAE, and international forum and outward looks of UAE development.

CHAPTER V explains the conclusion from the previous chapters.