

Between Democracy and Inclusiveness

Conditions for Development Progress in the United Arab Emirates

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Abstract

This work contributes to the literature on the role of inclusiveness in a country's development. The growing promotion and relevance of the concept of inclusive growth, as part of the Sustainable Development Goals on the Agenda 2030 of the United Nations, together with the rise of China, a non-democratic country, underlines the importance to understanding the relationship between democracy and development on one hand, and between inclusiveness and development on the other. With regards to the latter, part of the literature sustains that growth can occur in extractive institutions so long they make an effort to become inclusive. If inclusiveness is inherent in liberal democracies but can also be found in authoritarian regimes with rich economies, is democracy necessary for development? To test the hypothesis that liberal democracy is not a necessary condition for the development of a country, this thesis employs both qualitative and quantitative methods to study the counterfactual case of the United Arab Emirates. The results show that is indeed possible for a country with an authoritarian regime to experience economic progress when inclusiveness is introduced in its economic and political institutions. It also shows that growth is already possible when the degree of inclusiveness is higher in only one of these dimensions, hence laying the foundation for the conclusion that liberal democracy is indeed not necessary for development (at least in the first stages).

Keywords: liberal democracy, development, economic progress, inclusiveness, extractive, economic institutions, political institutions, rule of law, Acemoglu, authoritarian, UAE

Resumen

Este trabajo contribuye a la literatura sobre el rol de la inclusividad en el desarrollo de un país. La creciente promoción y relevancia del concepto de crecimiento inclusivo como parte de los Objetivos de Desarrollo Sostenible en la Agenda 2030 de las Naciones Unidas, junto con el ascenso de China, un país no democrático, subraya la importancia de entender la relación, entre la democracia y el desarrollo, por un lado, y entre inclusividad y desarrollo por el otro. Respecto a la última, parte de la literatura sostiene que crecimiento puede ocurrir en instituciones extractivas siempre que se haga el esfuerzo de introducir inclusividad. Si inclusividad es inherente en democracias liberales, pero también puede existir en regímenes autoritarios con economías ricas, ¿la democracia es necesaria para el desarrollo? Para testar la hipótesis que la liberal democracia no es una condición necesaria para el desarrollo de un país, esta tesis emplea métodos cualitativos y cuantitativos para estudiar el caso de contraste de los Emiratos Árabes Unidos. Los resultados muestran que, efectivamente, es posible que un país con régimen autoritario experimente progreso económico cuando se introduce inclusividad en sus instituciones económicas y políticas. También muestra que el crecimiento ya es posible cuando el grado de inclusividad es más alto en sólo una de estas dos dimensiones, lo cual proporciona la base para la conclusión que la liberal democracia, en efecto, no es necesaria para el desarrollo (al menos en las primeras fases).

Palabras clave: liberal democracia, desarrollo, progreso económico, inclusividad, extractivo, instituciones económicas, instituciones políticas, estado de derecho, Acemoglu, autoritario, EAU

Content

| | |
|--|-----|
| Abbreviations | II |
| Figures and Tables..... | III |
| Introduction..... | 1 |
| Chapter 1 – Development as Economic Inclusiveness..... | 3 |
| 1.1. Defining Development | 3 |
| 1.2. Countries’ Classifications | 6 |
| 1.3. Conclusions | 9 |
| Chapter 2 – From Economic to Political Inclusiveness..... | 10 |
| 2.1. Political Inclusiveness through Liberal Democracy | 11 |
| 2.2. Institutional Inclusiveness as a Determinant of Development | 14 |
| 2.2.1 Inclusive and Extractive Institutions | 14 |
| 2.2.2 Growth under Extractive Institutions | 15 |
| 2.3. Conclusions | 17 |
| Chapter 3 – Methodology | 18 |
| 3.1. Justifying the Hypothesis..... | 18 |
| 3.2. The Case Study..... | 19 |
| 3.3. Methods..... | 21 |
| 3.4. Conclusions | 23 |
| Chapter 4 – The Case of the UAE | 24 |
| 4.1. Economic Progress of the UAE | 24 |
| 4.2. Inclusiveness in Emirati Institutions..... | 28 |
| 4.2.1 Economic Institutions Inclusiveness | 28 |
| 4.2.2. Political Institutions Inclusiveness..... | 31 |
| 4.3. Conclusions | 36 |
| Chapter 5 – Conclusions | 38 |
| Bibliography..... | 41 |

Abbreviations

GCC: Gulf Cooperation Council

GDP: Gross Domestic Product

GNI: Gross National Income

HDI: Human Development Index

IDEA: The Institute for Democratic and Electoral Assistance

IMF: International Monetary Fund

PPP: Purchasing Power Parity

UAE: United Arab Emirates

UNDP: United Nations Development Programme

Figures and Tables

| | |
|--|----|
| Figure 1: World Map - The Global State of Democracy Indices. Source: International Institute for Democracy and Electoral Assistance, 2020. | 13 |
| Figure 2: Growth potential depending on the level of inclusive versus extractive institutions. Source: own elaboration | 16 |
| Table 1: Indicators to measure the UAE's economic progress and inclusiveness in institutions. Source: own elaboration. | 23 |
| Table 2: Economic data and their evolution for the UAE, from 1975 to 2019. (*) first available data from 2001. (**) most recent available data. Source: (World Bank, 2021) | 27 |
| Table 3: Results of the UAE's performance. Source: own elaboration. | 36 |

Introduction

The Greek-Roman empire gave birth to occidental values of democracy and rule of law as well as a sense of unity. In the 20th Century, the world transitioned from a Pax Britannica to Pax Americana, both societies still justifying their hegemonic positions with a very similar set of values, including the idea that both democracy and the rule of law are necessary to gain unity. Recent events may lead to believe that in the 21st Century the time for another change in the global power structure has come. Today the emerging hegemon seems to be China. Is Pax Sinica just an idea or could it turn into a reality? For some, the answer to this question relies on whether there is a conditional relation between liberal democracy and development.

If China is destined to be the new world hegemon, does that mean that liberal democracy is not a necessary condition for success in terms of economic prosperity? Power is the result both of military and economic might. To ensure economic might, a country needs to ensure its development and for that, economic growth is not enough. Rather, what is necessary is inclusive economic growth, where the benefits obtained ideally reach all levels of the society equally. The concept of inclusive growth marks the narrative of the principal international organizations such as the World Bank, International Monetary Fund and the United Nation, in the twenty-first century. Especially since the definition of the Sustainable Development Goals as part of the Agenda 2030, emphasizing the need to “promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” (United Nations Department of Economic and Social Affairs, 2015). This promotion of inclusive growth and democratic values by renown international organizations raises the necessity to dive deeper into the topic and to determine how it can be achieved. Therefore, it is imperative to determine whether the importance of having a liberal democracy for development is dependent upon democracy being a condition for inclusive growth. Is having a liberal democracy necessary to have inclusive growth? Or is inclusiveness itself already sufficient?

The underlying assumption of this research is that non-democratic countries can provide for inclusive growth. From this assumption follows the hypothesis that democracy is not a precondition for development success. The methodology is based on the analysis of an apparent counterfactual: the case of the United Arab Emirates (UAE); a very rich country which openly auto-declares itself non-democratic. The UAE is considered to be one of the politically most stable countries, thanks to its very well-established institutional framework, yet the government does not allow political parties, a fact which contrasts with the prerequisites of democracy. The hypothesis will be rejected if this country is not providing for inclusive economic growth. To

establish whether an economy has inclusive growth, it is not just necessary to look at economic indicators, such as incrementing GDP growth, income equality or the maturing and diversification of the country's economy. A correct analysis of inclusive growth also requires the consideration of social-political indicators such as equal distributions of rights or constraints on political power.

This work is structured in five chapters. The first chapter focuses on the concepts of development and of inclusive development. Furthermore, it presents existing economic classifications of non-democratic countries. The second chapter then turns to the concepts of liberal democracy and inclusiveness. It identifies the role of inclusiveness in development highlighting scenarios of growth potential in non-democratic countries. The third chapter explains and justifies the methodology, as well as the chosen case study of the UAE. Chapter four looks at whether the UAE' development is grounded on inclusiveness. The fifth and last chapter provides contributions of this work to the literature on inclusiveness as a determinant for development and provides suggestions for future research.

This research was accompanied by limitations to the accessibility of data for the application of the theoretical concepts to the case of the UAE. Most studies available to the common public on matters of the UAE typically have been elaborated by authors from outside the Arab World, just as this present work. While this circumstance may not necessarily falter to present valid results, these studies may most likely present only a portion of the reality, since the occidental perspective will subconsciously focus on a different set of variables and weigh them otherwise than an oriental, or even Emirati author. Moreover, the accessibility of data, especially unbiased data may be limited due to the unneglectable existence of restrictions on the freedom of media and speech, affecting the content of publications emitting from the UAE (Constitute Project, 2021). These limitations to the accessibility of unbiased and reliable data may alter and distort the results in retrospect for future research on this very same topic. Despite the fact that most of the information required for a thorough and unbiased research is available in English or other languages, a researcher with a professional working knowledge of Arabic would benefit from a broader pool of sources and references and could hence provide completely new and relevant insights to this research topic.

Chapter 1 – Development as Economic Inclusiveness

This chapter seeks to identify a general concept of development and its evolution over time. It does so in three sections. The first section compares a set of different definitions of development. The second section then describes the country development classification systems commonly applied in both social sciences and in practice. The last section concludes.

1.1. Defining Development

The birth of the United Nations Organization in 1945 and the common objective to foster international cooperation in order to establish and maintain peace, produced a wave of organizations dedicated to the promotion of development, since the demonstrated interrelation between peace and the reduction of poverty called for action. As a result, the term ‘development’ gained major importance on both theoretical as well as operational level and entered the international agenda as a major priority and key element to international cooperation and peace.

In the international context, ‘development’ refers to the necessity and the means through which the quality of life for people can be improved (World Bank, 2014). Given the lack of a universally accepted general definition of the concept of development, what can be considered necessary or a means to achieve this objective is oftentimes in the eye of the beholder. Already there are discrepancies in deciding which dimension of development should be given more importance, whether its economic, social, human, cultural, or political. With the evolution of our society and the gaining importance of international cooperation, the perception of the complex concept of development has evolved as well. Where at first development was seen as a synonym of the economic growth of a country, soon the reduction of poverty in both absolute and relative terms gained utmost importance not only on the international agenda, but also in the distinction between a developed country and a developing country.

Many authors coincide in that development politics should primarily focus on economic growth, and later allow for mechanisms that guarantee the reduction of poverty and a more equal income distribution in order to improve the quality of life of all people (United Nations, 1987; Ranis, 2004). In this context, development can be described as a process that encompasses “both a quantitative increase in economic production and a qualitative improvement in life conditions“ (Rabie, 2016, p. 7).

A major milestone in the evolution of development theory toward a rather multidimensional approach was posed by the publication ‘Our Common Future’, released in 1987 by the World Commission on Environment and Development. This publication is more commonly known as the Brundtland-Report, after the then Chairman Gro Harlem Brundtland. The Report was

groundbreaking, setting the next step in the evolution of the concept of development and its implications, because it introduced the concept of sustainable development. Paraphrasing the Report, sustainable development is more than development, it is “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (United Nations, 1987, chap. 2, p.1).

The Report also attributes great responsibility to the World Bank and the International Monetary Fund, indicating that both organizations can and should combine their capacities and efforts to provide financial support for “environmentally sound projects and policies (...) and longer term development objectives” (United Nations, 1987, para. 77, p. 20). Hereby, the World Commission on Environment and Development emphasizes the roles of the Fund and the World Bank as principal promoters of development, making it essential to look at the way these organizations define development for their purposes and work. As with regards to the International Monetary Fund’s interpretation of the concept of development, it has to be pointed out that, while its main focus lies on economic growth and the implementation of beneficial fiscal and monetary policies, the Fund promotes the need for sustainable growth and more inclusiveness (International Monetary Fund, 2019b).

The Bank’s understanding of development relies on definitions such as the one provided by the Brundtland Report, which has been discussed above, and numerous others, as well as the application of formal economic models evaluating growth and development from a neoclassical economic perspective. Frequently, the World Bank Group is described as one of the principal international institutions that works toward the objective of increasing well-being and prosperity of all people by reducing poverty (World Bank, 2014). These objectives contain the Bank’s identification of development as an increase of prosperity for all people of a nation, implying an improvement of the quality of life of the most vulnerable proportion of the population. The World Bank’s commitment to promoting sustainable development includes programs to foster “economic growth, the alleviation of poverty, and sound environmental management [as] in many cases mutually consistent objectives.” (Post, 1991, p. 19)

While both the World Bank and the International Monetary Fund describe and evaluate development mainly in economic terms, the United Nations Development Programme (UNDP) focuses on human development. This concept identifies three essential capacities which are held to be necessary in order to improve well-being and increase the amount of opportunities to exploit. These capacities include a long and healthy life, access to knowledge and education, and the capacity to a decent level of quality of life (United Nations Development Programme, 2021). Gustav Ranis, a former leading development economist at Yale University,

described progress in these dimensions as fundamental and highlighted the negligence of the social and humanistic dimension with regards to development politics in the past (Ranis, 2004).

The discrepancies in the definitions provided by the above-mentioned organizations could be explained by the difference in approaches, objectives and organizational culture. Additionally, the same likely applies to theorists from different academic, economic, political or ideological backgrounds, providing each a similar definition with yet a slightly different notion. This observation supports the idea that development is a complex concept with an inherent subjectivity making it difficult to define, resulting in the necessity of a multidisciplinary approach in order to provide a concise and applicable definition of development. Proof for this need of a multidimensional approach can be found in the Agenda for Development, part of the resolution A/RES/51/240 which was adopted on the 20th June 1997, in which the United Nations Organization provides the following definition: "Development is a multidimensional undertaking to achieve a higher quality of life for all people. Economic development, social development and environmental protection are interdependent and mutually reinforcing components of sustainable development" (United Nations General Assembly, 1997).

The evolution of development theory shows that the concept of development, initially viewed as a synonym to economic growth, has gained complexity since the 1950s, because the circumstances and needs of the international society have evolved, too. The next inherent dimension added to the definition of development was the need for a universal reduction of poverty, before giving way to the next step in its evolution: the understanding that development ought to be sustainable (Rabie, 2016). With the turn of the millennium and new challenges that determined the international agenda, it soon became clear that sustainable development also relied on the individual human being. In this context, the term inclusiveness, or inclusive growth as another principal determinant of development caught the attention of theorists and policy makers.

Even the World Bank now highlights that inclusive growth is essential, and that it reaches even further than the definition of sustainable development; inclusive growth goes in line with high growth for the broad society and increasing equality while reducing poverty (Anand, Mishra and Peiris, 2013). Other sources, such as the United Nations Development Programme, suggest the following definition in its Strategy for Sustained Growth and Inclusive Development: "The concept of inclusive growth typically refers to equity with growth or to broadly shared prosperity resulting from economic growth" (United Nations Development Programme, 2017, p. 4). Seeing that inclusiveness has gained such importance on the agendas of the principal

international actors, it seems essential to investigate which impact it can have on society, economics and politics.

1.2. Countries' Classifications

These variations in the understanding of the concept of development as presented in the first part of this chapter are not limited to theory but also occur in the practical classification of countries. Both the World Bank and the International Monetary Fund provide detailed country classifications, each employing a similar system and set of indicators to determine the development status of a country. Both organizations present their results on an annual basis. In addition to these two organizations, several organs of the United Nations Organization, such as the United Nations Development Programme, present their own reports based on different classification systems with focus on different dimensions and indicators. Hence, a holistic picture of a country's development status will most likely be comprised of a joined evaluation of different classifications.

Being one of the principal sources providing detailed country classifications, the Bank employs quantifiable economic indicators to determine the development level of the world countries. Economies are divided according to their Gross National Income (GNI) per capita in the United States dollars (US\$). The most recently established income thresholds categorize low income economies with a GNI per capita of US\$ 1.035 or less, lower-middle income economies with a GNI per capita ranging between US\$ 1.036 and US\$ 4.045, upper-middle income economies situated between US\$ 4.046 and US\$ 12.535, and high income economies with a GNI per capita of US\$ 12.536 or higher (World Bank Group, 2021).

According to the most recent classification, 83 out of 189 evaluated countries can be situated in the high-income group, among them almost all European countries, the entire North American region, or the oil-exporting countries of the Middle East, including for instance the UAE, Bahrein and Qatar. A relatively small group of 29 countries constitutes the countries with lowest income, most of them belonging to the Sub-Saharan region, with a few exceptions such as Haiti, Afghanistan, Yemen, Syria, or North Korea. The vast majority of countries are classified as middle income economies, with the distinction between 50 lower-middle income economies and 56 upper-middle income economies (World Bank Group, 2021).

Given the fact that the concept of development relies heavily on the dimension of economic growth, these classifications based on national income may present a relatively quantifiable yet incomplete result, since development also accounts for numerous qualitative variables which are not as easily quantifiable. For this reason, the International Monetary Fund found a continuous reevaluation of a country's development status to be essential. In a working paper

published in 2011 by IMF staff, the organization highlights the importance of comparing other characteristics which are proper for a developed country, such as the pace of economic growth, economic diversification, as well as stable and well-developed financial markets (Nielsen, 2011).

Regarding its classification system, the International Monetary Fund points out that it “is not based on strict criteria, economic or otherwise, and it has evolved over time” (International Monetary Fund, 2019b, p. 124). Compared to the World Bank, which strictly classifies according to a country’s income, the Fund provides a relative summary of key indicators, including “GDP valued at purchasing power parity, total exports of goods and services, and population” (International Monetary Fund, 2019b, p. 124). The International Monetary Fund distinguishes between two major groups: advanced economies and emerging markets and developing economies. It then divides these into regional subgroups (International Monetary Fund, 2019b). Through a thorough analysis of the relative economic size of its 189 member countries, the Fund has identified thirty-nine advanced economies in its recent World Economic Outlook, among which are the same seven largest economies with regards to their GDP which also have been identified by the World Bank as high-income countries. Nevertheless, it appears that there is a slight discrepancy in the classifications, since not all members of the European Union are classified by the Fund as advanced economies, whereas the World Bank identifies almost all EU member countries as high income economies, with the exception of Romania, Bulgaria and, until recently, Croatia as upper-middle income countries.

Despite the fact that the United Nations Organization often refers to the World Bank’s classifications, acknowledging the frequency and common acceptance of these classifications (United Nations, 2014), the United Nations Organization accounts for an own classification system which it regularly published in its World Economic Situation and Prospects Reports. The classification provides a division into three broad categories: “developed economies, economies in transition and developing economies” (United Nations, 2014, p. 143). According to the most recent report, the developed economies category is comprised of almost all members of the European Union (except Rumania and Bulgaria), Switzerland, Norway, the United Kingdom, Iceland, Australia, Canada, New Zealand, Japan, and the United States of America. It also highlights the major developed economies being Canada, France, Germany, Italy, the United Kingdom, the United States and Japan, the latter being the only Asian country in this list. Amongst the transitioning economies identified in this report are sixteen countries, including several Southeast-European, such as Albania, Bosnia and Herzegovina, or Ukraine, as well as the Russian Federation and various Central-Asian countries like Kazakhstan, Tajikistan or Uzbekistan. This group also accounts for the first non-democratic countries transitioning from

developing to advanced economies, such as the Russian Federation which, according to numerous experts, cannot be considered a democracy. All other countries are considered developing economies. Moreover, the United Nations include an additional category of fuel-exporting countries, which are separately subcategorized in developing and developed fuel-exporting economies (United Nations, 2014).

As pointed out before, the evolution of the concept of development has brought to the attention of theorists and policymakers alike the importance of a multidisciplinary approach. Moreover, relying on only quantitative indicators describing the mere economic situation of a country ignores the qualitative dimensions of development, such as the quality of life of all citizens. The United Nations Development Programme provides a measurable indicator for human development, the Human Development Index (HDI), which is composed of three key components: health, education and quality of life (United Nations Development Programme, 2021). In detail, numerous factors in every component are evaluated based on the country's possibilities, such as infant mortality, life expectancy at birth, literacy, or expected years of schooling, to name a few. Each component, is attributed a numeric value as a percentile attributing to a total value for each country, resulting in a classification within four different categories.

HDI values of less than 0,550 points represent low human development; values between 0,550 and 0,699 indicate medium human development and countries achieving a value of 0,700 to 0,799 points are categorized as economies with high human development. The last category comprises countries which achieved values of 0,800 or superior, being hence classified as economies with very high human development (United Nations Development Programme, 2019). Out of 189 countries evaluated in the most recent Human Development Report from 2019, a total of sixty-two countries showed values for very high human development, Norway being ranked the country with the highest Human Development Index of 0,954. Most higher-ranking countries in this group are of European origin, yet the fourth rank in global comparison is shared by Hong-Kong and Germany. Even several non-democratic countries, which are typically considered developing economies, rank very high on the HDI ranking, such as the UAEs with a value of 0,866 (35th rank), closely followed by its neighboring country Saudi Arabia. The next group of countries with high human development is comprised of fifty-four economies, followed by thirty-seven countries ranking in the range of medium human development. The remaining thirty-six ranks are mostly comprised of countries belonging to the Sub-Saharan region, with Niger representing the lowest HDI value of 0,377 points (United Nations Development Programme, 2019).

1.3. Conclusions

The sheer variety of available definitions and classification systems, as described throughout this chapter, demonstrates a certain subjectivity as well as complexity to the concept of development. Despite numerous variations in detail, the different definitions provided in this chapter may be combined to formulate a cohesive definition capable of serving the purpose of this work: *development occurs when there is economic growth and this ensures the satisfaction of basic human needs for current and future generations, as well as an improvement of living standards and quality of life for all its citizens.*

It has been pointed out in various occasions throughout this chapter that the definition of economic development has evolved along with the ever-changing structure and needs of the international society. Hence, we can deduce that development is not static. Rather, it has to be recognized as a dynamic element which requires constant reconsideration, not only from a theoretical point of view but more importantly in its translation into actions. This kind of dynamic characteristic also requires to continuously review which countries ought to be categorized as developed or developing. As with the concept of development, the various classifications share a broad consensus, despite differences in terminology and methodology employed in the results. All these organizations found a similar pattern in the distribution of development levels, identifying a rather small group of developed countries mostly located in North America and Europe, with the vast majority of nations being grouped into different subcategories of developing countries.

Chapter 2 – From Economic to Political Inclusiveness

The classification systems provided by international organizations do not evaluate neither political nor ideological components. Of course, introducing variables of this kind into reports evaluating the development level of a country would be presumptuous, at best, and insinuate that certain political systems could be considered superior to others. Yet, the implication of political transformation is mostly recognized by development theorists as an important attributive factor to the development process (Rabie, 2016) as well as its degree of inclusiveness. The concept of inclusive growth and development, which was briefly introduced in Chapter one, has not only gained importance since the turn of the millennium. It has also provoked a shift of consciousness in politicians and academics alike as to what could be considered desirable in the political systems of nations is inclusiveness (Global Sustainable Development Report, 2016). If democracy provides for inclusiveness, it may be considered as a determinant of development.

It has become common sense for researchers and professionals in political and social sciences to take for granted that democracy and development are closely linked together, interdependent even. This interdependence is also being promoted as a preliminary goal for international cooperation, as described in the Agenda for Development, adopted by the United Nations General Assembly in 1997: “In this context, we reaffirm that democracy, development and respect for human rights [...], are interdependent and mutually reinforcing” (United Nations General Assembly, 1997; p.7, art. 26).

This chapter emphasizes the impact of inclusiveness as a common potential ingredient in both development and democracy. Nevertheless, it also shows that inclusiveness does not automatically refer to democracy but as the opposite of extractive institutions. On that account, the discussion around inclusiveness is based on the seminal book “Why Nations Fail: The Origins of Power, Prosperity, and Poverty”, published in 2012 and authored by Daron Acemoglu and James A. Robinson. Although the last decade has provided for numerous publications about economic and political inclusiveness from different authors, most of them base their contribution on, and in reference to, Acemoglu’s and Robinson’s original theory. This underlines the relevance of their work in the field of social and political studies, and the reason their theoretic framework has been chosen as foundation for this thesis.

2.1. Political Inclusiveness through Liberal Democracy

Democracy itself is composed of the Greek words *demos*, meaning 'the people', and *kratein*, which can be translated as 'to rule' or 'power' (Council of Europe, 2017). In the simplest terms, democracy is generally understood as a form of regime in which power is given to a certain governmental institution by the people they rule over. As of today, there is a wide range of different types of democracy, and an equally broad variety of definitions and interpretations which means that providing a generally acceptable working definition of a liberal democracy is no exact science. Researchers agree that the topic is complex, and their approaches and interpretations vary both in depth as well as perspective. Yet, the literature (mostly Western) shows that the most desirable form for modern-day societies appears to be the so-called liberal democracy which is why the focus of this work lays on this very concept.

"Liberal democracy is a form of government based on the general principle of freedom and equality for all people" (Ruth, 2020). Similar definitions are provided by prominent academics in the field of political science. Kenneth Bollen, for instance, defines liberal democracy as "the extent to which a political system allows political liberties and democratic rule" (Bollen, 1993, p.1208). He identifies democratic rule as the accountability of the national government towards its people, and political liberties as the freedom of expression with regards to peoples' opinions and the freedom of participation in political activities (Bollen, 1993, p.1208). His idea of a democratic political system broadly describes constraints to the political power of a small, privileged collective, shifting part of the power to the broad majority of the population.

The authors Nicholas Wolterstorff and Terence Cuneo promote a similar understanding of liberal democracy. They interpret it as a concept that reaches beyond the constitutional or legal structure of a nation by including the role of each individual citizen. They define liberal democracy as a social construct which provides an "equal full political voice within constitutional limits" (Wolterstorff and Cuneo, 2012, p.5). Additionally, they impose the condition that a democracy can only be liberal if its constitutional framework protects its people's fundamental rights.

Shaping a generally acceptable and applicable working definition of a liberal democracy is similarly complex and delicate as for defining development. The reader may come to observe that these concepts, despite their frequent and oftentimes blind usage, lack a formal definition due to their inherent subjectivity and vagueness. For this reason, and for the sake of providing a guideline for classification, many researchers have resorted to defining liberal democracy by different sets of indicators that help identifying key characteristics of this concept.

Kenneth Bollen's interpretation of a liberal democracy provides for an extensive list of additional indicators, which according to him can be allocated into two categories. The first category comprises indicators of political liberties, among which many definitions of liberal democracy include the freedom of group opposition, civil liberties, freedom of speech via different media and many others. The second category focuses on democratic rule which can be displayed in political rights, enablement of political participation for citizens, a certain degree of pluralism in executive and legislative governmental bodies as well as their effectiveness, among others (Bollen, 1993, p.1216). The author David McCabe, in his contribution to the Encyclopedia of Global Justice, agrees to the fact that liberal democracy is generally viewed as a type of regime, and describes its characteristics as follows: "free elections, universal suffrage, the rule of law, separation of powers, wide political and civil liberties, and juridical equality" (McCabe, 2011). Furthermore, Ruth names the features of a liberal democracy as follows: "the rule of law, unrestricted economic markets, universal suffrage, the right to private property, constitutional protections of civil rights, and a legislature composed of representatives elected freely by the public" (Ruth, 2020).

The factors mentioned and explained above have the objective of facilitating the identification of democratic elements in regimes. Several distinguished organizations employ these and other variables in their examinations in order to determine in which countries democratic governments are in place. Most commonly used references are for example the Democracy Index, published annually in *The Economist*, or the publications of the International Institute for Democracy and Electoral Assistance. Both have defined the following set of indicators in order to differ between types of regimes (Beetham et al., 2008): representative government with clean elections and inclusive suffrage; fundamental rights protecting civil liberties and promoting equality; checks on government and an unbiased system of law; impartial administration with absence of corruption; and participatory engagement in political activities.

The complete list of attributes employed by the International Institute for Democracy and Electoral Assistance can be found in the Annex of this work (Beetham et al., 2008). The color-coded world map below displays the Institute's most recent global distribution of high, mid-range and low performing democracies, as well as hybrid and authoritarian regimes. Curiously, high performing democracies such as Canada, Australia, France, Germany or the Scandinavian countries seem to be a minority compared to the plentiful weaker democracies depicted in lighter shades of turquoise. Also, hybrid or plain authoritarian regimes such as in China, Venezuela or the Middle Eastern countries represent a significant share of regime types over the world, even in rich and powerful economies.

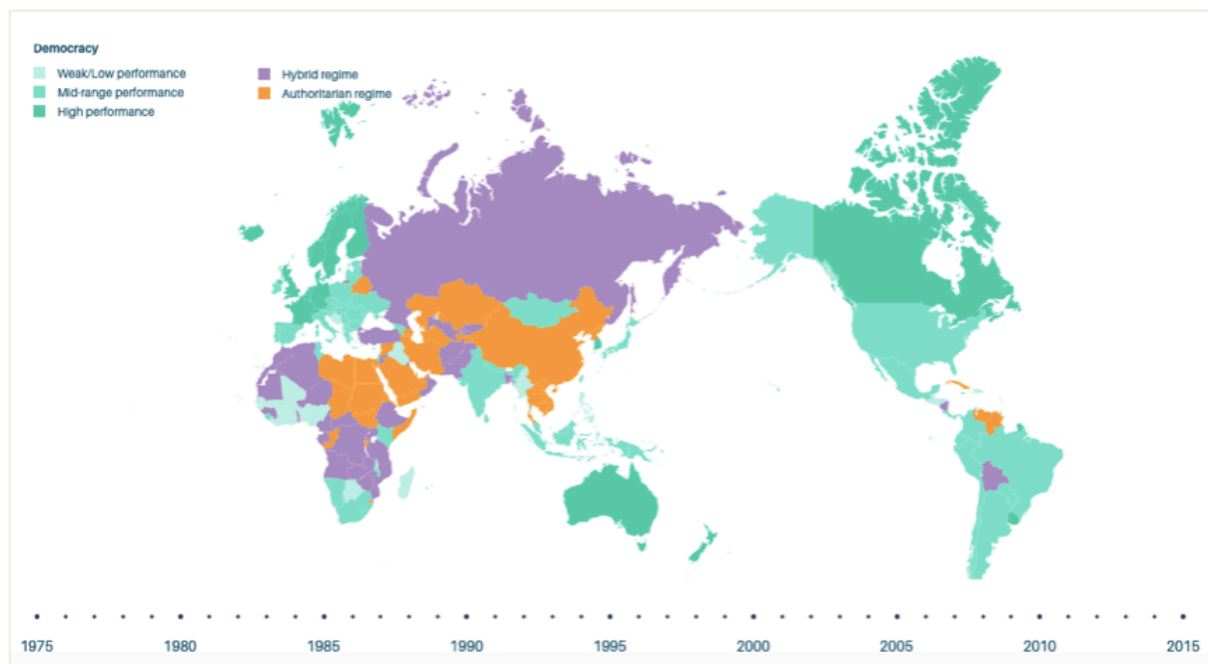


Figure 1: World Map - The Global State of Democracy Indices. Source: International Institute for Democracy and Electoral Assistance, 2020.

Given that the lists of indicators employed by certain organizations for the classification of countries' regimes are quite exhaustive, and sometimes rather specific, they are not immune to criticism. Bearing in mind that the concept of liberal democracy is not generically defined, and the particular economic, historic, social and political identities of each country are very different, employing a static list of indicators may not always be fairly applicable. In addition, a closer investigation may rise they question about the weight of each attribute and whether certain attributes prevail or if the result reflects a weighted average. Certain attributes listed in this chapter may go beyond the mere definition of a liberal democracy and evaluate the social and political constructs of a nation without consideration its particular situation. Still, these indicators are generally accepted due to the lack of a uniform definition with an established and immovable set of variables. Hence, a potential future research could test whether the commonly employed indicators merely serve the purpose of identification of a liberal democracy, or if they evaluate the quality of a democracy rather than its effectiveness.

In spite of the different approaches towards defining liberal democracy, all of the definitions provided in this chapter rely on a common thought. For a liberal democracy to exist, all these definitions agree that two minimum conditions must be fulfilled, namely equal rights and opportunities to all its members as well as giving voice to the public. Ideally, a liberal democracy also provides for an inclusive institutional framework as the fundamental basis for these conditions to thrive.

2.2. Institutional inclusiveness as a Determinant of Development

The concept of inclusiveness has been thoroughly investigated and described by Daron Acemoglu and James A. Robinson. Their work 'Why Nations Fail: The Origins of Power, Prosperity, and Poverty', by introducing inclusive versus extractive institutions and the implications of each, identifies inclusiveness as one of the principal determinants of growth and prosperity of a nation. It is hereby examined as a key reference to demonstrate that the key to sustained development of a nation lies in inclusiveness, rather than in a democratic system per se.

Already in the preface of their work, Acemoglu and Robinson present the assumption that economic prosperity comes with citizens overthrowing elites in order to create societies with more equal distribution of political rights, more governmental response to citizens and where the majority of the population can profit from economic opportunities (Acemoglu and Robinson, 2012, p.3). This idea already bears a characteristic inherent to the concept of inclusiveness, given the pre-requisition that, as previously mentioned with regards to the definition of inclusive growth, there is a social need for equal economic opportunities for the vast majority of citizens.

Their argumentation seeks to identify a source for the wealth of a nation beyond mere economic growth, which involves an ingredient necessary to maintain long-term economic well-being. Throughout their work, the reader may derive that the authors conclude that inclusiveness is key to achieving long-term economic growth and development. In line with diverse definitions of development presented in the first chapter, Acemoglu and Robinson agree that the gain in wealth, which transforms a poor to a rich economy, requires a political transformation (Acemoglu and Robinson, 2012, p.5). This observation indicates that it is necessary to investigate the relationship between political system and the level of development beyond mere economic growth, in order to determine the well-being of a nation.

For Acemoglu and Robinson, inclusive institutions are the opposite of extractive institutions. They argue that understanding the meaning of these two types of institutions and their impact in economy and politics beholds the key to identifying the main driver of growth for a nation.

2.2.1 Inclusive and Extractive Institutions

"Inclusive institutions are based on constraints on the exercise of power and on a pluralistic distribution of political power in society"(Acemoglu and Robinson, 2012, p.308). According to Acemoglu and Robinson, political institutions can only be inclusive if they account for a sufficiently centralized and pluralistic government (Acemoglu and Robinson, 2012, p.81). Ideally, inclusive political institutions provide a legal foundation upon which opportunities, participatory engagement and wealth are distributed in the most equal way possible. On the other hand,

economic institutions are inclusive when designed in a way that prosperity and growth are not limited to elites but instead are distributed at least to a broad majority of the population (Acemoglu and Robinson, 2012, p.75). In further detail, their explanation implies a number of prerequisites to identify an economic institution as inclusive. Among these are “secure private property, an unbiased system of law, and a [...] level playing field” (Acemoglu and Robinson, 2012, pp.74-75) for an attractive framework of equal opportunities that promotes participation in economic activities, freedom of choice and prosperity for the majority of the population. These indicators have a somewhat liberalistic economic connotation, not unlike the indicators which are normally perceived as desirable in developed or emerging economies as explained in Chapter one of this work.

Conversely, extractive economic institutions are characterized by lack of enablement of the population to participate in economic activities, limitations to their choice of career, obstacles for the entry of new businesses, threats to private property and increased income inequality. Extractive institutions “are designed to extract income and wealth from one subset of society to benefit a different subset” (Acemoglu and Robinson, 2012, p.75), typically from the totality of the population towards the elites, may they be economic, or political, or both simultaneously. The purpose of extractive institutions is the enrichment of the elites, to augment their economic wealth and power in order to consolidate their political dominance over the non-elites. In political terms, these institutions may lack either, or both, of the two key characteristics of an inclusive institution: political centralization and political pluralism. Acemoglu and Robinson argue that the lack of political centralization and political pluralism are bound to aggravate political enforcement by the elites, plus it may impede economic regulation and the provision of public services (Acemoglu and Robinson, 2012, p.81).

2.2.2 Growth under Extractive Institutions

“Nations fail when they have extractive economic institutions, supported by extractive political institutions that impede or even block economic growth”(Acemoglu and Robinson, 2012, p.83). According to Acemoglu and Robinson, sustainable growth, or development, is only possible in countries with inclusive institutions, both economic and political ones. Their work suggests that growth is different in economies run by extractive institutions in that it will not be sustainable because it is only built on existing technology and will lack technological innovation. Hindering technological progress as a consequence of the fear of creative destruction will hinder an extractive economy’s potential to keep up with international competitors and hence means a limitation to growth (Acemoglu and Robinson, 2012, p.150). Moreover, the fact that extractive institutions create significant gains for elites but not so much for the rest of the population

constitutes a higher potential for aggrieved collectives in this nation to revolt and try to replace the current elite. Nevertheless, there is also the possibility that one set of institutions is extractive while the other is inclusive.

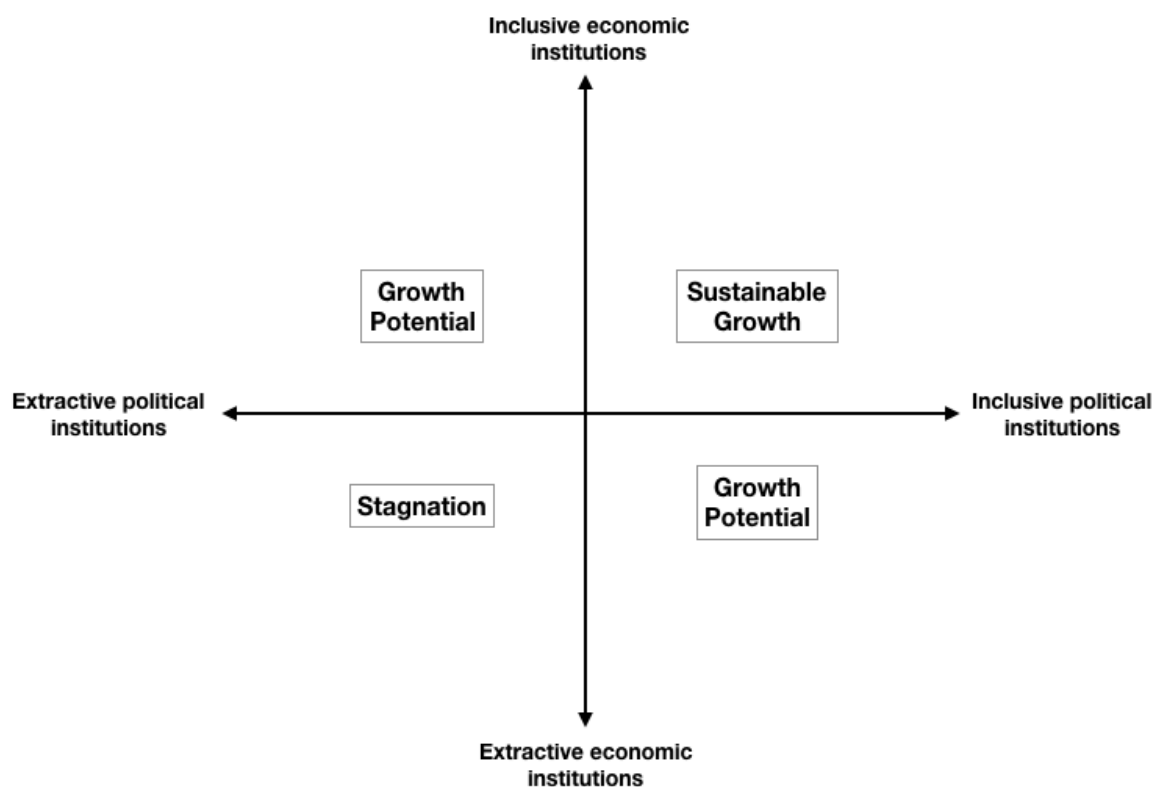


Figure 2: Growth potential depending on the level of inclusive versus extractive institutions. Source: own elaboration

Figure 2 seeks to visualize the impact a combination of inclusive and extractive institutions on both the economic and political levels may have on potential growth scenarios, based on findings of Acemoglu and Robinson. If both political and economic institutions are inclusive, then a country has the necessary fundament to achieve sustainable, long-term growth. On the counterpart, if the country's institutions are extractive, then its development progress is most likely bound to stagnate (Acemoglu and Robinson, 2012). Nevertheless, there is potential for growth in a country once there is inclusiveness in institutions. This means that if political institutions are extractive but economic institutions are inclusive, or vice-versa, then there is already potential for growth, even though it may not be sustainable over a long period of time.

The figure displays the assumption of Acemoglu and Robinson, according to which gaining inclusiveness in institutions is a process in which economic and political institutions do not necessarily follow the same pace. Their research has shown that sustainable long-term growth

can occur under certain circumstances in a state with extractive institutions. More precisely, they argue that the key to growth in economic institutions is their possibility to develop a certain degree of inclusiveness, even under extractive political institutions, by allowing technological innovations in order to improve the nation's competitiveness among international players (Acemoglu and Robinson, 2012, p.91). If the ideologic orientation of the government allows for a certain amount of inclusiveness in its economic institutions, it may control the flow of prosperity toward a broader proportion of population and stimulate its economic activity by a more extensive participation.

Another scenario of potential growth under extractive political institutions is given, when there is sufficient political centralization, as it allows for necessary interference in the distribution of "resources to high-productivity activities" (Acemoglu and Robinson, 2012, p.91). A non-pluralistic, even absolutist, but centralized political government has the potential to foster economic activity and create a system of law which can promote prosperity thanks to the control of the political elites over the destinations of benefits and prosperity (Acemoglu and Robinson, 2012, p.124).

2.3. Conclusions

Acemoglu and Robinson findings indicate that the relationship between development and democracy is built on a correlation, not a causal connection, as the key to development lies in inclusiveness, which itself is inherent in liberal democracies. The authors claim that development can even occur in extractive and absolutist economies, as long as they allow for a certain degree of inclusiveness. The idea of inclusiveness as a key driver of development justifies seeing liberal democracy as an instrument of development rather than as its pre-condition. It is the concept of inclusiveness in institutions, which can even occur in non-democratic countries, that is a pre-condition for development. Being that the case, the focus of analysis regarding development should be based on the degree of inclusiveness of the economic and political institutions of a country rather than on whether it is a liberal democracy.

Chapter 3 – Methodology

This chapter is dedicated to the presentation of the methodological approach chosen for this thesis. It outlines the research design followed in order to test the hypothesis that a liberal democracy is not a necessary condition for development. It does so in three sections. The first justifies the hypothesis on grounds of the theoretical background provided by chapters one and two. The second then justifies the selection of the UAE as a counterfactual case study. Lastly, the third section presents the methods of data selection and analysis followed. A fourth section concludes.

3.1. Justifying the Hypothesis

Chapter one has shown that development, both in concept and in application via classification systems, goes beyond the definition of economic growth. The lack of a general working definition for development which would be universally applicable causes a large variety of different approaches to the concept, and hence leaves room for interpretation. Yet, there is a certain consensus among academics and institutions that, in order to ensure development and its sustainability, there must be economic inclusiveness. According to the World Bank, this can be achieved by raising the living standards and improving the quality of life for the most vulnerable 40% of the population of each developing country (World Bank, 2014). The ensuing working definition is that the development of a country is an evolution of economic growth which ensures the satisfaction of basic human needs for current and future generations, all the while improving living standards and quality of life for all its citizens.

Chapter two has then looked at how to ensure this economic inclusiveness, emphasizing the socio-political component of development. It shows that in the West we tend to believe that economic inclusiveness needs political inclusiveness so that one would expect a causal relation between development and democracy (United Nations General Assembly, 1997); an inclusive political backbone facilitates the establishment of economic inclusiveness. The common consensus in literature is that liberal democracies are both desirable and beneficial for development since inclusiveness is typically inherent (to a high degree) in the political institutions of a liberal democracy.

Underlining the importance of both political and economic inclusiveness for development, the question arises whether inclusiveness is limited to democratic countries or not. As discussed in Chapter two, Acemoglu and Robinson have shown that economic growth and prosperity thrive best in inclusive political environments but is not limited to them. What they have found

to be the primary inhibitors of growth are the lack of centralization of political power and the lack of inclusive institutions. Nevertheless, they argue that it is indeed possible for non-democratic countries to provide for either sufficiently centralized political institutions or a certain degree of inclusiveness in overall extractive institutions. Kenneth Bollen provides a similar conclusion arguing that one of the principal indicators of inclusiveness, universal franchise, which is also a characteristic of a democratic regime, can even be present in authoritarian regimes or in those with non-pluralistic governments (Bollen, 1993, p.1209). This indicates that political inclusiveness itself, both in concept and in practice, while being an intrinsic characteristic of democracies, is not limited to those but can be fundamental in different regime types.

The theoretic background developed in chapters one and two, therefore, justifies this work's hypothesis that a liberal democracy is not a necessary condition for the development of a country. This is because, following the literature, what is necessary for development is political inclusiveness and even absolutist regimes can provide for a certain degree of inclusiveness through their economic and political institutions. The emergence of China as one of the strongest political and economic actors in the current international power structure in the XXI century seems to reinforce this hypothesis.

This research proposes to test the hypothesis through the case of the UAE, a wealthy country, rich in resources, whose political system cannot be considered a liberal democracy. The hypothesis will be rejected either if the country has not shown economic progress, or if its institutions (either political or economic) have not become more inclusive over time.

3.2. The Case Study

This section justifies the selection of the UAE as case study. The methodology proposed to test the hypothesis is to establish whether a non-liberal democratic country may indeed have inclusive institutions and economic progress. This means that the case study should be a non-liberal democracy and should have the potential to have had inclusive economic growth. The section shows that the UAE complies with both conditions.

The UAE, a Middle Eastern country located on the Arabic peninsula, is a constitutional federation of seven emirates - Abu Dhabi, 'Ajman, Al Fujayrah, Ash Shariqah (Sharjah), Dubai, Ra's al Khaymah, and Umm al Qaywayn. The country's capital, Abu Dhabi, and Dubai are its most important and powerful emirates in both economic and political terms. They also concentrate the largest share of the Emirati population. From the 9.770.529 people currently registered as Emirati citizens, almost 85% live in the urban areas of Abu Dhabi and Dubai (World Bank,

2021) and close to 88% of all Emirati residents are immigrants (Central Intelligence Agency, 2021).

Geographically speaking, the Emirates are bordered by Saudi Arabia in the south, by Oman in the east, and the Persian Gulf in the northwest. The country has an extension of approximately 83.600 square kilometers, very similar to the size of Austria, with about 1.318km of coastline, which is slightly more than Costa Rica and slightly less than Sri Lanka (Central Intelligence Agency, 2021). The UAE is mostly covered by the Rub' Al Khali desert, the largest sand desert in the world, and part of the so-called Arabian Desert, which is the second largest desert region in the world, with one of the largest natural reservoirs of petroleum, especially in the east (Ochsenwald, Holm and Owen, 2020). A mountainous area accompanies the border to Oman in the North and on the Eastern border. The transition from the coastline to the desert is marked by flat, barren land.

These geographic conditions account for a number of obstacles and natural hazards: only 4,6% of the land is dedicated to agricultural use since the variety of crops surviving in these arid conditions is slim (Central Intelligence Agency, 2021). Another effect of this arid climate is a severe scarcity of freshwater across the seven emirates, which both national and local governments attempt to combat through multiple desalination plants. Moreover, very frequent dust and sandstorms pose the threat of continuous erosional damage of infrastructure, construction work and delicate technical installations such as panels used for solar power plants (Wiesinger et al., 2018). Yet, despite this inhospitable climate and geography, it is a country with the potential to have had economic inclusive growth. Given that the UAE has approximately 8,2% share of the proven crude oil reserves among all OPEC members, and 3,5% of the global natural gas reserves (Organization of the Petroleum Exporting Countries, 2018), the country has quickly evolved into one of the most important exporters of oil and petroleum since the discovery of immense resources of these commodities in the 1950s (British Broadcasting Corporation, 2018).

Naturally, the discovery of these resources required a high initial investment in infrastructure both for safe and correct exploitation as well as for the export and international transit of these commodities. Therefore, the GDP growth rate increased slower at first, yet constantly, from US\$ 14.721 billion in 1975, the first available data according to the World Bank, to US\$ 104.337 billion in 2000 (World Bank, 2021). After the turn of the millennium, the Emirati GDP growth accelerated, quickly turning the UAE into one of the wealthiest countries in the world. The financial and economic crisis of 2008 / 2009 caused the overall Emirati economy to plummet,

from US\$ 315.475 billion in 2008 to US\$ 253.547 billion the year after. Their economic recovery started soon, only interrupted by a slight plummet in 2015 and 2016 due to a sharp decrease in oil prices on the international markets. By 2018 and 2019, the Emirati GDP reached its historic peak amounting to a total of US\$ 421.142 billion (World Bank, 2021). With a gross national income, or GNI, per capita of US\$ 43.470 in 2019, the UAE is today, as per World Bank definition, a high-income country (The World Bank, 2020b; World Bank, 2021). In fact, the UAE occupies the 8th place in the ranking of the richest countries in the world, according to Global Finance Magazine (Ventura, 2020).

The UAE also complies with the second condition for being a good case study for this research: it is not a liberal democracy. While the UAE's political system consists of both a federal government and local governments for the seven emirates, the Emirati legislation does not allow the formation of political parties. The Emirati legal system is a mix of Civil Law and the Islamic Sharia Law (Crystal and Peterson, 2020), hence still relying greatly on religious traditions and habits, deeply rooted in the Emirati legislature and institutions. On the two principal democracy indices consulted for this work, the UAE is classified as an authoritarian regime. More precisely, in the democracy index published annually by The Economist, the UAE ranked 145th with a total score of 2.76 out of 10 in 2019 (The Economist Intelligence Unit, 2020), and according to the Global State of Democracy Indices, the UAE scored only 0.07 out of a scale from 0.00 as low performing and 1.00 as high performing on democratic values (International Institute for Democracy and Electoral Assistance, 2019).

3.3. Methods

The research combines quantitative and qualitative methods. The first method is used to establish whether the UAE has shown economic progress. The qualitative method is the one used to establish whether UAE's economic and political institutions have become more inclusive over time.

The UAE would not have had economic progress in case its GDP growth has not been sustained. The quantitative indicators to establish whether the UAE has experienced economic progress have been selected taking into account the indicator-based classification systems employed by the World Bank, the International Monetary Fund, the United Nations, as well as the Human Development Index (see chapter one). The following set of indicators are employed in this analysis: GDP per capita & GDP valued at purchasing power parity, total exports of

goods and services, GNI per capita, degree of diversification. All of these indicators aim to reflect development in the traditional economic sense.

To determine whether there has been an evolution in inclusiveness of the UAE's institutions, the research uses two sets of data. On one hand, it is based on a content analysis of academic publications on the UAE's historic, political and social evolution, as well as legal documents and reports reflecting the country's political system. On the other hand, it takes into account the country's ranking and evolutions over time in a number of different indices. It is noteworthy to highlight that the analysis distinguishes between indicators of economic institutions inclusiveness and those of political institutions inclusiveness at operational level, to facilitate the clarification of the results obtained.

Economic institutions inclusiveness is determined by equal opportunities for all citizens. This includes the enablement of the population to participate in economic activities and choose their career, an equal distribution of income and low poverty levels, as well as secure private property and the facilitation of the entry of new businesses. These characteristics are analyzed for the UAE by evaluating their performance in the following quantitative indices: GINI coefficient, the Human Development Index in its three dimensions, the International Property Rights Index, and the World Bank's Doing Business Report, as well as World Bank data with regards to poverty in the country.

Political institutions inclusiveness is characterized by political centralization and pluralism in the distribution of political power, the rule of law, constraints on political power, absence of corruption, and equal distribution of political rights. The UAE's performance in these factors is measured by employing the following indices: the Rule of Law Index published annually by the World Justice Project, the Transparency International's Corruption Index, and the Inclusiveness Index provided by the Othering & Belonging Institute as one of the first global indices to measure inclusiveness as a concept. This is complemented with a qualitative analysis of the UAE's constitution, governmental publications, and reports provided by international organizations such as the American Central Intelligence Agency.

All indices and references employed in the analysis of the UAE's performance were chosen because of their frequent use and reference by prominent academics in their research on one hand, and by international broadcast media in a rather commercial sense. They were hence deemed sufficiently reliable for an unbiased case study analysis.

3.4. Conclusions

The hypothesis that liberal democracy is not a necessary condition for development is grounded on the assumption that a non-democratic country can pursue and achieve development through inclusiveness in its institutions. The UAE has been chosen as case study to test the hypothesis because it fulfils two characteristics: it is not a liberal democracy, and it may have had experienced economic development. Both quantitative and qualitative methods are to be used to carry out the analysis (see table 1), that is, to establish whether there has been economic progress and whether there is evidence of growing inclusiveness in the UAE's economic and political institutions over time. The hypothesis will be rejected in case the results show that the UAE has not benefited from economic progress and/or has not improved the inclusiveness of either its economic or political institutions.

| | <i>Indicators</i> |
|--|--|
| <i>Economic progress</i> | GDP per capita |
| | GDP valued at PPP |
| | Total exports of goods and services |
| | GNI per capita |
| | Diversification |
| <i>Inclusive economic institutions</i> | Income equality |
| | Human Development |
| | Secure property rights |
| | Entry of new businesses |
| | Poverty Headcount Ratio |
| <i>Inclusive political institutions</i> | Political centralization |
| | Political pluralism |
| | Constraints on political power |
| | Rule of Law |
| | Absence of corruption |
| | Equal distribution of political rights |

Table 1: Indicators to measure the UAE's economic progress and inclusiveness in institutions.
Source: own elaboration.

Chapter 4 – The Case of the UAE

This fourth chapter presents an in-depth analysis of the case of the UAE. It does so by evaluating the country's performance over time both on economic grounds and on institutional inclusiveness. The first section evaluates the economic progress of the UAE. The second part examines the degree of inclusiveness in the Emirati economic and political institutions. A third section provides a brief conclusion.

4.1. Economic Progress of the UAE

In order to determine whether there has been progress in the economic development of the UAE, it is crucial to understand its historic evolution. "Before oil discovery, the UAE depended on a subsistence economy with families relying on natural resources to provide for basic needs, through pearl diving and agriculture" (Sherouk, 2018). This statement, which appeared in an article of the Khaleej Times, a local Emirati newspaper, in November 2018, describes the economic transition of the UAE perfectly. The Emirates' economy has undergone astonishing developments, being the discovery of vast natural deposits of crude oil and gas the key driver for their immense and rapid growth.

Turning its coastline into an international trade hub under the rule of European naval powers, vital ports were built and maintained to guarantee a continuity of maritime trade routes from the Indian Ocean through the Persian Gulf to the Mediterranean of south to the Cape of Good Hope (Fanack, 2020). This strategic maritime infrastructure nowadays facilitates trade of petrochemicals across the globe, safeguarding what has long been the principal income source for the UAE.

The history of the UAE' economy is marked by a confluence of many diverse influences through long-distance trade with other cultures and almost opposing habits of the local population. In early history, nomads living in the desert of the interior accounted for one way of life, accustomed to the arid climate, whereas settlements arose at strategic points along the coastal line, seeking benefit in trade from the enclave that was the direct access to the Indian Ocean from the Arabian Gulf (Fanack, 2020).

The Islam arrived in the country around 630AD, introducing a new era in which sea trade between the Gulf region, South-East Asia and West Africa would flourish. The arrival of the Ottoman Empire approximately 600 years later marked an important milestone for the history of the Emirates' institutions. Since the country, until then, had been dominated by dispersed

nomadic tribal groups, there was no real formation of a unified government but a strong unity against forces from outside. This made it difficult for the governors of the Ottoman Empire to create a structure that would allow them to impose stable order and collect taxes. This led to the establishment of deeply rooted extractive mechanisms (Acemoglu and Robinson, 2012, pp.120-123).

With the arrival of Vasco da Gama in 1498, Portuguese merchants as one of the first European civilizations began to establish trade routes from India over the Gulf Sea towards Europe, especially for spices. The Portuguese were superseded in 1622, making way for the Dutch, who established themselves in the trade of further luxurious goods, such as silk and pearl fishery, maintain a strong hold on the naval routes between the Indian Ocean and the Arabian Gulf (UAE Government, 2021a). In the early 18th century, the British had established themselves as the dominant power overseas, including the Arabian Peninsula and the adjacent seas.

The signing of the “Exclusive Agreements with the Trucial States” (UAE Government, 2021a) in 1892 constitutes a major milestone in the history of the Emirates’ dependency on the British crown. These agreements regulated the territorial limitations of the emirates, linking them to the United Kingdom while being under the military protection of the British forces. Three years after the British announced their intention to withdraw from these treaties in 1968, the UAE declared their independence on December 2nd, 1971 (Central Intelligence Agency, 2021).

Appreciating the historic evolution of the UAE’s economic is essential to understand the fundament upon which their economy is built because it marks the creation of extractive economic institutions in the UAE. The discovery of vast oil reserves in the Emirati territory while European powers already held political and economic dominance over the territory gave incentive to the foreign rulers to exploit the existing extractive structures even more. Hence, one could assume that it was in their interest that absolutism persisted, as it facilitated not only the extraction of the oil reserves itself, but it also gave them full control over the necessary infrastructure for transit and the revenues earned.

Yet, just as much as the British benefitted from their grip on the UAE’s oil reserves, their presence was much to the Emirates’ benefit. Yielding their territory to the British crown included not only the protection against foreign forces but it also meant taking part in a process of late industrial revolution with the newest technology from Europe, hence laying ground for

technological innovation needed to induce a period of rapid economic growth (Acemoglu and Robinson, 2012, pp. 120–123).

The combination of established extractive structures dating back to the Ottoman Empire and the tradition of colonial forces exploiting both these structures and the UAE's richness in oil reserves could have meant for the UAE to never fully reach economic maturity on its own. Especially given the lack of potential to foster their agricultural sector due to the arid climate and their dependency on foreign technology. Yet, the exact opposite occurred. Benefitting from the infrastructure and industrial construction the foreign forces had endowed them with, combined with extractive institutions to accumulate as much wealth as quickly as possible, their economic dominance grew rapidly in the region. Especially after their declaration of independence in 1971, the UAE took advantage of their status as a rentier state, ultimately growing to become one of the economies with the highest per capita income in the world (World Bank, 2021).

At this point, it is noteworthy to elaborate on the notion of 'rentier state'. A state can be considered a rentier state, when their revenues are primarily derived from the exploitation and exportation of natural resources, and these revenues are generated outside of the country to return as a form of 'rent' (El Beblawi, 2016; Luciani, 2017). The Gulf States, including the UAE, are generally considered rentier states, as their primary source of income for the longest period of time has been the extraction and later exportation of natural oil and gas reserves.

Table 1 offers the UAE's economic evolution over time, from 1975 to today, displaying the indicators for economic growth determined in chapter three, which are: GDP per capita & GDP valued at purchasing power parity, GNI per capita, total exports of goods and services and the UAE's degree of diversification as per their economy's sectorial composition. The values of all of them have increased generally over time. Since 1975, the UAE's GDP has grown 28-fold from US\$14.721 billion to US\$ 421.142 billion in forty-four years. The GDP per capita has almost doubled since 1975 and their GDP valued at PPP has quadrupled in less than thirty years.

| | 1975 | 1990 | 2000 | 2005 | 2019** |
|-----------------------------------|-------------|-------------|-------------|-------------|---------------|
| GDP (billion US\$) | 14.721 | 50.701 | 104.337 | 180.617 | 421.142 |
| GDP per capita (US\$) | 26.847 | 27.729 | 33.291 | 39.365 | 43.103 |
| GDP (PPP, billion int. \$) | - | 159.488 | 308.278 | 448.132 | 684.810 |
| GNI per capita (US\$) | - | - | 31.400 | 37.500 | 43.470 |
| Exports (% of GDP) | - | - | 49,16* | 67.58 | 92.45 |
| Sectors (% of GDP): | A 0.54 | A 1.06 | A 2.26 | A 1.39 | A 0.73 |
| Agriculture A | I 74.00 | I 58.90 | I 48.52 | I 55.64 | I 46.16 |
| Industry I | S 25.46 | S 40.04 | S 49.22 | S 42.97 | S 53.11 |
| Services S | | | | | |

Table 2: Economic data and their evolution for the UAE, from 1975 to 2019. (*) first available data from 2001. () most recent available data. Source: (World Bank, 2021)**

Given their vast share of oil reserves, the UAE's export levels are naturally high. The hydrocarbon sector has traditionally been the primary income source of the Emirates, which is why the industry sector has had significantly more weight in the sectorial composition. Yet, there has been a noticeable decrease since 1975, when 74% of the UAE's GDP were derived from industrial activities, including construction. Only recently, after the global financial and economic crisis in 2008 / 2009 and with the resulting plummet of the oil prices, came the change (Central Intelligence Agency, 2021).

As the necessity of reducing economic dependence on the hydrocarbon sector grew stronger, the Emirati government set course for an intensive economic diversification strategy, aiming to construct a sustainable, knowledge-based economy which would foster non-oil industries, as well as the service sector (Fanack, 2020; Central Intelligence Agency, 2021). For the longest period of time, more than 70% of the country's GDP was derived from the hydrocarbon and petroleum industry while nowadays its share has shrunk to less than 30% (Central Intelligence Agency, 2021). Nowadays the service sector generates more than 50% of the country's GDP, as shown in the table above. What is noticeable is that the agricultural sector has constantly remained almost insignificant in the Emirate's GDP. Given the extreme arid climate, vast desertification of the land and notable lack of freshwater resources, improving and growing the agricultural sector is extremely difficult. Most recent policies aim at increasing expenditure in investigation of farming technologies and fertilization in order to invert the progressing desertification of the Emirati landscape, nurture local agriculture and reduce reliance on importation of agricultural products (UAE Government, 2021c).

Although not all international institutions recognize the Emirates as a developed or advanced country, it is certain that the UAE has experienced drastic economic progress.

4.2. Inclusiveness in Emirati Institutions

While the UAE has experienced an obvious and significant economic progress, its evolution in matters of inclusiveness is not visually obvious because it depends on several indicators as well as on qualitative analysis. This section looks first at the evolution of economic institutions inclusiveness and then at the results for political institutions. It should be noted that while 87% of the 10 million inhabitants of the UAE are of foreign origin, the analysis takes into consideration wholistic data for all UAE inhabitants, regardless of their nationality.

4.2.1 Economic Institutions Inclusiveness

Inclusiveness, in a very broad sense, means equal opportunities. Therefore, and as explained in Chapter three, the evolution of economic institutions inclusiveness is assessed through the following indicators: the UAE's GINI coefficient as a reflection of the level of income equality, and its performance on the Human Development Index in its three dimensions. In addition to these, the level of secure private property and the facilitation of the entry of new businesses are evaluated, representing the framework of economic opportunities and activities. The results show that the UAE has experienced significant improvement in introducing inclusiveness in their economic institutions, especially with regards to human development.

In terms of income inequality, a sound and reliable measure is the GINI coefficient. The higher the index, the higher the inequality in an economy's income distribution. A perfectly unequal distribution would be marked by 100 and a perfectly equal income distribution would score at 0. For the UAE, the soonest available data on their GINI coefficient pointed at 32.5 in 2013, compared to their new coefficient of 26 in 2018 (World Bank, 2021). For the sake of contextualization, in 2018 the GINI coefficient for Iceland, one of the top performers as developed and high-income country, was at 26,1. In contrast, the United States of America, as a developed country, had a coefficient of 41,4 for the same year, representing an income inequality which is almost twice as high as the UAE, which is being considered a developing country. The relatively small amount of data available on the UAE's GINI coefficient makes it difficult to display an evolution of income equality, although there has been an improvement from 2013 to 2018 (World Bank, 2021). As forwarded in the introduction of this work, there are certain the available data on certain indicators is limited. Despite the World Bank's reflection of a rather favorable income equality calculations for the entire Emirati population, there is not enough data available to identify an evolution in this indicator. Additionally, upon investigation to contrast

this information, several anecdotic references have been encountered that indicate a differentiation between UAE nationals and foreign workers with regards to income and labor conditions. Although the authenticity of these sources is not guaranteed, this allows for the assumption that there might be a lower equality in income distribution in the UAE than measured by the World Bank. Hence, it is recommendable to interpret data regarding income equality in the UAE with attentiveness.

The Human Development Index (HDI) is another very reliable indicator for the assessment of economic institutions inclusiveness in a country, given that it reflects factors which both sustain the satisfaction of basic human need such as health, as well as the enablement of the population to participate in economic activities by means of adequate education and decent standard of living. The HDI comprises three dimensions: a long and healthy life, measured in life expectancy at birth; knowledge, measured in expected years of schooling on one hand and the mean years of schooling on the other hand; and the quality of the standard of living, measured in gross national income (GNI) per capita at purchasing power parity. Yet, the HDI does not include variables for inequalities, poverty, or human security.

In the case of the UAE, there has been a constant improvement in its HDI score. With an increase from 0.723 in 1990 to 0.890 in 2020, the UAE now ranks 31st in a global comparison of 189 countries (United Nations Development Programme, 2021, p. 2). Its detailed performance in the three dimensions of evaluation reads as follows: the life expectancy at birth of an Emirati inhabitant is of 78 years. In terms of knowledge, children of Emirati inhabitants are expected to receive 14.3 years of schooling, the actual mean of years of schooling being 12.1. Their GNI per capita of PPP\$ 67.462 (2017) accounts for a generally high standard of living. To enlarge the information obtained through the HDI, one may consult the Human Development Reports Office's (HDRO) additional publications to gain more detailed insight into the human development of the UAE. According to the HDRO, the UAE reached "medium equality in HDI achievements between women and men" (United Nations Development Programme, 2021, p. 5) with a Gender Development Index score of 0.931. On the Gender Inequality Index, they rank 18th out of 162 countries in the last evaluation conducted in 2019.

Assessing the poverty level of the UAE is a complicated matter. According to the country profile on the UAE, published in the CIA Factbook, an estimated 19.5% of the Emirati population lived below the poverty line in 2003. For the year 2018, in comparison, the World Bank established that 0% of the population lived below the poverty line of PPP\$ 1.90 per day (The World Bank Group, 2021), in accordance with the government's zero poverty policy. It must be noted that

it is extremely difficult to find reliable and unbiased information with regards to the topic of poverty, although one may find numerous articles from different columnists, frequently containing varying and subjective information. The debate regarding this topic includes the argument that a lack of accessibility to information about population living in poverty may imply that there is not enough transparency in the UAE's government (Diaz, 2017). Others may argue that, given the high national income and the relatively high performance in the GINI index, there is reason to believe that there is indeed no population living below the international poverty line of PPP\$ 1.90 per day. The latter argument may be sustained when consulting the World Bank's database on poverty, for the "regional aggregation using 2011 PPP and \$1.9 per day / poverty line" (The World Bank Group, 2021). Upon recreating the aggregation for the subsegment 'other high income' for the year 2019, a table is provided displaying a set of data, among which are the variables headcount, poverty gap and squared poverty gap, among others. It shows that, indeed, for the UAE, the percentage in these variables is 0, but the same applies for example to Germany, in the years 2018 and 2019.

The importance of evaluating the security of private property rights in the UAE derives from the role it plays both for development and for inclusiveness. The fact that private property offers "unique incentives to weigh up short and long term costs and benefits and thus enable the owner to bring them in accordance with his own preferences" (Heitger, 2003, p.7) allows for the assumption that securing these rights establishes the foundation for freedom of choice and for secure exchange and contracting. Both of these are considered as characteristics of inclusiveness according to Acemoglu and Robinson (Acemoglu and Robinson, 2012, pp. 74–75). According to Property Rights Alliance, the Emirates' level of private property security is outstanding, as their overall International Property Rights Index score is 7.495 on a scale from 0 to 10, ranking them 21st in a global comparison. The index considers the factors physical property rights, property rights protection, registering property, intellectual property and its protection, copyright protection and ease of access to loans. Additionally, it gives insight in its legal and political security, judicial independence, rule of law, political stability, and control of corruption (Property Rights Alliance, 2021).

Acemoglu and Robinson furthermore highlighted the importance of a regulatory framework that would allow for economic prosperity and facilitate participation in economic activities by creating a "level playing field" (Acemoglu and Robinson, 2012, p.75). The World Bank provides a useful tool to evaluate the healthiness of business environments in the 'Doing Business' reports by analyzing regulations and enforcement mechanisms affecting businesses operating and planning to operate in each economy. The higher a country's score in this report, the more

favorable the business climate for the entry of new businesses. According to the most recent 'Doing Business' report published in 2020, the UAE scored 80.9 on a scale from 0 to 100 and hence demonstrates a very positive business environment (The World Bank, 2020a).

4.2.2. Political Institutions Inclusiveness

The UAE's political system is classified as an authoritarian regime. In 2019, the Emirates occupied a low 145th rank on global scale with a total score of 2.76 out of 10 in the Democracy Index, published annually by The Economist. This index takes into consideration 5 categories: electoral process and pluralism, functioning of the government, political participation, political culture and civil liberties (The Economist Intelligence Unit, 2020, p.13). As indicated in several occasions throughout this work, certain characteristics of liberal democracies and inclusive institutions are identical, the most essential one being political pluralism. In this specific category, the UAE scored zero points at all, given that political opposition and with that, political parties, are forbidden by law (Central Intelligence Agency, 2021).

Being a federation of monarchies, the UAE accounts for a national government in addition to seven local governments. The local governments are each governed by a different ruling family, with their respective crown princes and deputy rulers, as well as executive councils and Rulers' Courts. The exact structure may vary from emirate to emirate (UAE Government, 2021e). They have autonomy in "all matters not assigned to the exclusive jurisdiction of the Union" (Constitute Project, 2021, ch. 7, art. 122, p.28). The competences on federal level are established in chapter 7, article 120 of the UAE's constitution and include, but are not limited to: foreign affairs; defense; education; public health; postal, telegraph, telephone and wireless services; and "census matters and statistics relevant to Union purposes", among others (Constitute Project, 2021, p. 27f).

The federal government is composed of five authorities, the highest federal authority being the Federal Supreme Council, consisting of the rulers of each emirate. Second in authority are the President and the Vice-President, followed by the Cabinet or Council of Ministers, then the Federal National Council and lastly the Federal Judiciary (Constitute Project, 2021). The Supreme Council, as the highest constitutional, legislative and executive authority in the Emirati political system, has the power to approve the election of the President for a term of five years. Upon termination of this period, the President can be re-elected without limitations. Additionally, the Federal Supreme Council is responsible for the creation of general policies, ratifying international treaties and has highest control over internal affairs of the UAE. The President, as Chief of State, is the head of the Supreme Council and represents the UAE for both internal

and international affairs. He has the power to appoint the Vice-President and Prime Minister, for a term of five years, whose reappointment is subject to approval by the Supreme Council (UAE Government, 2021g). The current Chief of State is President Khalifa bin Zayid Al-Nahyan, who was elected on November 2nd, 2004, and is also the ruler of Abu Dhabi. Muhammad Bin Rashid Al-Maktum, who was elected on January 5th, 2006, holds the functions of Vice President and Prime Minister of the UAE (Central Intelligence Agency, 2021).

The Cabinet, representing the executive branch of the federal government, is composed of the Prime Minister and two of his deputies, as well as the different Ministers of the UAE and administrative staff. Currently, the Cabinet holds 32 members, including nine women (UAE Government, 2021h). Among its responsibilities are, according to the UAE Government, the design of the annual federal budget plan, as well as the issuing of regulations “necessary for the implementation of Union laws [and those] related to the control and administration of departments and public boards” (Constitute Project, 2021, p. 14).

The Federal National Council represents the parliament of UAE. It is the only federal authority where members are elected by the Emirati population. More precisely, one half of its 40 members are appointed by the rulers of the seven emirates, while the other half is determined by electoral colleges, one for each emirate, whose members are appointed by the respective ruler of the emirate (Central Intelligence Agency, 2021). According to the UAE Government official website, a directive emitted by the current President, H. H. Sheikh Khalifa bin Zayed Al Nahyan, says that women must represent half of the National Council’s members (UAE Government, 2021d). The last federal authority, the Federal Supreme Court, represents the judicial branch of the UAE Government. It is composed of the court president and four judges, all of whom are appointed by the Federal Supreme Council (Central Intelligence Agency, 2021).

Political inclusiveness, according to Acemoglu and Robinson, requires political centralization and pluralism in the distribution of political power. If a country’s political institutions fail either in centralization or pluralism, or in both, then these institutions are extractive, according to their definition (Acemoglu and Robinson, 2012, p. 81). Most of these requirements are very similar to those found in liberal democracies. Political centralization is given special weight in the debate of inclusiveness, due to the fact that even authoritarian regimes can centralize political power in a way that creates inclusive economic institutions. Although each of the seven emirates are given significant autonomy over certain matters, most of the economic and political power is concentrated in Abu Dhabi and Dubai. Union affairs and the core competences which

uphold the UAE as a nation are concentrated in the federal authorities. This guarantees the centralization of political powers.

A benevolent reader might argue that the governmental structure of the UAE may, to a very limited extent, imply a certain pluralistic distribution of political power, in the sense that the local governments have a high level of autonomy in multiple matters. Yet, this would not be sufficient to guarantee political pluralism, as political parties and oppositions are banned and therefore there are no options that could substitute the government in place. Therefore, according to Acemoglu's and Robinson's theory, the UAE's political institutions would be extractive (Acemoglu and Robinson, 2012, p. 81).

Nevertheless, in the close past there has been one key development towards introducing pluralism in the UAE's political system. In 2006, for the first time in the federation's history, UAE citizens were given the possibility to vote half of the Federal National Council's members. Twenty of its forty members are nominated by the rulers of the respective emirates and the other is elected by the electoral colleges, one for each emirate. They consist of "at least 300 times the number of seats allotted to it (...) and are chosen by the Ruler of that emirate" (UAE Government, 2021d). According to the government's official website, half of all seats must be given to women to guarantee their participation in political matters.

Beyond pluralism and centralization: the rule of law, constraints on political power, absence of corruption, and equal distribution of political rights, have been considered good indicators of political inclusiveness. The significance of the rule of law for the development of financial markets country has been highlighted by the International Monetary Fund in their 'Regional Economic Outlook: Middle East and Central Asia': "The rule of law is a precondition to financial market development—stronger legal protection can encourage greater market participation, allowing for spontaneous and organic growth of financial markets" (International Monetary Fund, 2019a, p. 42). The 'World Justice Project', as an independent international organization, supported by institutions such as The Asia Foundation, the European Union or the United States Agency for International Development (World Justice Project, 2021), offers their Rule of Law Index. Their index is based on multiple factors that were identified as indicators for political inclusiveness in the context of this work, such as: Index composed of factors that are taken as indicators for political inclusiveness in this work, such as: constraints on government power or absence of corruption, among others. The UAE's score in the Rule of Law index for the year 2020 was 0.65, on a scale from 0 as lowest score to 1 as the highest possible score, ranking 30th out of 128 countries. In comparison, the three highest ranking countries are

Denmark with a score of 0.9, Norway with a score of 0.89 and Finland with a score of 0.87 (The World Justice Project, 2020, p. 16). Consequently, the UAE are placed in the medium-high segment in terms of their adherence to the rule of law.

With regards to constraints on political power, it has to be pointed out that the amendment of article 62 of the UAE's constitution limits the powers of the prime minister, his deputies as well as the federal ministers to the executive branch alone, impeding their participation in other function that is not foreseen in their function as per constitutional regulation (Constitute Project, 2021, p. 15). Moreover, the Emirati constitution provides the inhabitants of each emirate with a set of fundamental rights as well as tools to claim civil justice. Yet, there are certain aspects that invite to question the effectiveness of these constraints, as there are no political parties nor electoral processes for the governing authorities; in addition to that, the members of the Supreme Council and the Rulers of each emirate all belong to certain ruling families, a heritage of the tribal system that dominated the political and economic history of the UAE for centuries. The Rule of Law Index presented in the previous paragraph, for instance, places the Emirates on rank 59 for constraints on government, placing them in the medium segment (The World Justice Project, 2020, p. 22). One of the main inhibitors of this indicator, and with it the nurturing of inclusive institutions, is censorship on the media, as well as the lack of government checks by independent organizations. Censorship, as mentioned earlier in this section, is treated as one of the core competences of the federal government.

Another critical indicator for inclusive political institutions is the government's control of corruption. On the Corruption Index published by Transparency International, scale from 0 as highly corrupt and 100 as least corrupt, they scored 71 points, ranking 21st on a global ranking comparing 180 countries, having improved by three ranks since 2012 (Transparency International, 2020, p. 2). In fact, the federal government of the UAE promotes strict anti-corruption policies, incorporate in articles 234 to 239 of their Penal Code under the topic of bribery (Government of Dubai, 2021).

Last but not least, another indicator of political inclusiveness has to do with equal rights. Since 2016, the Othering & Belonging Institute provides its Inclusiveness Index to display inclusiveness on societal level, rather than institutional. They have established a number of factors which allow to measure the equal distribution of political rights by considering anti-discrimination laws, rates of incarceration, as well as immigration and asylum policies, among other factors. In 2020, they newly included the UAE in their global ranking, positioning them in the

medium-low segment with a score of 31.75 out of 100 on rank 104 (Menendian, Elsheikh and Gambhir, 2021, p. 13).

Although this section demonstrates that the UAE fail to perform in political pluralism as one of the key requirements for inclusive political institutions, the good position of the UAE in several indicators related with political inclusiveness, indicates that there is some political inclusiveness. Moreover, there has been some recent effort on behalf of the Emirati government to become more inclusive in their institutions and society. This effort includes political reform strategies on one hand, and the creation of new ministries dedicated to the well-being of all UAE citizens on the other hand. Since some of these political reforms, as well as the establishment of the new ministries, represent a rather recent development, it is too soon to analyze their impact and effectiveness in practice.

Among the new ministerial posts are for example the Minister of State for Youth Affairs and the Minister of State for Tolerance. With these new positions, the government of the UAE seeks to empower young men and women to advise on issues that affect future generations, and to incorporate a political framework that combats discrimination of any kind in the extremely culturally diverse country (UAE Government, 2021b).

The political reforms include strategies such as the subcontracting of “government service to the private sector” (UAE Government, 2021f) to increase the population’s direct participation in economic activities, as well as the UAE’s Vision 2021. The latter seeks to integrate governmental efforts between federal and local levels in order to establish a “sustainable socio-economic environment based on stability, solidarity, moderate Islamic values and national heritage” (UAE Government, 2021f). Nevertheless, this specific reform includes a focus on UAE nationals (UAE Government, 2021f), which may rise debate about the intentions and effectiveness of this government strategy, as one might interpret these measures as discriminatory tendencies. This work does not aim to enter this debate but rather contribute all possible perspectives to provide a complete picture. For that reason, it has to be noted that UAE nationals account for only approximately 11% of the total population and could hence be considered a minority (Central Intelligence Agency, 2021). A society with inclusive institutions would foster a framework of equal opportunities for all, including minorities, without prioritizing any segment of the population. Of course, given the lack of sufficiently unbiased information about the enforcement of equal frameworks in the UAE in practice, this matter can unfortunately not be evaluated.

4.3. Conclusions

This chapter demonstrates, as summarized in Table 3, that the UAE has experienced extraordinary economic growth in a seemingly short period of time and has also evolved greatly in terms of human development. Moreover, its economic institutions show a high level of inclusiveness, fostered by its continuous commitment to invest and improve in technological innovation, which according to Acemoglu & Robinson would be rather uncharacteristic for extractive institutions (Acemoglu and Robinson, 2012, p. 83). This underpins the argument that the UAE's economic institutions have become more inclusive.

| | <i>Indicators</i> | <i>UAE performance</i> | <i>Results</i> |
|--|--|--|---|
| <i>Economic progress</i> | GDP per capita | Very high | There has been very strong economic progress. Despite the weak agricultural sector, there has been significant improvement in diversification of the UAE's economy. |
| | GDP valued at PPP | Very high | |
| | Total exports of goods and services | Export surplus for industrial produce | |
| | GNI per capita | Very high | |
| | Diversification | Good progress with potential for improvement | |
| <i>Inclusive economic institutions</i> | Income equality | Very high* | UAE's economic institutions have become inclusive over time. (*) Limited data on poverty and income equality requires careful interpretation. |
| | Human Development | High | |
| | Secure property rights | Very high | |
| | Entry of new businesses | Very high | |
| | Poverty Headcount Ratio | Insufficient data | |
| <i>Inclusive political institutions</i> | Political centralization | Yes | UAE's political institutions continue to be extractive despite recent progress towards more inclusiveness. |
| | Political pluralism | No | |
| | Constraints on political power | Medium | |
| | Rule of Law | Medium-high | |
| | Absence of corruption | Very high | |
| | Equal distribution of political rights | Medium low | |

Table 3: Results of the UAE's performance. Source: own elaboration.

The conclusion is not straightforward regarding political institutions inclusiveness. It is certain that the UAE are based on an authoritarian regime with little to no political pluralism and a long historic trajectory of extractive structures. Nevertheless, there are significant and un-neglectable signs that the government has made strong efforts to introduce and promote growing inclusiveness in the political institutions. Although their deficiency in pluralism indicate a lack of inclusiveness in the UAE's political institutions, their performance in political centralization, rule of law and efforts to be more inclusive in their policy and legislations reforms all indicate a favorable evolution. A major milestone of the UAE's initiative to become more inclusive in its political institutions was the reformation of the Federal National Council, the parliamentary body, in 2006. The reformation guarantees that half of the council's forty members must be elected through electoral colleges. Even though suffrage is still rather limited, this shows an important step towards a more inclusive political framework.

All in all, the case of the UAE seems to agree with the following statement of Acemoglu and Robinson: "A ruler monopolizing political power and in control of a centralized state can introduce some degree of law and order and a system of rules, and stimulate economic activity" (Acemoglu and Robinson, 2012, p. 124). The hypothesis that liberal democracy is not a necessary condition for development cannot be rejected. The UAE case underlines the possibility to experience inclusive economic growth (development) while not being a liberal democracy.

Chapter 5 – Conclusions

The purpose of this chapter is twofold: first, it shall present this work's contribution to the topic of investigation as well as its practical implications. Second, it provides suggestions for future research in relation to the particular case of the UAE, and to the source of inclusiveness for development.

This thesis started with the observation that China, a non-democratic country with extraordinary growth, has become one of the most powerful geopolitical and economic forces. This has provoked a new wave of interest among social and political scientists to investigate the relationship between development and democracy, and to question the necessity of the latter. This work's objective is to provide further insight into the relationship between economic progress and the political system by investigating the conditions for development.

The literature on the relationship between democracy and development indicates that development should be understood as economic inclusiveness and that the latter needs political inclusiveness. Since liberal democracy ensures political inclusiveness, it is easy to understand that liberal democracy helps economic development. But is it a necessary condition? Acemoglu and Robinson have argued that development means economic progress plus a certain degree of inclusiveness of either or both economic and political institutions. To establish whether it is necessary for a country to be democratic to achieve development, this paper has analyzed the case of the UAE from the perspective of economic progress and the evolution of both its economic and political institutions. This Middle Eastern country seems to be the perfect case to prove the hypothesis wrong, given that it represents an authoritarian regime rich in oil. Nevertheless, the results of the analysis conducted indicate that the hypothesis cannot be rejected: the UAE's substantial economic progress has been accompanied by an increasing inclusiveness of both economic and political institutions. While it is certain that the UAE still represents an authoritarian regime with political institutions that may be considered extractive rather than inclusive, its economic institutions are reasonably inclusive. Recent changes in the UAE's reform strategies show that even its political institutions have tended towards more inclusiveness.

The principal conclusion of this research is that clearly authoritarian countries, such as the UAE, can still achieve development without (liberal) democracy, as long as they introduce inclusiveness into their economic and political institutions and obtain economic progress. In other words, democracy does not represent a condition for development, but inclusiveness does.

Returning to the theoretic scheme presented graphically in Chapter two, combined with the insights gained from the results of the case analysis of the UAE, the following major contributions of this work can be derived: first, there is a close parallelism between inclusiveness and development in the sense that, the more inclusive a country's institutions are, the more it will develop and vice-versa. Second, although there is potential for growth when only economic institutions are inclusive, political inclusiveness is needed for this growth to be long-term, sustainable development. It is hence important to acknowledge that this progressive inclusiveness in both economic and political institutions may be interpreted as prove that a country will need democracy sooner or later to become fully developed. It has yet to be determined in what exact moment the transition from political inclusiveness to democratic system occurs.

This insight could have a number of practical implications. On one hand, it may lay ground for future research on identifying the source of inclusiveness as a condition for development. This could allow for the adaption of development aid plans in countries where authoritarianism is deeply rooted in their cultures and traditions. To foster inclusiveness by leveraging each country's specific potential source, instead of adapting to democratic values, may help to achieve a higher level of appropriation of development aid measures. On the other hand, and more closely related to this work, it may also help explain why China's powerful emerge and development is possible, since they comply with the same characteristic as the UAE. The non-democratic country has experienced significant economic progress, and while its political institutions seem to be extractive, its economic institutions have become much more inclusive (Anand, Mishra and Peiris, 2013).

Suggestions for future research on the source of inclusiveness include the role of culture. The immense cultural and ethnic diversity of the Emirati society has been pointed out in various occasions throughout this work. Culture is an essential part of the identity of individuals and collectives alike and has significant impact on economy, politics, society and the predisposition of those in power to boost certain political reforms or not. The impact of culture even in development is also recognized by the World Bank as well as other institutions and renown academics (The World Bank Group, 2016). If inclusiveness is crucial for the development of a country, then what is its source? Could a certain set of cultural standards foster the creation of inclusive institutions, and therefore development? The UAE, with its particularly high cultural diversity, presents a unique case to investigate for future contributions to this field. An in-depth analysis of the UAE's culture as a nation and the confluence of the different cultural collectives living in it could provide insight into the source of their initiative to become more inclusive.

Furthermore, there are several conditions which are essential for the comprehension of the complexity and uniqueness of the case of the UAE: their status as a rentier state, and the human rights debate. These conditions were not examined in detail within the scope of this present work for two reasons. First, the focus of this work lies on the relationship of inclusiveness and development in the UAE, in order to contribute to the research about the debate whether democracy is necessary for development. And second, these conditions deserve special attention in a separate, dedicated research, as their role in the economic and political identity of the UAE is rather ample and complex.

The fact that the UAE, as mentioned in section one of this chapter, have been considered a rentier state for the greater period of time, has had an unneglectable impact on its economic development. Although the economic implication is rather obvious, the literature investigating its influence on the political development is rather scarce, although there are signs that suggest that authoritarian regimes prevail in rentier states. In fact, Michael Lewin Ross detected a correlation between the condition of a rentier state and authoritarian rule in his paper 'Does Oil Hinder Democracy', published in 2001, as a contribution to the journal 'World Politics'. Ross presents one of the few works about the lack of democratization in oil-exporting countries, highlighting the so-called rentier effect that especially Middle Eastern oil exporting countries experience (Ross, 2001). He observed several practical implications of this effect, which may inhibit democratization in rentier states. For instance, he argues that higher revenues obtained through the commodity wealth typically go together with low taxes for the citizens and increased government spending to create an image of a high standard of living, wellbeing and general wealthiness of all citizens. According to his theory, the larger the population that benefits from the commodity capital, the less incentive there is for the creation of social capital or political unrest, and less necessity to claim democratization. (Ross, 2001, p.333f).

As with many other authoritarian regimes, where free press and the presence of local subsidiaries of independent international organizations are scarce, the debate about the protection of human rights also concerns the UAE. The reports about the human rights situation in the UAE are ambiguous, at best. Both accusations and articles in their defense tend to shed only one-sided light to the picture, mostly depending on the authors' origins. There are almost no reports that aim to investigate the topic from all perspectives to try and provide an unbiased insight, which is partly to be accounted for by the lack of transparency of the Emirati government to allow non-governmental auditing on topics related to human and fundamental rights. Despite the great relevance of human rights protection, assessing the specific situation in the UAE is not within the scope of this work.

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