

## CASE STUDIES

# Strategic Leadership and Economic Transformation: The United Arab Emirates (UAE) Model

Gouher Ahmed, Ph.D.<sup>1</sup> , Nabeel Al Amiri, Ph.D.<sup>2</sup> , Anas Abudaqa, Ph.D.<sup>3</sup> 

<sup>1</sup> School of Business, Skyline University College, UAE, <sup>2</sup> Nursing - Out-Patient Department, Tawam Hospital, Al Ain, UAE, <sup>3</sup> School of Distance Education, Universiti Sains Malaysia, Pulau Penang, Malaysia

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Strategic leadership has played a significant role in establishing and advancing institutions in the United Arab Emirates (UAE) over the last 50 years. This study focuses on exploring the transformation of the United Arab Emirates from an oil-dependent state to a diversified and modern economy by understanding the theoretical frameworks and highlighting the unique characteristics of its transformation model. This study utilized a comprehensive evaluation framework to analyze several areas, i.e., economic diversification, technological innovation, education, healthcare, and social welfare. The findings of this study indicate that the UAE's approach aligns with modernization theory concerning infrastructure and social services, while its endeavors to enhance the country's control of its resources, politics, and economy are congruent with dependence theory. Institutional theory offers valuable insights into the governmental efforts that drive societal and economic transformations. The UAE's transformational model is characterized by forward-thinking leadership, proper utilization of wealth, and economic development. The UAE offers valuable insights into other countries and highlights the importance of continuous reforms and adjustments to achieve sustainable growth and global integration. Nevertheless, the UAE's development trajectory requires acknowledging the specific domains that require additional enhancement.

## 1. Introduction

The UAE has experienced significant and impressive changes since its founding in 1971, primarily because of the government's strategic vision and policies (Ahmed, 2015). The country is admired for its sophisticated infrastructure, world-class education system, and sustainable economic growth (Ahmed, 2018). For example, a small country's Gross Domestic Product (GDP) is \$509 billion, and the GDP per capita (Purchasing Power Parity) is \$88,960 (IMF, 2023).

There is strong emphasis on the role of the UAE as a global leader, especially in sustainable practices, setting an example for other nations. The government and people of the UAE commended their hard work and dedication to diverse and resilient social, educational, and health care systems. The government's strategic initiatives have contributed to its safety, security, and high standards of living, which are seen as testaments to rulers' dedication. The UAE is positioned as a guiding force with its leadership

in sustainable practices and a source of inspiration for nations worldwide, continuously shaping the future with its high standards and embracing diversity. The country's pivotal role in fostering global development and prosperity emphasizes the nation's journey towards excellence in various sectors and its impact on the international stage.

This study aims to examine and evaluate the transformation of the UAE economy in different areas, including economic diversification, technological innovation, education, healthcare, and social welfare. This study adopted a literature review research design to explore the transformation of the UAE, followed by an in-depth analysis, that is, an examination of its theoretical background and an identification of the main characteristics of the UAE transformational model. The authors used descriptive, analytical, persuasive, and critical types of academic analyses.

This analysis could assist in understanding the factors that led to the emergence of the UAE economy as one of the top economies in the Middle East and is successful in promoting institutional expansion. The UAE's swift metamorphosis from a collection of small, underdeveloped sheikhdoms to a global superpower may be mostly attributed to the government's endeavors to enhance institutional development distinguished by deliberate planning and investment in several industries. Therefore, the remarkable transformation of the UAE could offer a blueprint for developing countries in the Middle East.

The following sections include a literature review of UAE transformation in multiple sectors, an analysis of the findings, and a conclusion.

## **2. Literature Review**

### **2.1. Establishing and Development of the UAE**

The seven AE (or the Trucial States) were a region previously governed by the British. Oil discovery in the 1950s and the 1960s established the foundation for a federation to utilize this wealth to advance the nation and significantly transform the economic landscape of the region.

The political structure of the UAE comprises a distinctive fusion of traditional and contemporary governance systems. Each emirate maintains a significant degree of autonomy. In contrast, concerns of national significance, including defense, foreign affairs, and economic policy, are centralized within the federation under the authority of the Supreme Council of Monarchs (comprising the monarchs of the seven emirates). The UAE's political sphere is dominated by the President and Prime Minister, who are historically rooted in Abu Dhabi and Dubai, respectively.

UAE leaders were confronted with the monumental undertaking of nation-building in the federation's early years. The initial objectives included infrastructure development and the establishment of a unified national identity. Education, healthcare, and housing were among the critical sectors that were addressed promptly. To promote the development of natural resources and the economy, the government implemented bold initiatives to construct airports, roads, and ports. A blend of traditional leadership styles

and contemporary administrative frameworks has defined governance during these formative years. Technocrats and experts were engaged in designing and implementing modern governance structures, whereas the monarchs of emirates, who were esteemed for their tribal and familial ties, were heavily involved in decision-making.

The UAE government's involvement in institutional development is influenced by forward-thinking leadership and strategic planning. At the heart of this study are the exceptional leadership attributes and endeavors of prominent individuals who have made distinct contributions to the expansion of the UAE (Ahmed & Amiri, 2022).

Sheikh Zayed's approach to economic diversification emphasized diminishing reliance on petroleum earnings and allocating investments across many industries and established the foundation for a more enduring economic framework. The importance of human capital in national growth is highlighted by his focus on social development, which is reflected in the creation of excellent healthcare and educational facilities. In addition, his dedication to safeguarding Emirati culture and traditions, coupled with environmental preservation endeavors such as the Greening of the Desert initiative, demonstrates a well-rounded approach to modernization.

The population of the UAE has undergone substantial transformation in recent decades, mostly due to oil exploration and trade. This progress has resulted in two primary elements that influence population expansion: elevated natural growth among the local population of the UAE and expatriates, who share approximately 80 percent of the total population. This phenomenon is commonly observed in numerous countries where enhanced healthcare, elevated living standards, and economic progress collectively lead to an increase in birth rates and a decrease in mortality rates. A significant increase in the number of expatriates is the most prominent factor. The economic upsurge propelled by the exportation of oil has generated a multitude of employment prospects, enticing workers from all regions (Shihab, 2001). Nyarko, 2010). By 2010, there was a substantial increase, with the population reaching 8.48 million. The population in 2021 was documented to be 9.37 million and net migration has decreased significantly. The GDP increased more than 12 times from 1980 to 2022 ([Table 1](#)).

The human development index (HDI), which measures average achievement in a long and healthy life, access to knowledge, and a decent standard of living, showed that the HDI value for the UAE is 0.937 in 2022 compared to 0.717 in 1990, which places the country among the countries with very high human development, that is, ranked 17th out of 193. The UAE is very close to many developed countries, such as the USA (0.927), the UK (0.940), and Singapore (0.949) (Human Development Report, 2024).

The primary emphasis is placed on educating and enhancing the skills of Emirati citizens to decrease their dependence on foreign laborers. The UAE's adept strategy in resource management and human capital development has

Table 1. The UAE Development between 1970 and 2022

	Indicator	1970	1980	1990	2000	2010	2021
	<b>World View</b>						
1.	Population, total (millions)	0.23	1.09	1.9	3.28	8.48	9.37
2.	Population growth (annual %)	14.4	9.0	5.9	5.6	5.9	0.8
3.	Surface area (sq. km) (thousands)	83.6	83.6	98.6	98.6	98.6	98.6
4.	Population density (people per sq. km of land area)	3.30	14.35	26.8	46.1	119.4	131.9
	<b>People</b>						
5.	Income share held by lowest 20%			-	-	6.2*	9.2*
6.	Life expectancy at birth, total (years)	59.6	67.07	72	74	78	79
7.	Fertility rate, total (births per woman)	6.65	5.5	4.5	2.7	1.8	1.5
8.	Mortality rate, under 5 (per 1,000 live births)	98	35	17	11	9	6
	<b>Environment</b>						
9.	Forest area (sq. km) (thousands)	-	-	2.5	3.1	3.2	3.2
10.	Annual freshwater withdrawals, total (% of internal resources)	-	-	1,028	1,556	1,782	1,587*
11.	Urban population growth (annual %)	14.4	9.24	5.7	6.1	6.4	1.1
12.	CO2 emissions (metric tons per capita)	65.0	36.19	29.06	25.87	19.19	20.25*
	<b>Economy</b>						
13.	GDP (current US\$) (billions)	-	43.59	50.7	104.34	289.8	415.0
14.	GDP growth (annual %)	-	23.87	18.3	10.9	1.6	3.9
15.	Inflation, GDP deflator (annual %)	-	9.51	3.3	11.5	12.5	14.3
16.	Agriculture, forestry, and fishing, value added (% of GDP)	-	0.49	1	2	1	1
17.	Industry (including construction), value added (% of GDP)	-	-	59	49	53	47
18.	Exports of goods and services (% of GDP)	-	-	-	49*	82	96*
19.	Imports of goods and services (% of GDP)	-	-	-	41*	62	71*
	<b>States and markets</b>						
20.	Time required to start a business (days)	-	-	-	19*	15	4*
21.	Domestic credit provided by the financial sector (% of GDP)			-	-	-	101.1
22.	Tax revenue (% of GDP)	-	-	-	1.1*	0.3*	0.5
23.	Mobile cellular subscriptions (per 100 people)			1.8	43.6	128.8	194.7
24.	Individuals using the Internet (% of the population)	-	-	0	23.6	68	100
25.	High-technology exports (% of manufactured exports)	-	-	-	-	4*	9
	<b>Global links</b>						
26.	Merchandise trade (% of GDP)	-	70.45	69	81	138	186
27.	Net migration (thousands)	-	-	65	132	-14	-3
28.	Foreign direct investment, net inflows (BoP, current US\$) (millions)	-	-	-116	-506	8,797	20,667

Note: \* These figures refer to periods other than those specified. (-) indicates not available.

Source: The authors has compiled the data from the World Bank and World Development Indicators database

gained global acclaim, as demonstrated by its impressive 25th rank in the world and 1st rank in the Arab world in the 2019 World Competitiveness Index for public sector performance (GCI, 2019).

Table 2. UAE Government Effectiveness (Global Rank)

	1996	200	2010	2020	2022
Government Effectiveness	77.05	77.60	77.99	87.14	88.68
Regulatory Quality (Lowest=0, Highest=100) (Percentile Rank)	71.74	70.65	61.72	82.86	82.02
Control of Corruption (Lowest=0, Highest R=100) (Percentile Rank)	57.53	59.57	78.57	82.38	83.49

Source: Compiled data from various sources (World Bank Database; Kaufmann et al., 2023; Worldwide Governance Indicators, 2023)

## 2.2. Governance, Law, and Cultural Tolerance

There is wide-ranging consensus among political stakeholders in the UAE regarding the trajectory and policies of the nation. The administration and ruling family possess a significant degree of legitimacy, which results in robust support for their programs. The main emphasis is placed on effective governance and a methodical regulated approach to ensure the preservation of social stability. The UAE's governance strategy, as expressed by its ambassador to the United States, prioritizes responsiveness to public opinion even in the absence of established democratic structures. The UAE's prioritization of societal stability and gradual development over swift political reforms became especially apparent following the Arab uprisings in 2011. The UAE's legal system and political environment can be described as a distinct combination of tradition and modernity. This involves a delicate equilibrium between upholding Islamic ideals and accommodating the needs of varied and contemporary communities. The government's focus on stability, cultural tolerance, and incremental reform is crucial to its strategy for managing these intricate relationships.

Worldwide Governance Indicators (WGI) are used to understand the UAE government's performance. The WGI measures global governance quality using data from over 30 reliable sources, including think tanks, international organizations, NGOs, and businesses. This broad approach includes governance issues such as government service efficiency, political stability, corruption management, and human rights. The UAE government consistently performed better in terms of government effectiveness from 1996 to 2022 (Table 2).

The UAE's ranking as the 8<sup>th</sup> most efficient government internationally is a testament to its effective governance principles and bureaucratic operations (IMD 2023). The leadership's dedication to establishing a favorable business climate is further emphasized by its second position in basic infrastructure and fourth position in tax policy. These rankings signify a favorable business environment bolstered by contemporary infrastructure and advantageous tax regulations. Table 3 shows that the UAE ranks 32<sup>nd</sup> in the global innovation index, 2<sup>nd</sup> in the business environment, and 21<sup>st</sup> in the regulatory environment among the best in Arab countries.

The evolution of the UAE's legal system showcases a captivating interaction between civil laws, Islamic legislation, and cultural modernization. The UAE ranked 6<sup>th</sup> in the world for the efficiency of its legal framework

Table 3. UAE Institutions Development (Global Rank)

	Score /Value	Value	Rank
1	Global Innovation Index (GII Rank)	-	32
2	Institutions	80.8	10
3	Institutional Environment	67.5	30
4	Operational stability for businesses	59.7	47
5	Regulatory Environment	83.1	21
6	Regulatory Quality	68.4	30
7	Rule of Law	64	36
8	Cost of Redundancy dismissal	8	1
9	Business Environment	97	2
10	Policies for doing Business	83.3	5
11	Entrepreneurship Policies and Culture	100	1

Source: The authors has compiled the data from, WIPO 2023

(GCI, 2019). The UAE's legal system is characterized by a combination of secular ideas and Islamic tenets, reflecting the country's distinctive approach to government and law. The UAE's legal system is significantly shaped by Islamic Shariah laws, particularly in matters of personal status such as marriage, divorce, and inheritance. Nevertheless, it also integrates the components of civil law, particularly in domains such as commercial and labor conflicts. This amalgamation exemplifies the nation's endeavor to uphold its Islamic legacy while simultaneously adopting elements of contemporary legal frameworks. Significant legal revisions were implemented in the UAE's Islamic personal laws in November 2020. The reforms encompassed the legalization of cohabitation for unmarried couples, relaxation of alcohol regulations, and establishment of legal penalties for honor killings. These developments signify a gradual transition in the legal system, bringing it closer to conforming with global standards and adapting it to the diverse population of the UAE, which encompasses a significant expatriate community.

The UAE has implemented several initiatives to promote cultural tolerance, acknowledging the diversity of its population and presence of expatriates. This encompasses the selection of a Minister of Tolerance, which demonstrates the government's dedication to establishing a society that embraces diversity and upholds the values of other cultures and traditions.

### 2.3. Diversification and Economic Development

The UAE has effectively diversified its economy, decreasing its reliance on oil earnings and positioning itself as a prominent worldwide center in multiple industries. The UAE's economy was heavily reliant on oil in the years after its establishment. Oil greatly augmented the nation's revenue, serving as the foundation for its initial prosperity and strategically allocating its oil resources to develop a strong and comprehensive infrastructure, thereby establishing a solid foundation for future economic growth and diversification.

The UAE's GDP currently comprises approximately 70% of the non-oil sector, indicating a significant reliance on sources other than oil (IMF Survey, 2002). In 2021, the total natural resource rent as a percentage of the GDP in the UAE was 17.63%. This figure represents a significant decline from 56.7% in 1979. This is considerably lower than that in many other Middle Eastern countries. For example, Qatar, Saudi Arabia, Oman, Iraq, and Libya reported 27.3 %, 25.6%, 29.2%, 43.4%, and 61.0 %, respectively (World Bank, 2021). This transition has made the country less susceptible to changes in oil prices, as evidenced by the limited effect of the fall in oil prices since 2014 on the economy.

According to the World Competitiveness Booklet (IMD, 2023), the United Arab's fourth position in economic performance is evidence of its diverse economy and its successful transition away from reliance on oil. The diversification process has been facilitated by substantial investments in industries, such as tourism, banking, and technology. The nation's advantageous geographical position as a prominent center for global commerce and its exceptional infrastructure have been instrumental in attracting foreign trade and investments, as evidenced by its top ranking in international trade. The UAE's 16<sup>th</sup> position in business efficiency and 9<sup>th</sup> position in business legislation reflects its commitment to promoting innovation, developing entrepreneurship, and creating a competitive business environment (IMD, 2023). This is further enhanced by the country's 6<sup>th</sup> position in the employment and labor markets, which demonstrates its dedication to cultivating a proficient workforce and guaranteeing job prospects. These factors are essential to fostering sustained economic expansion.

In the UAE, tourism has emerged as a prominent luxury tourist hotspot, providing extravagant experiences, top-notch shopping, and distinctive architectural marvels. The expansion of this industry is evidence of the country's capacity to develop upscale tourism attractions that attract people from all over the globe. UAE airlines have improved the country's global connectedness and have become a representation of its economic advancement and aspiration. The real estate and finance sectors have experienced significant expansion. The UAE's status as a preeminent international tourism destination has been solidified through substantial investments in world-class hotels, entertainment venues, and cultural landmarks, as well as hosting significant events such as the Expo 2020 Dubai and the COP28 Global Sustainability Conference in 2023.

The UAE has made significant investments in technology and renewable energy, highlighting its dedication to sustainable growth. These expenditures aligned with the worldwide trend towards sustainability and demonstrated the UAE's commitment to leading innovations and environmental stewardship. Economic diversification in the UAE has been significantly aided by the expansion of free zones, including the Jebel Ali Free Zone (JAFZA) in Dubai and the Khalifa Industrial Zone Abu Dhabi (KIZAD).

Table 4. UAE Market Diversification and Sophistication (Global Ranking)

	Item	Value	Rank
1	Trade, diversification, and market scale	64.4	33
2	Domestic Industry diversification	96.8	20
3	Investment	32.1	23
4	Market capitalization, % of GDP	90.8	35
5	Domestic credit to the private sector, % of GDP	90.8	35
6	Credit	54.4	24
7	Finance for startups and scaleups	75.1	13

The authors compiled data from the WIPO WIPO2023.

Foreign investment and international business operations have found these zones appealing due to tax exemptions, convenience of doing business, and complete foreign ownership. The retail industry in the United Arab Emirates (UAE) has emerged as a substantial economic contributor attracting a wide range of international customers.

The economy has been further diversified through the influx of international investors and residents into the real estate and construction sector, propelled by the completion of opulent developments and landmark projects. In tandem with these developments, the construction sector has experienced a strong expansion. Domestic industry diversification ranks high at 20, and investments are also ranked 23rd among world countries ([Table 4](#)).

#### 2.4. Technological Advancements and Sustainability Policies

The UAE has solidified its position as a leader of technological innovation and environmental sustainability in the Middle East. Following its vision of being a technologically advanced and sustainable nation, the government's sustainable investments in cutting-edge technology and its dedication to environmental protection influence the country's trajectory.

The UAE government has made substantial investments in recognizing the critical role that technology plays in economic and social progress. Artificial intelligence (AI), robotics, blockchain, and the Internet of Things (IoT) are the industries in which these investments are made. The establishment of smart communities is the primary objective of the UAE's technological progress. To improve the quality of life of residents and the efficiency of municipal services, initiatives such as Dubai's Smart Municipal strive to incorporate cutting-edge technologies into urban management. Digital governance, intelligent transportation systems, and public services propelled by AI are also included. Electronic Government Services, Telemedicine Services, and Digital Education Platforms are all components of the UAE's digital transformation agenda. Creating a digital culture that values efficiency and innovation is an integral part of this transformation in addition to the adoption of new technologies.



Table 5. UAE infrastructure development (Global ranking)

	Item	Value	Rank
1	Infrastructure	59.8	15
2	Information and Communication Technologies (ICTs)	89.0	15
3	ICT access	97.9	4
4	ICT Use	91	20
5	Government Online service	89.1	12
6	E-Participation	77.9	18
7	General Infrastructure	58.4	8
8	Logistics Performance	86.4	7
9	GDP Unit of energy use	7.6	92
10	Environmental Performance	56.8	34

Source: The authors has compiled the data from WIPO 2023

## 2.5 The Development of Infrastructure

The country made strategic investments in upgrading its infrastructure and services, bringing them in line with the facilities available in developed western cultures. The time required to start a new business has decreased by five times since 2020, as shown in [Table 1](#).

Ambitious infrastructure initiatives have played a pivotal role in propelling economic diversification in the UAE. Prominent cross-continental undertakings such as the Burj Khalifa, Palm Jumeirah, and Yas Island are drivers of economic expansion and attract investors and vacationers from around the globe. The transportation and logistics sector in the UAE has been strategically positioned as a pivotal center through investments in transportation infrastructure, including the expansion of ports and airports (e.g., Jebel Ali Port and Dubai International Airport). These developments have significantly contributed to economic diversification and enabled worldwide trade and commerce. In addition to integrating cutting-edge technologies into metropolitan development, the UAE has prioritized the establishment of a sustainable and intelligent infrastructure. Abu Dhabi's dedication to forward-thinking and inventive progress is exemplified through initiatives such as Masdar City, which prioritizes sustainability and renewable energy.

The UAE ranks 15<sup>th</sup> globally, according to the Global Innovation Index, in infrastructure and information and communication technologies (ICTs), which signifies notable accomplishments in establishing a strong physical and digital infrastructure network that is essential for a contemporary economy ([Table 5](#)).

## 2.6. Establishments of Commerce and Financial Institutions

The transformation of the UAE into a global financial center was significantly aided by the establishment of financial centers. Establishing the Dubai International Financial Centre (DIFC), the Central Bank of the UAE, and the Abu Dhabi Global Market (ADGM) demonstrates the government's

role in building robust economic institutions. These companies have not only drawn international investment, thereby establishing the UAE as a prominent worldwide corporate hub, but have also played a crucial role in promoting economic stability and diversification, thereby reducing dependence on oil. These centers provide a stable, business-friendly environment governed by industry-standard frameworks.

## 2.7. Development of Educational Institutions

The UAE has prioritized education for a prosperous and inclusive society. Education is crucial for creating a diverse, knowledge-based economy. In 2023, 15.5% or \$2.7 billion of the government budget went to education out of the \$17.1 billion federal budget (Oxford Business Group, 2023). National Higher Education Strategy 2030 concentrates on pupils' technical and practical skills to boost the job market. Education in the UAE emphasizes worldwide standards and curricula in public and private schools. Sector quality and standardization depend on regulatory authorities such as the Abu Dhabi Department of Education and Knowledge (ADEK) and Knowledge and Human Development Authority (KHDA). Strategic education investments and programs demonstrate the UAE's commitment to a knowledge-based economy, making it a regional education leader. The UAE has made tremendous progress in promoting gender equality in education. Literacy rates have increased from 58 percent for males and 31 percent for women in 1975 to nearly 95 percent today (UAE Gender Balance Council, 2023).

The UAE is becoming a regional and global educational leader, with excellent education, gender equality, and competitiveness. The UAE has become a forefront of education in the region and a center for academic innovation and distinction of this all-encompassing strategy, which has significantly altered the educational landscape. The expansion of universities and colleges has contributed to higher education in the United Arab Emirates (UAE). These establishments provide an extensive selection of undergraduate and graduate programs to accommodate the varied requirements of domestic and international students. A pivotal component of the UAE's educational strategy is the allocation of resources for research and development. The government granted funding to numerous research projects and established research institutions, particularly in areas of strategic significance, such as healthcare, technology, and renewable energy,

The data extracted from [Table 6](#) provide compelling insights into the UAE's educational environment. These findings suggest that the UAE ranks higher in education (56th place), although it ranks relatively low in education (77<sup>th</sup> place). However, the country's educational institutions are displaying encouraging indications of progress and are gaining global attention. The impressive performance of UAE universities in the QS Stars grading system and their involvement in intricate research endeavors and novel pedagogical teaching methods is noteworthy. This indicates that the UAE is making

Table 6. UAE Educational Development (Global Rank)

	Item	Value	Rank
1	Education	54.5	56
2	Expenditure on education, % GDP	3.9	77
3	Gross expenditure on R&D, % GDP	1.5	26
4	Research talent, % in business	77.9	3
5	Researchers full-time equivalent, FTE/million population	2,488.8	34
6	QS University Ranking, top 3	37.5	34
7	Innovation linkages	56.3	15
8	University-industry R&D collaborator	73.1	20

Author has compiled the data from, WIPO 2023

efficient investments in its educational sector, prioritizing not only facilities and resources but also emphasizing quality and adherence to international norms.

The UAE's international partnership with renowned universities is pivotal to its educational advancement. The formation of faculty and student exchange programs, collaborative research initiatives, and the establishment of auxiliary campuses in the UAE are all components of these alliances. Such a collaboration has been observed between the Rochester Institute of Technology Dubai, New York University Abu Dhabi, and Sorbonne University Abu Dhabi.

## 2.8. Development of Healthcare System

The UAE has established a commendable healthcare system and social welfare programs, supported by substantial government intervention and strategic investments. The UAE's dedication to this cause has driven it to a prominent place in global human development, as demonstrated by its high ranking in the 2021-2022 Human Development Report.

The UAE government has been instrumental in devising strategic plans and making significant investments to establish a comprehensive healthcare system. This encompasses establishing and enhancing healthcare infrastructure, particularly in marginalized and remote regions, to guarantee equitable and readily available medical care for the entire population. In the UAE, healthcare is governed by federal regulations and emirates. The Ministry of Health and Prevention, in conjunction with the Health Authorities of Abu Dhabi, Dubai, and other emirates, supervises the healthcare system. This regulatory structure guarantees high standards, availability, and effectiveness of healthcare services.

The UAE has been shifting healthcare spending from government control to public-private partnerships. This strategy prioritizes incorporating optimal methods and advancements in the private and public healthcare domains, broadening the scope of health services and improving their overall quality. Moreover, the UAE government partners with renowned international healthcare institutions such as the Cleveland Clinic, Mayo Clinic, and Johns

Hopkins Medical School to augment its healthcare system. These collaborations enhanced the UAE's position as a prominent regional hub for exceptional health care.

The UAE government has taken proactive measures to tackle worldwide healthcare difficulties, such as the COVID-19 pandemic, and local health issues including obesity and diabetes. The organization has formulated strategies for the distribution of vaccines, implementation of telemedicine, and execution of digital health initiatives.

### **2.9. Development of Social Welfare Programs**

The UAE government enacted laws, policies, and guidelines to bolster social welfare and development, thereby safeguarding the welfare of all sectors of society. The UAE is dedicated to improving its social welfare initiatives. A noteworthy endeavor involves substantial augmentation of social support allocation to 28 billion AEDs to enhance the living situations of low-income Emirati households. At the core of these measures is housing, wherein the government offers grants, loans, and programs to facilitate the acquisition, construction, and refurbishment of residences, guaranteeing social stability, and a superior standard of living.

Furthermore, the Emiratization strategy aims to enhance Emirati's involvement in the labor sector by implementing job creation initiatives and providing training opportunities. The UAE provides social security benefits, such as pensions and financial aid, to support the well-being and integration of older individuals, disabled individuals, and low-income families.

The nation conforms to worldwide patterns in the use of technology, the pursuit of sustainable development, and engagement in international diplomacy. It upholds robust diplomatic ties globally and actively engages in international forums, making valuable contributions to matters such as climate change and humanitarian assistance, and thus bolstering its global reputation.

## **3. Analysis of the UAE Economic Transformational Model**

Comprehensive comprehension and profound insights into the underlying dynamics of the UAE's economic transformation can be obtained by employing theoretical frameworks. According to modernization theory (Rostow), contemporary societies advance through comparable phases of economic development through which all countries must pass to become developed: 1) traditional society, 2) preconditions to take-off, 3) take-off, 4) drive to maturity, and 5) age of high mass consumption. The UAE's expansion aligns with Rostow's paradigm, emphasizing the progression from traditional civilization to high-mass consumerism. Before 1971, the UAE was in the "Traditional Society" stage, marked by a scarcity of advanced technology and a primary emphasis on local sectors such as fishing, pearl diving, and trading (Little, 2007; Rostow, 1959). During this period, the UAE was characterized by regional disputes and limited access to modernization. During the 1970s, the UAE shifted its economy from heavily

dependent on oil to achieving diversified growth. During this period, which corresponds to Rostow's "Pre-Conditions for the Take-Off" phase, there were notable policy reforms and improvements in infrastructure, education, and healthcare (Raj, 2019). For example, Dubai's evolution from a small desert village to a prosperous and contemporary city-state propelled it towards international recognition (Denicola, 2005; Hvidt, 2009). The era of self-sustained growth, known as the Drive to Maturity stage according to Rostow's model (Rostow, 1959), occurred from the 1990s to the 2000s. During this period, there was an increase in new economic industries, namely, technology and commerce, as well as growth in the highly skilled workforce resulting from migration and labor reforms. In the last stage, high mass consumption occurred from the 2000s to the present day. During this period, there was a high standard of living and luxury in the UAE, marked by a high number of malls, restaurants, cinemas, cosmetic centers, etc. This period includes heavy consumption of services and goods, more than people need, which drives economic growth.

Although modernization theory has been criticized, it has not been followed by all societies. The UAE development pathway nearly matches this model. For example, the UAE took off fast to modernize by importing Western technical capital, science, and technology. In other words, it is a top-down model of modernization that imitates the Western modernization pathway to develop the country. Furthermore, the UAE's development model is more or less committed to capitalism. However, the UAE faces unique challenges in establishing an ideal modernized nation because of cultural and political norms. For example, the governance system requires further development to meet the expectations of a modernized society. On the other hand, the UAE transformational model has a major advantage in terms of natural resources, such as oil and geographical location, which contradicts Rostow's assumption that all nations have equal resources.

Dependency theory posits that resources migrate from underdeveloped and impoverished states on the periphery to a core of prosperous states, benefiting the latter to the detriment of the former (Smith, 1979). This theory reflects unequal relationships between poor and rich nations; poor nations are suppliers of raw materials, cheap labor, and markets for goods from industrialized countries. The UAE was colonized by Great Britain in 1820. The UAE declared independence in 1971, followed by state recognition. The UAE, as a free nation, has established an equal relationship with all nations. However, dependency theory simplifies the complex interactions and dynamic relationships between nations. The UAE continued its strong relationships with Western countries, such as the UK and the USA, based on mutual benefits and equal treatment. Accordingly, the UAE fully controlled its political relationship and economic development.

The UAE presents a compelling case study of the "resource curse," which posits that countries endowed with ample natural resources, such as oil, frequently encounter diminished economic growth and inferior development

outcomes compared to nations with fewer resources. Nevertheless, the UAE has successfully overcome the negative consequences of the resource curse, such as wars, poor economic development, corruption, ineffective governance, and political violence. The UAE, which traditionally depends on oil and gas, has implemented substantial measures to broaden its economy and enhance institutional growth. One drawback that could be associated with the resource curse in the UAE is being less democratic compared to Western countries. However, the UAE government overcame this challenge by highly responding to the Emirati citizen's requirements and needs, and reasonable distribution of wealth.

The role of institutions in influencing social behavior is the subject of institutional theory (Tatiana & Marano, 2018). Institutionalism demonstrates that decisions and social patterns arise from institutions and traditions that influence individuals' decisions. Historically, in UAE traditions, all decisions were made by the head of the tribe (the Sheikh), who was responsible for the welfare of his people, assisted by a few wise men around him. However, the expansion of the country and the rise of new, complicated challenges led to the establishment of specialized institutions to deal with each aspect of life and make decisions based on expertise and knowledge. In the case of the UAE, the role of the visionary leaders (the Sheikhs) is considered positive in directing and leading the major issues in the country; visionary leaders such as Sheikh Mohammad bin Zayed Al Nahyan and Mohammed bin Rashid Al Maktoum play vital roles in building modern institutions with less bureaucracy and responsive to the transformational needs of the country.

The UAE exemplifies the concept of a "developmental state," which pertains to a governmental framework in which the state assumes a substantial and proactive role in determining the trajectory and pace of economic progress (Caldentey, 2008) through long-term investments, knowledge transfer, and infrastructure development, which necessitates collaboration between the public and private sectors.

The analysis provides a systematic approach to the development of the UAE by applying these theoretical frameworks. UAE success can be attributed to two main factors. First, the role of visionary leadership, which led to the establishment of the UAE, differed to some extent from the common leadership styles in the Middle East between 1970 and 1990. UAE leaders focused on establishing peaceful relations with their neighbors and staying far from political conflicts and wars. They also prioritized the prosperity of people and building their economy. Second, the proper utilization of resources, particularly oil revenue, was directed at establishing the country's infrastructure, such as roads, airports, ports, universities, and hospitals, and improving government services and public administration.

The UAE's economy has several characteristics. First, it is a mixed economy that depends on governmental planning and the private ownership of most means of production. Second, it is a diversified economy that shifts away from oil to multiple sources. Third, it is a knowledge-based economy, which

reduces intensive dependence on labor and increases dependence on knowledge, technology, and skilled labor. Fourth, it is globally a competitive tax economy; for example, it levies 5% on the purchase of goods and services, 0% for individuals, 0% for corporations for up to AED 375,000, 9% beyond that, and 0% for free zones. Fifth, it is one of the largest economies in the Middle East in the world. Finally, the country is characterized by well-developed infrastructure, high living standards, a stable political environment, and a favorable geographical location.

In brief, the economic development and prosperity of the UAE are far from those of the oil countries in the world.

### **Challenges and Prospects for the Future**

Although the UAE has slowed down in its pursuit of diversification, the nation is confronted with several obstacles, including excessive dependence on foreign labor, geopolitical strains in the region, and the imperative to advance the private sector. Notwithstanding its advancements, the UAE has encountered obstacles such as ensuring economic viability while relying partially on income from oil resources. The volatility of the oil market and the worldwide transition towards renewable energy present challenges to the stability and growth of the UAE.

The UAE government faces huge difficulties in reconciling modern global tendencies with traditional values, particularly in the social and political spheres. Preserving this equilibrium is essential for upholding societal cohesion and national character, while embracing worldwide progress. However, the government should make greater efforts to expand people's engagement and democracy.

Another challenge is global and regional competitiveness among countries in many sectors, such as construction, trading, education, and health, which could threaten the current position of the UAE. It is worth mentioning that strategic changes in some Arabic countries, specifically Saudi Arabia, Qatar, and Oman, aim to create competitive economies guided by the UAE transformation model. However, these countries still lag the UAE.

Economic diversification is a crucial objective, involving endeavors to enhance industries such as banking, real estate, and tourism, and to promote innovation and entrepreneurship. Focusing on innovation, sustainable development, and a knowledge-based economy, the UAE Vision 2021 and Centennial 2071 initiatives were formulated to tackle these obstacles. The UAE's long-term economic durability and expansion will persist because of the groundwork established via infrastructure development, the creation of financial and business centers, and investments in critical industries such as aviation and tourism.

## Conclusion

The government's pivotal role in the UAE's growth can be examined from different perspectives, highlighting the complex nature of its strategic vision and policies. Governments play a vital role in determining a nation's path across various domains.

The UAE government's endeavors to transition from an economy heavily reliant on oil to a more diversified one are of utmost importance for economic development. The government has diversified its economic portfolio by investing in industries such as real estate, aviation, and tourism and building financial hubs and free zones. This has resulted in a larger economic base and more sustainable and resilient economic structure.

Addressing global dynamics, the government's responsibility includes not only domestic growth but also the strategic positioning of the UAE on the global stage. The UAE's international relations strategy—marked by transparency and strategic alliances—has played a crucial role in its global reputation.

The all-encompassing growth strategy is a prime example of how effective governance may spearhead revolutionary progress in the modern day.

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